

Snap | 29 September 2019

Austrian elections: Jumping on the green wave?

According to preliminary official results of Sunday's parliamentary elections, Sebastian Kurz and his ÖVP party once again emerged as the winners of the 2019 snap election with 38.4% of the votes. Coalition talks will start soon and the ÖVP has the free choice with whom to govern for (possibly) the next five years



Austrian Chancellor Sebastian Kurz

Source: Shutterstock

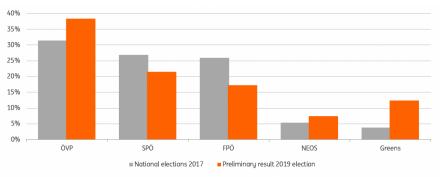
Despite all the drama, scandals, and revelations surrounding these snap elections, Sebastian Kurz' Austrian People's Party (ÖVP) secured more than one-third of all votes. The ÖVP's former junior coalition partner, however, took a larger hit than what was expected from polls, getting around 17%, meaning that the party will probably lose some 20 seats. Also, the SPÖ, the former government partner of the ÖVP, could not benefit from the fall of the government and lost voters' support, getting roughly one-fifth of all votes, the worst result in the party's history.

The Greens made a stunning comeback by winning over 12% of the votes.

The Greens, who had to digest the worst election result since 1995 in the 2017 elections, made a stunning comeback, not only re-entering parliament but winning over 12% of the votes. While the Greens missed the entry into parliament in 2017 due to the 4% hurdle and the separation of the party JETZT, this time JETZT failed to reach the hurdle. Overall, the national council consists of five parties, just as after the last elections.

Later today and on Thursday, postal votes, as well as ballot cards submitted in other districts than their voting districts, will be counted. This year, there has been a new postal voting record: More than one million cards were issued for the first time ever, an increase of 20.4% over 2017, making up almost one-fifth of all votes (16.7%), according to the Austrian Federal Ministry of Interior. The municipalities have issued a total of 1,070,933 voting cards, 61,184 of these were issued to Austrians abroad, up 3.2%. But while this 17% of the votes will only be known in the next couple of days, a change at the top is impossible with Kurz' party being comfortably ahead of all other parties.

Preliminary official election results (without postal votes)



Source: Austrian Federal Ministry of Interior

Coalition talks will start soon. What coalition possibilities are on the table?

The election results have shaken up the coalition possibilities. While <u>only last week</u>, in addition to an ÖVP/FPÖ or an ÖVP/SPÖ coalition, a three-party coalition between the ÖVP with the liberal Neos and the Greens was on the cards, the Greens' gain in votes has made an ÖVP/Green coalition without the NEOS' participation more likely.

Although the ÖVP and the FPÖ still have the greatest similarities in terms of party programmes, the ÖVP could jump onto the pro-climate movement by entering into a coalition with the Greens, strengthening the country's climate ambitions.

The ÖVP and the FPÖ have the greatest similarities.

Only last week, the parliament parties (excluding the Greens) have declared a climate emergency, committing themselves to give the climate crisis and its consequences top priority. However, it would not be the simplest way of governing given different stances on migration, the environment and the EU.

For example, while the Greens want a CO2 tax, the ÖVP is in favour of CO2 import tariffs, not necessarily a CO2 tax at home, in order to align imports from third countries to European standards as climate protection should take competitiveness into account.

The Greens want a CO2 tax, whereas the ÖVP favour CO2 import tariffs.

Also after the 2002 elections, the ÖVP had lengthy negotiations with the Greens. But they weren't successful, resulting in another coalition with the weakened former coalition partner FPÖ.

President Alexander van der Bellen will soon assign the most powerful party with the formation of the government. If we'd see a comeback of ÖVP and FPÖ, expect more of the same of what we have seen over the last two years, eg, some more traditional fiscal stimulus. If we'd see the novelty of an ÖVP and Green coalition, expect more climate-focused investments. In any case, Sebastian Kurz is spoilt for choice.

Author

Inga Fechner

Senior Economist, Germany, Global Trade inga.fechner@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 http://www.ing.com.