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Election update Germany - The plans of CDU and CSU

A good two months before the planned snap elections, several parties presented their election manifestos this week. The focus is on the plans of the CDU and CSU, which are likely to lead a future government. In terms of economic policy, the two parties are largely focusing on easing the burden on companies and private households, although the financing is at least not explicitly described and the debt brake is to be retained. The CDU/CSU parties are unlikely to implement all of this program, as they are likely to form a coalition with either the SPD or the Greens, who pursue opposing approaches in many areas.

Still little movement in the polls, ...

After Chancellor Scholz deliberately lost the vote of confidence on Monday, we are one step closer to the snap elections planned for February 23. After Christmas, Federal President Steinmeier is expected to officially dissolve the Bundestag and confirm the date.

Although the election campaign is already underway, not much has changed in the polls in recent weeks. The SPD's race to catch up, which has been invoked by its representatives in particular, has not yet gotten off the ground. Instead, the CDU/CSU are still clearly in the lead, while the Liberals (FDP) and the Left Party continue to struggle with the 5% hurdle (Chart 1).

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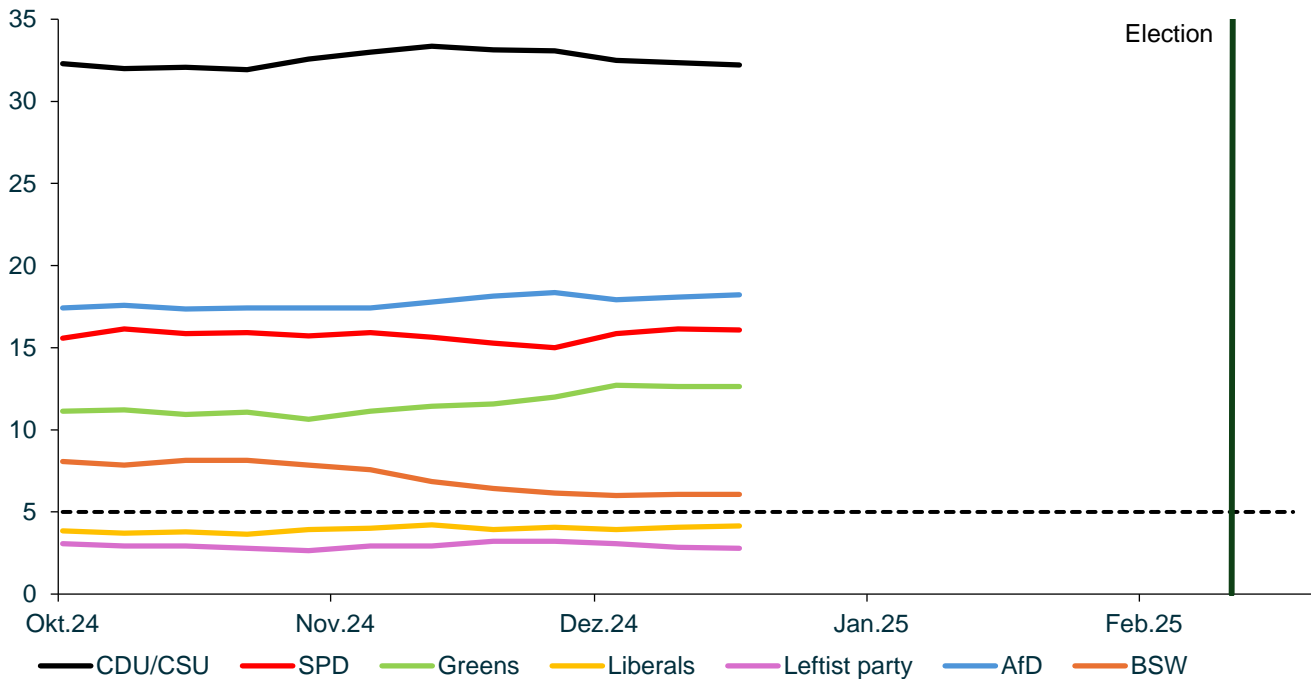
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Chart 1 - CDU/CSU with a big lead, FDP and Left party below 5%

Parties' share of the vote in the next general election, average of the most recent projections by 8 opinion research institutes, in percent



Source: wahlrecht.de, Commerzbank Research

... so that a government against the CDU/CSU is unlikely

On the basis of the current polls, the formation of a government without the CDU/CSU is not possible. The only theoretically conceivable alternative would be an alliance between the SPD, the Greens and the Left Party, which is far from a majority even if the Left Party were to re-enter the Bundestag. Since a new edition of the coalition of SPD, Greens and FDP, which has just broken up, can be ruled out just as much as the participation of the new party "Alliance Sahra Wagenknecht" (BSW) – Chancellor Scholz recently rejected this once again – the only remaining options are probably combinations including (and probably led by) CDU/CSU.

