



CDU's Covid-19 election bonus – from hero to zero

- Merkel's Conservatives currently have major egg on their face. Approval rates are in free fall as trust in the government's crisis management has eroded. The CDU/CSU is polling at pre-crisis levels of below 30% fuelling speculation that not only Merkel but the Conservatives in total might not be part of the next government. Still, popularity ratings might recover – at least partially. It is still six months to go until the federal elections – an eternity in terms of the predictive power of polls.
- Coalition options are back in focus with the Greens being the kingmakers in all scenarios. If the Greens go for a Green-led traffic light coalition (with the SPD and the Liberals) in Baden-Wuerttemberg - a decision soon due -, such an option would become more tangible at the federal level, too.
- Still, the likelihood of a traffic light coalition is smaller than evidence at the regional level suggests. At the federal level issues such as tax, fiscal, foreign and EU policy are far more relevant, where opinions are much more divergent among the three parties. Thus, a conservative-green government still remains our baseline scenario, but is not a foregone conclusion anymore.
- The announcement of their chancellor candidate is unlikely to turn the tide for the Conservatives. A bold election manifesto on how to bring Germany forward after the deficiencies revealed by the crisis combined with convincing core personal are needed. NRW PM Laschet is still in pole position for chancellor candidate, despite his weak standing in polls. But without a more efficient and targeted crisis management showing clear results in the fight against the Corona crisis both – Laschet or Söder - will have a hard time to make sure that the Conservatives lead the next government.

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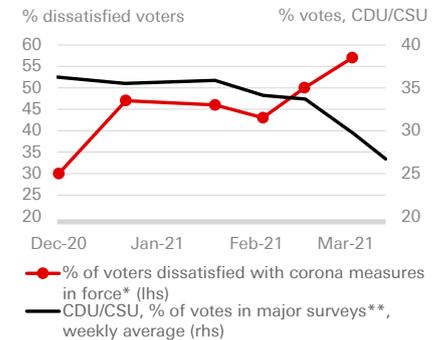
The CDU's crisis bonus is vanishing into thin air. The CDU/CSU took full credit for successfully steering the country through the first wave of the pandemic (to the detriment of its coalition partner SPD). Now, they are disproportionately hit by the electorate's dissatisfaction - without the SPD profiting from it, though. Waning confidence in the government's crisis management is driven by (i) growing frustration with the ever-changing thicket of rules that are seen as arbitrary and inconsistent rather than effective (see Figure 1); (ii) disappointment with respect to speed of vaccination and built-up of test capacities; and (iii) a tarnished national self-perception as the country now muddles through ranking midrange with respect to infection rates and vaccination progress (see Figure 2). Allegations against some conservative MPs added to the erosion of trust in politics. The most recent U-turn on an Easter lockdown might be the straw that broke the camel's back with respect to the public's patience regarding current crisis management. Latest surveys indicate that Merkel's public mea culpa has been broadly acknowledged still leaving her the most popular politician.

Are the CDU's approval ratings heading towards 25% again? Approval rates for Merkel's Conservatives currently seem to be in free fall (see Figure 3) compounded by the painful defeats in the recent regional elections ([Germany Blog, March 15](#)). Driven by an increasing perception of the government being weak and divided, approval ratings may head towards the pre-crisis polling results of about 25%. The 2017 election result of 32.9% might become out of reach soon, in particular if the trend observed in the state elections that the CDU cannot sufficiently mobilise its voters is replicated at the federal level (the strongest voter migration was not to other parties but dissatisfied CDU voters staying at home). Merkel warned that the CDU/CSU "does not have a preferential title to the chancellorship" (ARD, March 28). Bundestag president and former FM Schäuble went even further remarking "... that the world didn't end in 1998, when CDU chancellor Kohl lost to his SPD challenger Gerhard Schröder" (Welt, March 27). Would the Conservatives going into opposition be a game changer? Yes, but the CDU has already drifted to the left under Merkel. Furthermore, depending on the composition, certain coalitions could limit the shift in the policy course. Still, with the CDU no longer part of the government, policy priorities would differ raising concerns over Germany's future as Europe's economic powerhouse.

