

The first Merkel-Schulz showdown

A direct duel between Angela Merkel and her challenger Martin Schulz is not scheduled before September. But yesterday, both at least appeared at the same event.



Source: Shutterstock

It's been a slow start to the German election campaign

Compared with other European elections this year, the German election campaign is starting off very slowly. Some are even arguing that the elections are already over before the campaign has actually started. Yesterday gave a good illustration of both.

In earlier national elections, the main challenger of the sitting chancellor was either the opposition leader in parliament or at least someone who played a prominent role in government. In either way, it was at least a challenger, who could use national politics and parliamentary discussions as a platform to increase their own popularity. In the current election campaign, this is different.

It almost looks as if the race has already been decided before even getting started

Chancellor Merkel's main challenger Martin Schulz from the Social-Democrats neither holds an official position (anymore) nor is he a member of the German parliament. As a result of this constellation, Schulz is touring market squares and coliseums, while Angela Merkel is shining on the international stage, as a counterweight to US President Trump. This is probably one of the reasons why Merkel has returned to her previous popularity, while Schulz' popularity boost of the first months of the year has eroded.

Yesterday was a rare chance to see both contenders at once

Against this background, yesterday's appearances of both Merkel and Schulz at one and the same event had something special. They did not enter a debate but spoke after each other at a conference of the German industrial association, giving a selected audience one of the rare occasions to see both contenders on one day.

Neither Merkel nor Schulz delivered any surprises. While Merkel was and is trying to fully exploit her so-called chancellor-bonus, mainly talking about international topics and only vaguely about domestic issues, Schulz tried to present elements of his party's electorate platform, referring to the tax reform plans presented on Monday. Merkel's Christian Democrats will present their official platform only at the end of July.

There's less than 100 days to go, but is the race already over?

Less than 100 days ahead of the German elections, it almost looks as if the race has already been decided before it actually got started. Merkel challenger Schulz and his SPD have gone through a rollercoaster ride in opinion polls, propelling to higher popularity scores than Merkel before falling back to the January lows. At the same time, Merkel has returned as the most popular politician in Germany, benefiting from Trump and Macron.

The Merkel-fatigue that seemed to go around at the start of the year has totally disappeared again. At the same time, however, the experience of the first months of the year shows that there is a potential for swing votes in the German electorate.

Judging from the current mood in Germany, it looks as if it either needs an unexpected scandal related to Merkel or her party or a passionate return by Schulz, possibly on the back of a Macron-like pro-European platform, to prevent Angela Merkel from winning the elections.

Right now, the only interesting aspect of the German election will be the composition of the next coalition. However, it is well known that predicting election outcomes is much more difficult than predicting economic developments. Stay tuned!

Author

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information

purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.