

The race to succeed Germany's Angela Merkel just got more exciting

KEY POINTS

- The race has just become even more complicated, with two rivals contesting the conservative ticket.
- CDU lawmakers will discuss who that should be on Tuesday and hope to come to a decision this week. But it will be a difficult choice between their party leader and someone as popular as Soeder.
- The CDU/CSU are polling about 27%, but are closely followed by the Green party, which currently has about 21% of the public support and has been going up in recent surveys.



German Chancellor Angela Merkel gestures as she sits down for the weekly cabinet meeting on April 13, 2021 at the Chancellery in Berlin. -JOHN MACDOUGALL | AFP | Getty Images

LONDON — It was never going to be easy to find a successor to Angela Merkel,

German chancellor for the last 16 years. But the race has just become even more complicated, with two rivals contesting the conservative ticket.

The obvious conservative candidate in the upcoming German election would be Armin Laschet, head of the North Rhine-Westphalia state. He was elected leader of Merkel's CDU party in January and claims he wants to modernize Germany.

That was until Markus Soeder, from the Bavarian sister party, the CSU, threw his hat in the ring. Soeder is arguably the most popular man in German politics.

"It has always been clear that the race to Angela Merkel's succession will be long and will not follow a straight line. It might not be a blockbuster movie but rather a binge-viewing-worthy political series," Carsten Brzeski, chief economist at ING Germany, said in a note on Tuesday.

Party leader or Mr. Popularity

When it comes to federal elections, the CDU and CSU act together — and so will only field one candidate.

CDU lawmakers will discuss who that should be on Tuesday and hope to come to a decision this week. But it will be a difficult choice between their party leader and someone as popular as Soeder.

Elisabeth Motschmann, a lawmaker for the CDU, told CNBC's Squawk Box Europe on Tuesday that she supports Soeder.

"For this very hard job, I think that Markus Soeder will do his best and is able to win," she said. "I don't think that (Laschet) would be hard enough and he can't decide like Soeder."

Jens Suedekum, professor at Dusseldorf Institute for Competition Economics, told CNBC via email that, "what characterizes Soeder is his unique degree of flexibility, you may call it opportunism, when it comes to political principles."



Christian Democratic Union (CDU) party chairman Armin Laschet (L) and State Premier of Bavaria and Christian Social Union (CSU) chairman Markus Soeder. Pool | Getty Images News | Getty Images

Germany's conservative party has seen its popularity fall since January when the coronavirus pandemic began to worsen in the country.

It is finally set to harmonize lockdown rules in an effort to contain a third wave of cases. This comes after the population expressed frustration at how the rules have differed from region to region ever since the initial outbreak of the Covid-19.

Vaccination boost

But things could be about to look up for the conservatives.

"Once the CDU/CSU's official election campaign starts in full force and vaccinations ramp up, things will look better for them," Naz Masraff, director at consultancy firm Eurasia Group, said in a note on Tuesday.

However, she stressed that Laschet would likely have a more difficult time consolidating the CDU/CSU's voter base and winning back centrist voters from

the Green party.

Laschet's candidacy would benefit the Greens and the Social Democrats. It would also increase the chances of a Green chancellor after September's elections.

Naz Masraff ~DIRECTOR, EURASIA GROUP

"He will also have to work hard to change his image as a weak and equivocating leader who hasn't taken as strong a line on the pandemic, or on corruption in the party's ranks, as many Germans expected," Masraff added.

Whoever the CDU chooses to be its running candidate could ultimately have an impact on what kind of coalition will emerge in September.

"Laschet's candidacy would benefit the Greens and the Social Democrats. It would also increase the chances of a Green chancellor after September's elections," Masraff said.

The CDU/CSU are currently in the lead in the polls, with around 27% of the vote; the Greens, however, are gaining ground with around 21%. The party with the most votes will lead coalition negotiations after the September election.

What it means for markets

Christian Schulz, chief economist at Citi, told CNBC's Squawk Box Europe on Tuesday that as the September election approaches, investors will be looking at what the new government could mean for fiscal policy in the euro area.

He said that both conservative candidates "say very little about what they want to do," but added: "Soeder gets across has having more Eurosceptic instincts, so he would probably be the worst outcome for markets at least in the short term."

The yield on the 10-year German bond has risen since Soeder's announcement on Sunday, indicating some concerns over political uncertainty.

Source:

<https://www.cnbc.com/2021/04/13/merkel-successor-cdu-battle-between-soeder-a>

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