



# EU elections countdown #5

May 23, 2019

## What (not) to expect on Sunday

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EU elections take place from May 23 to 26 but results will not be published before late Sunday evening, final numbers not before Monday morning. The crucial question of group formation in the next EP will take more time.

UK participation will be visible in the results but is not expected to have a major impact on seat distribution in the next EP.

The "grand coalition" between conservatives and social democrats is projected to lose its traditional majority in the EP while right-wing and left-wing Eurosceptics could gain more than 35% of the seats, based on current polls. While a broader right-wing Eurosceptic alliance might fail to overcome fundamental differences, the increased fragmentation in the EP will likely force pro-European groups into much broader collaboration.

EU leaders will meet next Tuesday to start discussing the nomination of candidates for EU top jobs that will become vacant later this year, including the next Commission, EU Council and ECB Presidents. EU Council President Tusk will be mandated to mediate these complex decisions.

We do not expect a Council decision before the June 20-21 leaders' summit at the earliest. Manfred Weber, the conservative lead candidate for the helm of the Commission, will likely find it hard to gather a majority in the next EP. The same applies to his main contenders Frans Timmermans (social democrats) and Margrethe Vestager (liberals).

A "game of thrones" between Germany and France for the EC's top job could result in a compromise candidate not nominated by the EP. This could lead to a standoff between Council and the EP and make the appointment of the next EC President and the College of Commissioners – some of them being nominated by Eurosceptic governments – a lengthy and tedious procedure. This is likely to increase uncertainty among investors and thus market volatility.

As pro-European parties are expected to maintain a clear majority in the next EP, EU policy-making should broadly stay on course. It remains to be seen to what extent shifts among the centrist parties will increase support for further initiatives for EU risk sharing and investment as well as ideas for a new European "social contract". But decisions in particular on euro area reforms will remain hampered by strong divisions on the matter in the Council.

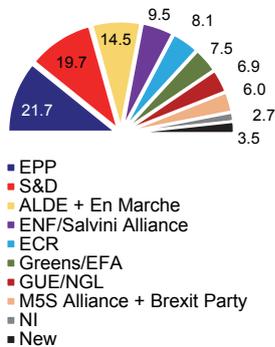


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EPP/S&D "Grand Coalition" projected to lose its majority

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% of 751 seats in the next EP (incl. UK)



Source: DB Research projections based on Politico/PollofPolls dat

## What to watch out for on Sunday and the weeks after

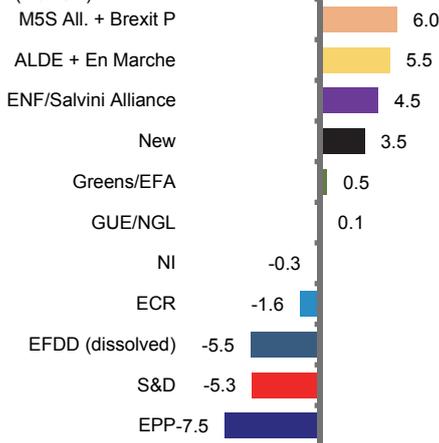
10, 9, 8... we have reached the end of our EU elections countdown to the ballot for the ninth European Parliament. Elections have started today, Thursday May 23, in the UK and the Netherlands, followed by Ireland and the Czech Republic on Friday, Latvia, Slovakia and Malta on Saturday, and the remaining 21 EU members on Sunday.

Results will be published only once polls in all 28 members are closed on Sunday (in Italy they are open until 11 pm) and final results will be known Monday morning at the earliest. In many countries, exit polls will be available already before, promising an exciting electoral week. Next to the elections themselves, this year's electoral turnout among the EU's more than 400 million eligible voters will also be in the focus, after it reached record lows of less than 43% in the last two rounds.

Strengthening of far-right/anti-establishment parties

2

+/- share of seats compared to current EP, pp (incl. UK)



Source: European Parliament, DB Research projections based on Politico/PollofPolls data

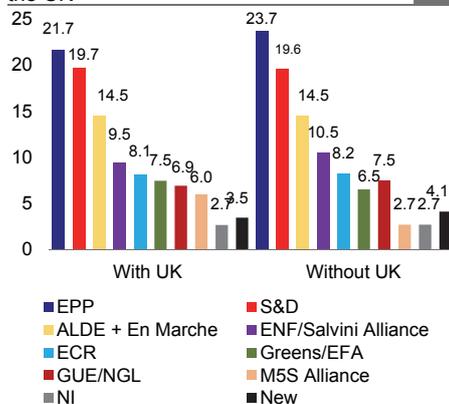
## Updated projections – UK on board, reshuffling among the Eurosceptics

Our final projections for this week's elections now also include the UK as PM Theresa May confirmed her country's participation in the vote two weeks ago. We thus project seat distribution for the next EU Parliament with 751 seats (including 73 from the UK) instead of 705 (as planned for the post-Brexit EP). As our poll-based projections show, the impact of the UK on the election results should be visible but not lead to fundamental shifts in the Parliament's majorities<sup>1</sup>.

