Snap | 26 August 2019

# Germany: Cold winds from the East

On Sunday, two regional state elections in Germany could lead to new troubles for the federal government in Berlin



Source: Shutterstock

Some 3.3 million citizens in Saxony and about 2 million citizens in Brandenburg are eligible to vote in the two state elections on Sunday. While this is only some 8 percent of the total German electorate, the two elections have the potential to create new troubles and tensions for the federal government. The elections could also be a painful reminder that almost exactly 30 years after the fall of the Berlin Wall, the country is again divided, at least when it comes to political preferences.

# Two regional elections with high importance for national politics

Politically, both Brandenburg and Saxony are important for the parties of the federal government, CDU and SPD. While Brandenburg has been governed by the SPD since reunification, Saxony has always had a minister-president from the CDU. This year, however, these almost natural roles as governing parties have come under severe pressure, due to the rise of the AfD. However, the results from the European elections in May suggest that the AfD could gain further votes and that both CDU and SPD could lose support.

According to recent polls, the AfD is in a neck-to-neck race with the CDU to become the biggest party in Saxony, with both parties currently at some 25%. In Brandenburg, SPD, CDU, AfD, Greens and the Left Party are all trading at around 18% of the votes. Even though the share of foreignborn residents is low in both states, the AfD receives support as an anti-immigration party. Also, and probably even more important, the electorate support for the AfD seems to be the result of a

Snap | 26 August 2019 1

broader feeling of being left behind, both economically and socially. To some extent, the rise of the AfD in the Eastern states of Germany can be regarded as a protest against national politics.

## What to watch

**Votes for the AfD.** Even though up to now all parties have refused any cooperation with the AfD after the elections, strong gains by the AfD and perhaps coming in as biggest party in one or both of the two states would not only be symbolic but could also be regarded as a further split between the East and the West – thirty years after reunification – and could eventually even weaken the states' ability to attract business investments.

Votes for SPD and CDU. While the votes for the AfD will probably get most international and media attention, what matters most for national politics will be the result of both coalition partners in Berlin, the CDU and the SPD. Every coalition partner has a political stronghold to lose. A loss for the SPD in Brandenburg, possibly leading to the first state government without the SPD, would clearly lead to new tensions in the party. A party which is already very fragile due to the continuous drop in opinion polls and state and European elections as well as new leadership race. A loss for the CDU in Saxony could start a new leadership discussion in the party, in which the new leader and possible Merkel-successor, Annegret Kramp-Karrenbauer has come under significant pressure in recent months.

In any case, as so often in German politics, regional elections can have a significant impact on national politics. Remember that the current government has lost significant support in opinion polls and the last European elections. In particular, the SPD's free fall, its long hesitance to actually join the government last year and the announced mid-term review of the government's work for October has put the government on a weaker footing. With a slowing economy and innerparty tensions in both governing parties, the elections in Saxony and Brandenburg could be the famous flashpoint of political turbulence in Berlin.

### **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

Snap | 26 August 2019 2

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.

Snap | 26 August 2019 3