Nomination of the CDU chancellor candidate unlikely to be sufficient to turn the tide. The decision of who will be leading the Conservatives into the federal elections will be taken between Eastern and Pentecost. The Greens will present their chancellor candidate within that timeframe as well - potentially giving them a headstart in setting the tone for the overall election campaigns. With the pressure on the Conservatives mounting, they are likely to speed up the decision between Armin Laschet, CDU chair and PM of North-Rhine Westphalia, and Markus Söder, CSU chair and PM of Bavaria. The latter has never explicitly thrown his hat into the ring, but his call for a stronger leadership of the party in crisis times like this has been interpreted as such an implicit move. The sister parties seem to dither with respect to the nomination. The nomination by itself will - no matter whether it will Laschet or Söder- not be enough to turn the tide.

Time is running against the CDU/CSU – will they finally present their election manifesto? It is about time for the Conservatives to present (i) their vision for a modernization of the country (for DBR's view on the key challenges facing Germany: [Germany in the next decade](#)) and (ii) some indications regarding a "competence team", i.e. key personal the CDU/CSU wants to send into the next government, could look like. The CDU/CSU are lagging the SPD and Greens in that

Figure 1: Support for CDU/CSU waning over growing dissatisfaction with corona measures



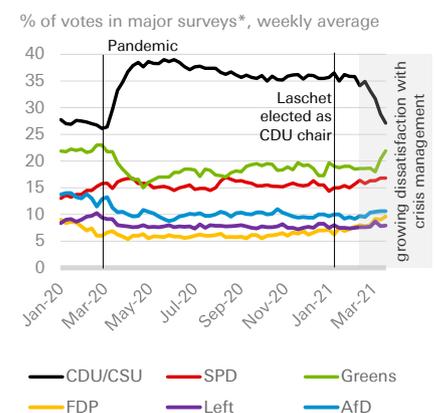
Note: Surveys since the start of the 2nd lockdown on December 16; * voters who think that measures in force are excessive or should be tougher; ** major political surveys taken into account: Allensbach, Kantar, Forsa, FG Wahlen, Infratest, INSA.
Source: ARD Deutschlandtrend, Wahrecht.de, Deutsche Bank

Figure 2: COVID-19 vaccine and tests in selected countries

Country	Total people vaccinated, % of population	Daily new COVID-19 tests per 1,000 people (7-day rolling average)
Israel	60.4	4.5
UK	44.9	17.8
Malta	29.3	6.3
US	28.4	2.9
Hungary	19.9	3.6
Finland	15.6	2.8
Austria	12.6	33.8
France	11.4	6.6
Italy	10.9	5.2
Germany	10.7	2.3
Turkey	9.9	2.6
India	3.8	0.75

Note: Latest data available
Source: Our World in Data, Deutsche Bank

Figure 3: Popularity of major political parties since COVID-19 outbreak



Note: * major political surveys taken into account: Allensbach, Kantar, Forsa, FG Wahlen, Infratest, INSA.
Source: Wahrecht.de, Deutsche Bank

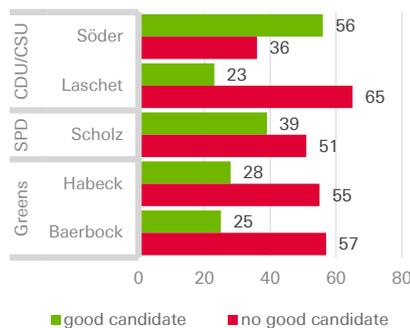


respect with both parties already having presented their campaign manifestos. The Liberals will follow suit the week after Easter. Clarity on the CDU's future policy course is urgently needed as key conservative constituencies (such as the business wing) are increasingly concerned about "more of the same" or an even stronger centre-left policy path. Moreover, neither of the two candidates stands out with programmatic impulses so far. CDU party leader Laschet is determined to set the schedule for deciding on the election platform – targeted for early June – and present some guidelines in advance. He calls for no additional burden in terms of taxes and social contributions, a more market-oriented approach towards climate policy and the reduction of red tape. Beyond the content-driven debate of what the CDU/CSU stands for, the party is under pressure to deliver operational efficiency with respect to vaccination and testing and to decide on further corona measures with a sense of proportion and pragmatism. For the Conservatives time is running against them. The road towards remaining the senior party in the next government has become rockier lately. Against this background, what speaks in favour of either of the two chancellor candidates?

