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Economic Briefing

Biden loses TV debate against Trump

In the first televised debate between US President Biden and his challenger, Trump cut the better figure according to viewer polls. This is bad news for Biden, as he has been trailing in the polls for some time and the debate offered an opportunity to change this. The discussion whether Biden is the right candidate for the Democrats will only get louder.

Biden v. Trump: the first TV debate

Joe Biden and Donald Trump met yesterday in the first of the two scheduled TV debates. Surveys conducted immediately afterwards show Trump as the winner. CNN, which organized the duel, found that Trump performed better for two thirds of viewers. The bar was set relatively low for President Biden, who was generally not expected to perform too strongly in such a debate. It was therefore important for him to make as few mistakes as possible. However, he probably came across as stumbling over answers, rambling, and having low energy. This is likely to fuel the debate as to whether he can hold the office for another four years given his age (he would be 86 at the end of a second term). Another – and final – televised debate between the two rivals is scheduled for September 10.

President Biden is very unpopular

In the election campaign, Joe Biden has to contend with the handicap that he has extraordinarily low approval ratings among Americans. Surveys show that only 40% of respondents are currently satisfied with his performance in office. This is even four points lower than President Trump's approval rating at the same point in his term of office. Biden's approval rating took a hit with the chaotic withdrawal from Afghanistan in August 2021, from which it has not recovered (Chart 1). At first glance, this is surprising, as the economic situation is good overall. The unemployment rate has been at 4% or lower for two and a half years, the longest stretch since the late 1960s. More important for many Americans, however, has obviously been the very high rate of inflation in recent years.

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Chart 1 - President Biden has very low approval rates

Percent of polled persons who approve of President Biden. Grey-shaded area: Afghanistan pull-out



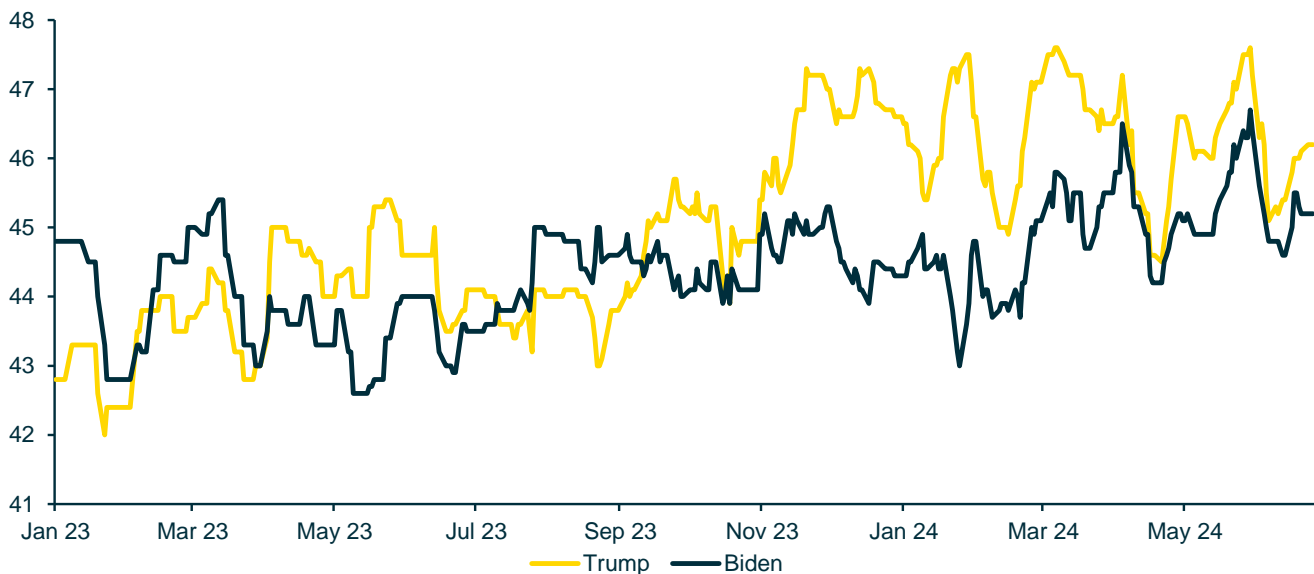
Source: RealClearPolitics, Bloomberg, Commerzbank Research

... and Trump is leading the polls

Biden's low approval ratings are also reflected in the election polls. Despite his numerous legal problems, Donald Trump has been leading the polls in a direct comparison with Joe Biden since the fall of 2023. However, the incumbent's deficit of 1 to 2 percentage points does not yet appear to be unusually large (Chart 2).