The conservative EPP would remain the largest party group in the EP with 21.7% of the seats (Charts 1 and 2). However, polls project their potential loss of seat share compared to 2014 (-7.5 pp) to be more pronounced than without participation of the UK since no major UK party belongs to the EPP (Chart 3). The social democrats (S&D) are expected to remain second at 19.7%. The British Labour Party ranks among its stronger members and the S&D's loss of seats compared to 2014 (-5.3 pp) will likely not be much affected by the UK's participation in the vote.

Projections for the next EP with/without the UK

3



Source: DB Research projections based on PollofPolls data

ALDE and President Macron's En Marche/Renaissance movement (who announced to join forces after the elections) remain third in our projections at around 14.5% of the seats, a gain of 5.5 pp compared to 2014 (more than half of which due to En Marche which will newly enter the EP). The Greens are expected to gain marginally (0.5 pp) and secure 7.5% of the seats.

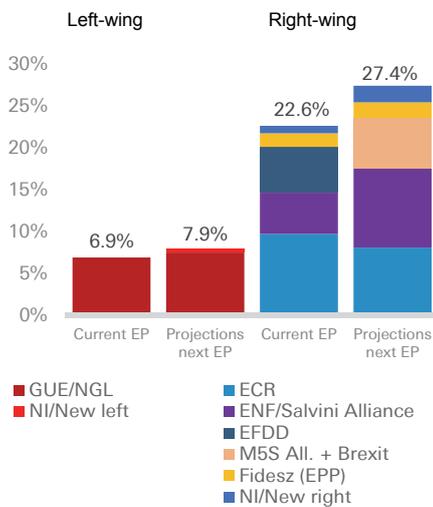
The Eurosceptic "Conservatives and Reformers" from the ECR would only become the fifth-largest group in the next EP at 8.1% as voter support for their previously largest member, Theresa May's Tories from the UK, has melted away over the last months.

<sup>1</sup> If the UK leaves the EU, no matter if before or after the inauguration of the next Parliament on July 2, the number of seats in the EP will be reduced from 751 to 705 and 27 of the UK's seats distributed among remaining members.



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### Euroceptics could gain more than 1/3 of seats 4

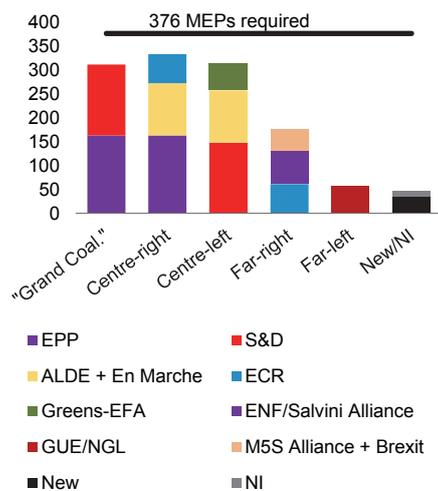


Source: DB Research projections based on Politico/PollofPolls data

The right-wing strongly Euroceptic "Europe of Freedom and Democracy" (EFDD) is expected to dissolve following the elections. The German AfD, one of its current members, joined forces with Italian Deputy Prime Minister and Lega leader Matteo Salvini. His plans to build a broader right-wing Euroceptic "Alliance of Peoples and Nations" have been emphasized by a Milan meeting with peers last weekend. He will mainly be joined by members of the current "Europe of Nations and Freedom" (ENF) including Marine Le Pen's National Rally from France as well as the Austrian FPÖ which has been caught in a corruption scandal that ended the Austrian government coalition and triggered snap elections later this year. This new group could win 9.5% of the seats in the next EP. Salvini's bloc also reached out to Hungary's PM Viktor Orban and his Fidesz party which has been suspended from its EPP party family over concerns that it breached the EU's rule of law principles.

The Italian Five Star Movement, another current EFDD member, tries to form its own Euroceptic anti-establishment group. It might find it difficult to gather partners from sufficient member countries (7 are required) to form a group in the EP. But should it be joined by Nigel Farage's Brexit Party – given in the UK it currently polls first at 35% far ahead of Labour and the Tories – it could win 6% of the seats in the next EP. The partly Euroceptic United Left (GUE/NGL) remains almost unchanged at 6.9% of seats.

### Majority for next Commission President hard to find 5



Source: DB Research projections based on Politico/PollofPolls data

Together, right-wing and left wing hard and soft Euroceptic groups and non-aligned MEPs could account for more 35% of seats in the next EP, a gain of almost 6 pp (Chart 4). However, despite Salvini's efforts to build a more unified Euroceptic right, differences between these groups on many issues would make their coherent opposition in the next EP rather doubtful.

Still, the increased fragmentation in the next EP will require closer collaboration and broader consensus among pro-European groups for constructive policy making. This would also affect decisions such as the nomination of the next Commission President and his Commissioners where the EP also has a say (Chart 5).