Laschet the likely chancellor candidate – by virtue of his position as CDU chair.

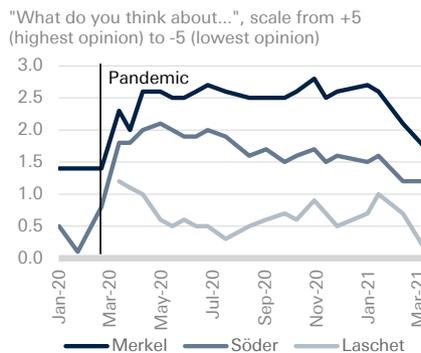
Despite not sparking enthusiasm amongst the electorate, Laschet still is the most likely choice. Ditching him too early might backfire for the CDU. It would weaken the party as a whole, leaving the impression of a divided and disoriented party. The recent spat between Merkel and Söder on the one hand and Laschet on the other hand over some states (i.a. Laschet's NRW) not obeying to federal pandemic restrictions does not serve the CDU well. Overall, Laschet's weak spots continue to be (i) his inability to convince voters - only 22% (30% of CDU voters) see him as a good candidate (see Figure 4); (ii) a sometimes too clumsy and hesitant communication style - recent examples being the masks deals and the CDU's poor results in BW and RP regional elections. But as long as the Conservatives' prospect of winning in September remains intact – which might be questioned increasingly -, he is in pole position for chancellor candidate. Senior party members remain supportive of him, even those who previously backed his competitor, Friedrich Merz, for CDU-chair.

Figure 4: Söder tops the chancellor popularity ranking...



Source : FG Wahlen, Politbarometer, March 26

Figure 5: ... but is not bucking the trend



Source : FG Wahlen, Politbarometer

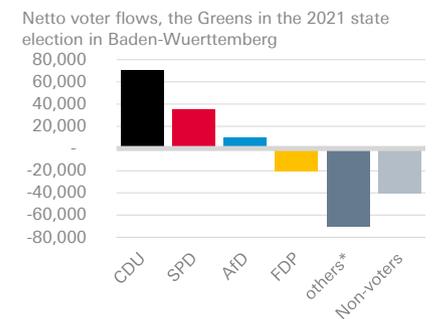
Söder the highly touted "unofficial" candidate. PM Söder portrays himself as competent crisis manager beyond the borders of Bavaria by supporting Merkel's cautious policies and by frequently appearing in public – thanks to his position as representative of the 16 states. Being a savvy political tactician, he is aware of the



fact that his popularity with voters is not the decisive criterion for winning the CDU/CSU's top spot (see Figure 5). Only if the CDU massively questioned its own leader's qualities, it would draw the Bavarian card - a move which failed in 1978 and 2002. Currently, Söder himself is under pressure with respect to corona crisis management and some CSU members being accused of unethical behaviour. Also, he turned the CDU leadership against him by giving uncoordinated public statements on the election campaign (FAZ, March 20). Finally, if the odds for a success in the federal elections weaken further, Söder might prefer his comfortable position in Bavaria over diminishing prospects of winning the chancellorship. In the end, he is free to decide without too much loss of face, whereas there is no turning back for Laschet.

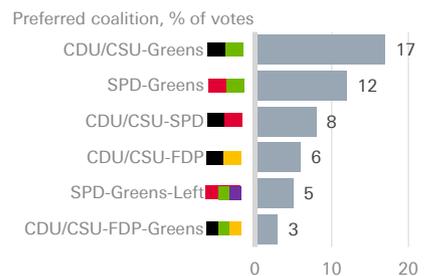
Is it time to re-think coalition options? Only six months to go until the federal elections – but in terms of the predictive power of political analysis this still is an eternity. Current polls serve as a reminder what a difference a couple of weeks can make regarding parties' popularity and coalition arithmetic. Recent elections have confirmed that traditional voter blocs have broken down. In addition, voter migration between parties is difficult to predict (see Figure 6 for voter migration in the recent state election). The randomness of party coalitions – the only safe assumption is that the AfD will not be included in the coalition poker – puts voters into a difficult position. They cannot be sure in which coalition the party they voted for ends up and what the related policy implications will be. Still, the free fall of the CDU's approval ratings has fueled a debate on changing coalition options. So what are the potential options from today's point of view?