Chart 2 - Trump is still leading the polls

Poll average in %



Source: RealClearPolitics, Bloomberg, Commerzbank Research

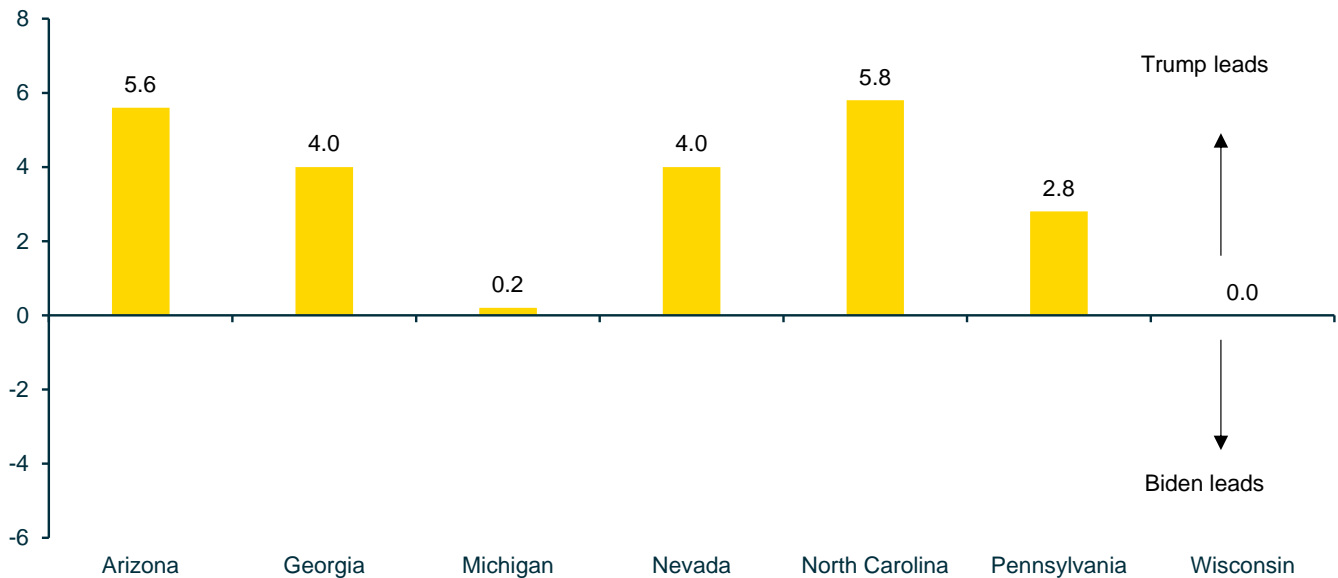
That said, the nationwide averages probably paint too positive a picture for Biden. Due to the peculiarities of the American electoral system, the presidential election depends



above all on the performance of the candidates in the particularly contested states, i.e. those states that are not firmly in the Republican or Democratic camp. Seven states are currently considered "battleground states". These account for 93 of the total of 538 electors. Trump has a relatively clear lead in five of these seven states, with a margin of between just under 3 and almost 6 percentage points (Chart 3). In Michigan (15 electoral votes) and Wisconsin (10 electoral votes), a neck-and-neck race has developed.

Chart 3 - Battleground states: Biden faces uphill struggle

Most recent state polls, spread between Mr. Trump and Mr. Biden (positive spread: Trump leads)



Source: RealClearPolitics, Commerzbank Research

Of these states, Biden probably needs to win Michigan, Wisconsin and Pennsylvania, in addition to successes in all the more Democratic-leaning states, in order to achieve a majority in the Electoral College. Ultimately, he will have to make up ground over the next four months to catch Trump. As he has not stumbled due to his legal difficulties or the good economic situation (and the recent significant fall in inflation), the televised debates are theoretically an opportunity to trigger a change in sentiment. However, their effect should not be overestimated. Only in the rarest of cases have TV debates had a clearly measurable influence on the outcome of an election. For example, the first such TV debate between Kennedy and Nixon in 1960 probably had a decisive influence on the very close election result.