### Don't expect the Sunday election results to answer the major questions on top jobs and future policies

Next week, Monday and Tuesday could bring some more clarity though. The current European Parliament party whips and the outgoing EP President Antonio Tajani (Italy) will meet to discuss the election outcome. While no decisions are to be expected, a joint message to the EU leaders is likely to reiterate the EP's position that only a "Spitzenkandidat" nominated by the EP will be accepted. Not all party families in the EP support this procedure but for its own institutional interest the EP might still insist on it at least for now.

EU leaders will gather for a dinner on Tuesday evening to discuss the election outcome and start the process of nominating their candidate for the next EC President and other top jobs. The meeting was scheduled by Council President Donald Tusk who will be given the mandate to mediate between Council members. We expect no final decisions at that meeting not least as the "Spitzenkandidaten" procedure to elect the Commission President is strongly opposed by France and some of the smaller member states. EU top jobs will be negotiated in a package as also the Presidency of the Parliament, Council and ECB will become vacant this year. Additionally, the allocation of prestigious and influential policy resorts in the next Commission will play an important role.



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### Timeline EU elections and next Commission

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2019	
May	May 23-26: Elections to the European Parliament; 751 MEPs from 28 EU members (incl. UK)
	May 28: EU leaders summit on next Commission President /top positions
	May/June: Negotiations about formation of political groups in the next EP, notify their composition
May/June	Council President consults with EP on candidate for EC President, taking into account election results
	June 20-21: European Council • EU leaders likely to propose candidate for EC President (qualified majority), elect Council President
July	July 1: End of 8th European Parliament's term
	July 2: Inaugural plenary session of the newly-elected Parliament
July 11	2nd EP plenary session • First opportunity for the EP to approve EU Council candidate for EC Presidency (simple majority, i.e. at least 376)*
	Aug/Sep: 28 EU members propose their Commissioners-designate*
August	
September	Sep/Oct: Commissioners-designate face hearings of EP committees
October	Oct/Nov: EP vote on new Commission (can only approve/disapprove complete list)
	Oct/Nov: Inauguration of new EU Commission
	Oct 31: Extended Brexit deadline

Sources: European Parliament, Deutsche Bank Research

Last time in 2014, shortly after the elections EU leaders announced that Jean-Claude Juncker (EPP) would be their candidate for Commission President and Martin Schulz (S&D) run for re-election as EP President. But this time things are not that easy. The conservatives from the EPP and social democrats from the S&D are set to lose their traditional majority in the EP. Manfred Weber, the EPP's lead candidate from Germany and frontrunner for the helm of the Commission will have a hard time gathering a majority of the EU's legislative body behind him. The same applies to his main contenders, the Dutch social democrat Frans Timmermans and the liberal Margrethe Vestager from Denmark.

First decisions on the package of EU top jobs should be expected (at the earliest) from the European Council meeting on June 20/21, when EU leaders will also discuss the Commission's agenda for the next term. In principle, the Council aims to reach decisions unanimously but Tusk made clear earlier this month in Sibiu that he would "not shy away from putting these decisions to a vote" if "consensus proves difficult".<sup>2</sup> Shifts in the Council since the 2014 elections are likely to make the nomination of a joint candidate more difficult.

Germany and France, which over the last months have become increasingly estranged over Macron's plans for euro area reforms, might end up in a game of thrones for the EU's top job. German Chancellor Merkel backs Weber from her own party family while Macron showed increasing support for Vestager from the liberals which are close to his En Marche movement. If they agree on a compromise candidate not nominated by the EP, such as the EU's Brexit chief negotiator Michel Barnier from France, this could lead to a standoff with the freshly elected new Parliament and prolong the appointment of the next Commission President and his college of Commissioners substantially.

By June 24, political groups have to notify their composition. This is just in time for the inaugural meeting of the EP on July 2 where decisions on the next European Parliament President, vice presidents, committee chairs and other positions need to be made. In 2014, newly elected MEPs already met on Wednesday after the elections to form groups for the next EP. This year, this procedure might become more difficult and lengthy due to the formation of new groups (Salvini's alliance, Five Star Movement's alliance, ALDE and En Marche) and as further shifts of parties and MEPs between groups cannot be excluded (e.g. Hungary's Fidesz).

The first opportunity to vote on the next Commission President is July 11 – the second meeting of the next Parliament. Over August and September, member countries will then nominate their designated Commissioners for the next Commission. The Council needs to agree on the list of Commissioners and also the EC President needs to approve. She or he will also be in charge of assigning portfolios to the Commissioners-designate. The Council's list of Commissioner-designates (including one from the UK if they are still in the EU) will then face hearings in the Parliament's committees in charge of the respective policy areas. While Parliament can only agree or reject the full list, this is not just a formality and the EP frequently rejects candidates. Once Parliament approves the Commissioner-designates, the next Commission will be inaugurated.

The Council and Parliament would be eager to achieve this before the end of the current Commission's term in October even though it could continue as a caretaker Commission until a new one is in place.

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<sup>2</sup> Politico (09.5.2019).



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