Figure 6: Greens attract former CDU voters...



Note: Estimations based on polls. * others, notably 'Freie Wähler'. Source: ARD Tagesschau, March 15

Figure 7: Strongest support for a conservative-green coalition



Note: No data on Green-SPD-FDP coalition. Source: FG Wahlen, Politbarometer, February 26

- CDU/CSU/Greens – still the baseline, but no foregone conclusion:** While this remains our baseline scenario and the preferred option of the German electorate (see Figure 7), the odds are increasingly pointing to the CDU/CSU potentially ending up as the junior coalition partner. The Greens not only score well with respect to decided voters, but also with regard to potential, still undecided voters (Allensbach¹). Thus, the upside potential for the CDU/CSU looks limited, barring any spectacular acceleration in the speed of vaccinations and re-opening the economy over the next few months. The current dissatisfaction plays into the hands of the Greens who are not being held accountable for the perceived crisis mismanagement at the federal level. We doubt that the CDU/CSU is willing to take a junior position at the federal level – despite accepting this role in Baden-Wuerttemberg.
- Traffic light” at the end of the tunnel for the Social Democrats:** Such a coalition – likely in the composition Greens/SPD/FDP – poses the by far biggest threat to the CDU/CSU's governing ambitions as the CDU could not realistically portray such a coalition as a “spectre scenario” for Germany (in contrast to a green-red-red one). After the SPD won the state election in Rhineland-Palatinate as senior partner in a traffic light coalition, SPD chancellor candidate Olaf Scholz called such a coalition a “strong option” for the federal level. The Liberals seem to be warming up to the idea, too – FDP Secretary and (state) economics minister Volker Wissing in Rhineland-Palatinate cautiously voiced some support. Still, the policy stance of the Liberals differs considerably from the one of the SPD and the Greens with respect to federal policy fields (taxes, social welfare, climate change instruments, EU policy) as FDP-party leader Christian Lindner continuously stresses. Thus, the likelihood of such a coalition is smaller than the success of its regional versions might suggest. For the Greens, such a three-party

1 Allensbach survey published in FAZ, March 23: This survey provides a deeper insight into voter sentiments as it is based on interviews and not solely on standardised questionnaires.



coalition might be highly attractive providing them with the chancellorship instead of a junior role in a conservative-green coalition.

- **“Jamaica” – this time is different?** Coalition talks for a so-called Jamaica coalition (CDU/CSU, Greens, Liberals) failed in 2017 as the Liberals pulled out of the talks. For the Greens, such a coalition will only be an attractive option, if they come second after the CDU/CSU with both parties together falling short of a governing majority. The Liberals are sending strong signals that they want to become part of the next government and at least signal that the CDU/CSU would be its “natural” partner in terms of policy content. Still, it remains open what political price the Liberals would be prepared to pay for becoming part of the next government.
- **Green-red-red – rather far-fetched.** To offer the full range of coalition options and given polls in flux, a Green-led coalition with the SPD and the Left has to be mentioned as well. However, in terms of foreign and European policy in particular the positions of the Greens (and the SPD) and the Left are far apart, e.g. the Left party co-leader Janine Wissler calls to dissolve NATO. The Greens presumably have little appetite to be pushed too much to the left of the political landscape as they target voters belonging to the political centre, thereby become a “Volkspartei”. Moreover, such a coalition would be at odds with German voters’ strong preference for political stability.

Although the race has become more open, it is in our view - with six months to go - not (yet) “too close to call”. A CDU/CSU/Greens coalition remains our base case, assuming that a) we have now reached peak pessimism with regard to Covid-19 and related policies and b) that during summer progress in the fight against the pandemic will allow a more substantial re-opening triggering a strong economic rebound.

We thank Ursula Walther for her valuable contribution.



Appendix 1

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