

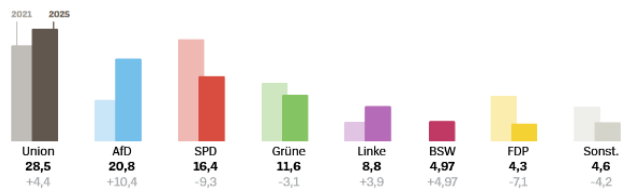
## Federal election in Germany - CDU/CSU wins, Friedrich Merz set to become new chancellor

24 February 2025

### Clear victory for conservative CDU/CSU

The conservative CDU/CSU (together known as the Union) clearly won the snap election on February 23. Friedrich Merz, the chairman of the CDU, is expected to become the next Chancellor of the Federal Republic of Germany. The parties of the previous "traffic light" coalition, which collapsed in November 2024, all suffered losses. The incumbent Chancellor Olaf Scholz from SPD failed to gain convincing support from voters and won't play a role in the new government. The Greens experienced slight losses, while the liberal FDP failed to meet the 5% threshold and will no longer be represented in the Bundestag. The far-right and partially extremist AfD gained significant votes and is now the second strongest party in the Bundestag.

Contrary to expectations, the leftist party The Left will again send representatives to the Bundestag. Some politicians from the party split off in 2024 and founded the leftist populist BSW, which achieved remarkable successes in state elections last year. However, BSW did not make it into the Bundestag.



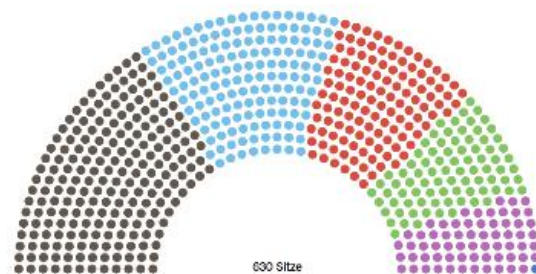
### Centrist government likely to form as a result of the election

The next federal government will most likely be formed by the CDU/CSU and SPD. Despite intense debates during the election campaign, the Union repeatedly signaled that the SPD is their preferred partner. However, the SPD will first need to reorganize its personnel. Not only will Olaf Scholz step down from his position, but other top politicians are also under internal pressure due to the weak election results.

A coalition of these parties is expected to bring foreign policy continuity with a decidedly pro-European orientation and a more business-friendly course.



The second strongest party, AfD, is not considered to be coalition-capable due to its stance on foreign and security policy (anti-democracy, xenophobia, exit from the Euro). The CDU/CSU and SPD have significantly shaped the politics of the German Federal Republic over the past decades.



## Government formation: Chancellor election not before the end of April

The election of a Chancellor in Germany is preceded by lengthy negotiations. The process starts with a so-called exploratory phase involving top politicians only. The specialist politicians will then be included in the following coalition negotiations. Here, the substantive guidelines for each policy area for the new legislative period are negotiated. The result of the negotiations is a "coalition agreement" that is often more than 100 pages long.

The coalition agreement may need to be confirmed by a party congress before it is signed. Only after formal confirmation will the Bundestag elect the new Chancellor, who will then appoint his ministers. If the ministries are reorganized and receive new competencies, it may take time before "normal" government activities can resume. All in all, government formation will endure until at least May, perhaps even June.

## International press reviews

### POLITICO

"[...] Merz could shake up the political landscape of Germany and, in one fell swoop, that of the European Union as a whole."

### The New York Times

"Friedrich Merz and his party won a parliamentary election in which President Trump and NATO were on voters' minds."

### The Telegraph

"Friedrich Merz, the chancellor-in-waiting, has the in-tray from hell as country tries to cope with increasing economic downturn."