

Poland: Regional elections show support for Law and Justice (PiS) is losing momentum

The PiS won the battle in numerical terms but its support below the polls is a surprise. This is a pyrrhic victory - the party marginally grew in local councils (may lead in 1-2 out of 16), was defeated in big cities and deteriorated in key rural areas. In 2019 the potential coalition of opposition parties may defeat PiS by a small margin



Source: Shutterstock

Poles voted in regional elections last Sunday. There is no clear correlation between the parties' performance in regional and general elections, but still this is the first test of Poles' political preferences since the Oct-15 general elections won by Law and Justice (PiS). Current PM Morawiecki strongly engaged in the local campaign and was presented as the main PiS representative. The party performance in this ballot may affect Morawiecki's odds of taking over the leadership of the ruling PiS. Also, the current PiS results may shape the PiS approach before the Oct-19 general elections. So far the party has tried to limit the fiscal costs of the campaign, leaving fiscal space for battle before the 2019 general elections.

Poles voted for candidates for local authorities in all regional units at 3 levels (in some cases 4), but the most spectacular and comparable to general elections are the battles for a majority in local councils/parliaments in 16 regions, as well as competition for mayors in the biggest cities.

According to exit polls the support for the parties' candidates to local councils/parliaments in 16 regions are the following: Law and Justice (PiS) 32.3%, coalition of Civic Platform (PO) and Modern (.Nowoczesna) 24.7%, Polish Peasant Party (PSL) 16.6%, anti-systemic Kukiz party 6.3%, other independent 6.3%, and Social Democrats (SLD) 5.7%. In the battle for mayors in the biggest cities, the coalition of Civic Platform (PO) and Modern (.Nowoczesna) scored very well, winning many of them in the first attempt, including the most spectacular in Warsaw.

We see the following conclusions coming from this ballot: (1) In numerical terms PiS won the battle for councils/parliaments and scored much better support than in previous regional elections (32.3% now vs 26.9% four years ago). Also, the coalition of Civic Platform (PO) and Modern (.Nowoczesna) gathered support lower than in 2014 (now 24.7% vs 26.4%). But still, this is a pyrrhic victory of PiS. The support for this party is below its own expectations and indications taken from polls (ie, close to 40%). The party also made a big push to attract votes, ie, public television and Prime Minister Morawiecki personally engaged in a tour around the country, making many pledges. (2) The PiS won in 9 out of 16 councils/parliaments but it may have a working majority in 1-2 regions only, given that it has support below 50% and there is a limited coalition ability. (3) The Polish Peasant Party scored exceptionally well and much better than indications from polls (16.6% vs about 5-6% in polls). Given that in the last general elections in 2015 won by the PiS mainly via attracting new votes from the rural area, the strong recovery of rural votes by the Polish Peasant Party (PSL) is a major surprise. PiS strongly competed with PSL for rural area voters, but the campaign was unsuccessful with that respect as some of the new core electorate of the PiS was lost. It is difficult to say whether rural area voters will stay with the PSL during the general elections, but at this stage, this is an important threat for PiS odds of re-election in the 2019 general ballot. (4) The strong support for PSL offsets Civic Platform and .Nowoczesna's lower support than 4 years ago. These parties should form the regional coalition and does not allow PiS to lead many local councils/parliaments where they won. Effectively, PiS may take over only 1-2 local councils/parliaments out of 16 vs 1 out of 16 they have now. (5) The spectacular battle for big cities was won by the coalition of Civic Platform and .Nowoczesna, in few cases even in the first round.

Overall, we find the regional election as a slight surprise. PiS won the battle in numerical terms and should see the safe elections results as a great success for the fourth time in a row. But in reality, their performance was below expectations and polls. They also hardly improved their position in local councils/parliaments and were strongly defeated in big cities. We don't expect PM Morawiecki to suffer from that, but we can imagine some tension within the PiS. The party may also try to buy more votes before the 2019 general elections with more spending pledges. But more spending should affect the 2020 budget.

Still, the general elections are in one year and it is difficult to say who will win. PiS support in regional elections was below expectations and polls so the party is losing momentum. But on the other hand, the support for the coalition of Civic Platform (PO) and Modern (.Nowoczesna) was also slightly below polls and could not break the so-called "glass ceiling". The main winner of the

regional battle is the Polish Peasant Party (it did much better than polls).

Author

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

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.