The decisive factor will probably be which issues are particularly close to voters' hearts and who they believe has the greater problem-solving skills.

Topic No. 1: Economic situation

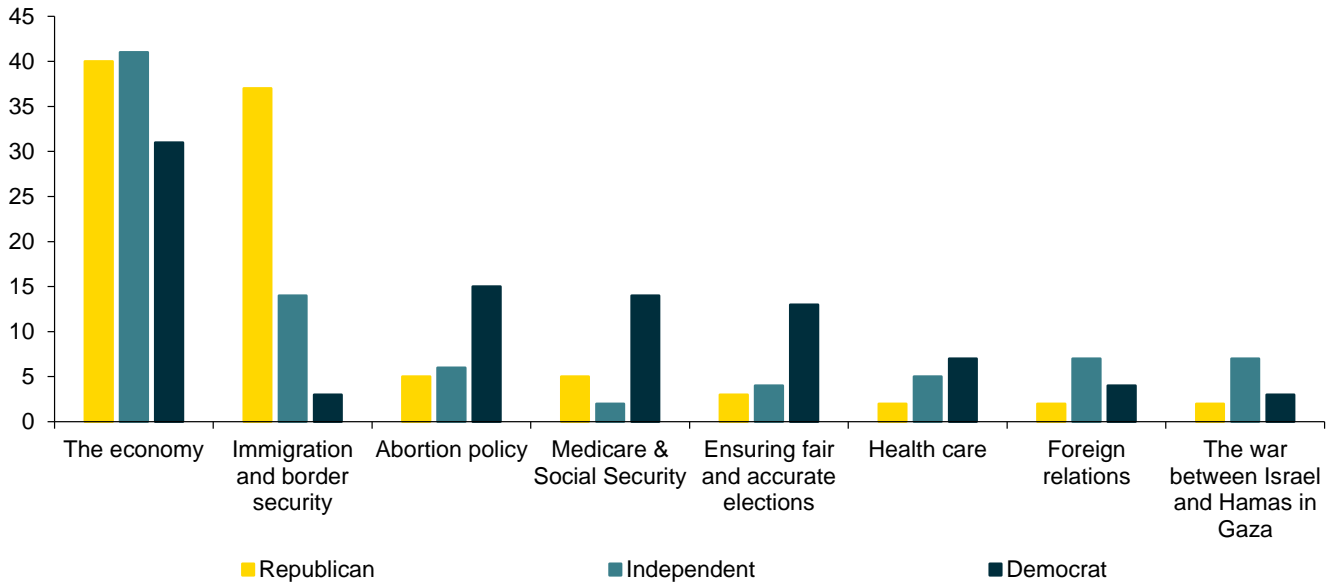
The economy could decide the election. In any case, in a nationwide survey conducted by Marquette Law School in May, it was cited most frequently by Republican, Democratic and Independent supporters as the most important issue in their voting decision (Chart 4). For Republicans, however, the issue of immigration/security of the US external border follows shortly behind. By contrast, this



issue hardly plays a role for Democrats. For them, there are several issues of medium importance, namely abortion, social security and fair and clean elections.

Chart 4 - Economy is central for voters, for Republicans also immigration/border security

Question: Which one of the following issues will be MOST important in deciding your vote for president?, share of answers in % by party identification



Source: Marquette Law School Poll, Commerzbank Research

Which candidate is regarded as more competent?