CDU/CSU focus on easing the burden on companies and private households, ...

On Tuesday, the leaders of the CDU and CSU – the candidate for Chancellor Friedrich Merz and the Bavarian Minister President Markus Söder – presented the joint election program of the two parties. In terms of economic policy, the focus is on easing the burden on companies and private households. Some examples are:

- The course of the tax rate is to be "flattened", meaning progression is to be weaker than at present. Also, the top tax rate will apply to even higher incomes. In subsequent years, the tax rate is to be adjusted to inflation in order to prevent so-called "cold progression".
- The tax burden on corporations is to be limited to a maximum of 25% (currently roughly 30%). At the same time, companies shall benefit from more favorable depreciation rules.



- The solidarity surcharge is to be completely abolished.
- Social security contributions are to be reduced towards 40% (next year they are likely to be around 42%).
- The electricity tax and grid fees for electricity are to be reduced.
- A revival of the wealth tax is rejected.

... but few concrete statements on counter-financing ...

Unlike the planned tax relief measures and the numerous other projects that are also likely to be costly, their counter-financing is not described in detail. Instead, the intention is to “adhere” to the debt brake, although changes are not explicitly ruled out. New debt at European level, such as for financing the “recovery fund” (NGEU), is also apparently rejected. This is because “Germany’s liability for the debts of other countries” is “clearly rejected”. No noticeable restrictions are apparently planned for pensions either despite the fact that the subsidies to the public pension system is likely to have to increase significantly in the coming years. The regulations on the retirement age and the so-called “pension at 63” are to be retained, and it is not clear whether, like the SPD, the pension level is to be stabilized at 48% of the average wage or whether the “sustainability factor”, which distributes the burden of the unfavourable demographic development between contributors and pensioners, is to be allowed to take effect.

On the contrary, both parties seem to expect that the planned measures will boost growth significantly and that tax income will increase accordingly. At least this is what their representatives have repeatedly stated recently. In addition, they want to restrict the so-called “citizen’s income” by increasing the pressure on the unemployed and also question all other expenditure. The federal budget would also be relieved if emissions trading were actually made the central instrument of climate policy and, in return, the recent numerous subsidies for decarbonizing the economy could be reduced. After all, the CDU and CSU are hoping for lower costs in the care of refugees. However, it is difficult to estimate whether these effects together would be sufficient to finance the planned measures.

... and no partner for these measures in sight

The big question is also with whom the CDU and CSU could implement these plans. This would probably be largely possible with the Liberals. But such a coalition will not have a majority based on the current polls, especially as it is not yet certain whether the FDP will even be represented in the next Bundestag. From today’s perspective, a coalition between the CDU/CSU and the Social Democrats or the Greens is therefore much more likely. And the latter are pursuing a completely different approach in many areas. It’s true, that the SPD and Greens want to reduce the electricity tax and grid fees, too, and they are also planning tax relief for lower incomes. However, both parties want to hike taxes for high incomes (and therefore also for many companies) or re-introduce a wealth tax. In addition, the SPD and the Greens are focusing more on subsidies and government investment to stimulate the economy and also want to at least relax the debt brake.

These different approaches will certainly not ultimately prevent the formation of a new government. However, there is much to suggest that the new coalition will also have a lot of disputes about the economic policy course, which argues against a major move in economic policy, but which is necessary to spur up growth of the German economy, which has been stagnating since 2019.

Former publications on the general election 2025:



- ["What happens to the debt break?"](#), Economic Insight 21 November 2024
- ["German election update - Upper house a big hurdle for the next government"](#), Economic Insight 2 December 2024
- ["Election update Germany - Will the SPD succeed in catching up?"](#), Economic Insight 11 December 2024



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