

Snap | 26 September 2021

German election thriller ends with cliffhanger

The old slogan that ‘every vote counts’ has never had a better meaning in German politics than at Sunday’s national elections. The outcome is still too close to call. Judging from the polls of 10pm CET, the SPD leads with a small margin ahead of the CDU and three future government coalitions are still theoretically possible



According to the polls at 10pm CET, the SPD would come in at 25.7%, the CDU/CSU at 24.5%, the Greens at 14.3%, the FDP at 11.5%, the AfD at 10.5% and the Left Party at 5%. Don’t forget that postal votes probably accounted for some 50% of this year’s votes. The counting of the postal votes has started in parallel with the normal vote counting. It will take until night before a first official result will be released.

Without going into the details of the election analysis and the drivers behind gains and losses, the results show that Germany no longer has one single dominating party. Instead, this is the lowest result for any winning party ever for national elections.

The current result also means that there will now be long coalition talks. Germany doesn’t have a prefab mechanism for these coalition talks and the strongest party does not have an automatic right to lead the next government. In fact, all parties can have exploratory talks in whichever combination they want until they have found a constellation which would have a parliamentarian

majority. In the past, there were actually two national elections after which the largest party did not lead the government coalition. With the current results, three coalitions would be possible: a SPD, Greens and FDP coalition, a CDU, Greens and FDP coalition, or another revival of the grand coalition but then under the leadership of the SPD. The option of a left wing coalition of SPD, Greens and Left Party is no longer possible.

While another grand coalition would only become possible if the other two options completely fail, it is impossible to tell which of the other two coalitions will eventually prevail. Interestingly, chances are high that both the Greens and FDP will be in the next government, either led by the SPD or the CDU. Therefore, it did not come as a surprise that on Election night, the Greens and the FDP hinted at possible first talks only with each other. Consequently, it might not be German voters who decided on the next chancellor but Greens and FDP.

Even if all parties announced that they don't want to repeat the long negotiations after the 2017 elections, when it took almost half a year before the next government took office, the upcoming talks between all parties will be anything but a piece of cake. In fact, chances are still high that Angela Merkel will end her term in office as the German chancellor with the longest time in office. For this to happen, she needs to stay in office until 17 December this year. Clearly not impossible after Sunday's election thriller.

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 <http://www.ing.com>.