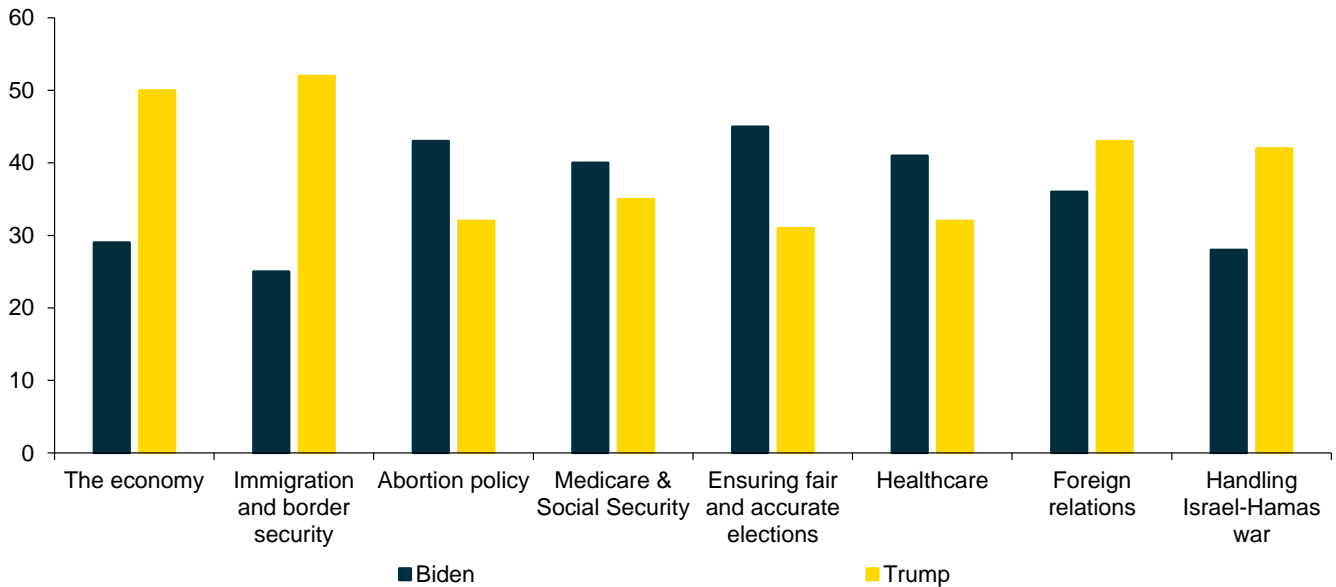
Who do voters think is better suited to solving these problems? It is striking that Trump is trusted more on the two most important issues by far, the economy and immigration (Chart 5). This is a bad omen for Biden and could be due to the fact that independents,



who may be decisive in the election and do not feel a clear affiliation with any party, are more likely to trust Trump here. Biden’s slight advantages on ‘social’ issues probably do not compensate for this.

Chart 5 - Trump has lead on the two most important issues

Question: Do you think Joe Biden or Donald Trump would do a better job handling each of the following issues? Share in answers in %



Source: Marquette Law School Poll, Commerzbank Research

The next steps

The next important dates are the respective party conventions at which the presidential candidates are officially announced. The Republicans will hold their convention from July 15 to 18 in Milwaukee, the Democrats from August 19 to 22 in Chicago.

According to press reports, Biden’s weak performance in the TV duel has led to initial considerations by some Democrats as to whether Biden could be replaced by another candidate. Theoretically, this would be possible at the party convention. This is because the delegates that Biden won in the primaries are ultimately not obliged to vote for him. However, this would probably only work if Biden were to support the new candidate – for example Vice President Harris – and withdraw. In any case, there is a risk of upheaval and chaos at the party conference if the top candidate is changed at short notice. It should be noted that Trump’s election chances have improved after yesterday’s TV duel. Biden now has an even bigger gap to make up.

As far as Donald Trump is concerned, there is still one important decision to be made: the vice presidential candidate (Joe Biden’s choice is Kamala Harris, the current vice president). In 2016, he chose Mike Pence to better tap into an important pool of voters, evangelical Christians. Pence was therefore a good choice for him.

According to press reports, these Republicans have the best chance of winning the vice presidential nomination:

- **Doug Burgum**, the governor of North Dakota. Like Trump, Burgum is a wealthy outsider. He has government experience, but is unlikely to be able to appeal to additional groups of voters for Trump.
- **J.D. Vance**, a 39-year-old senator for Ohio. Vance was initially a fierce critic of Trump, but has since completely fallen in line with him.
- **Marco Rubio**. Senator for Florida for the third time and one of the Republican presidential candidates in 2016.
- **Tim Scott**. The only black Republican senator in the Senate, which could broaden Trump’s voter base.

Trump will name his candidate at the latest at the start of the party convention in three weeks’ time. The presidential election will take place on November 5.



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