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ELECTION OBSERVER

The Newsletter on the
2025 Federal Election

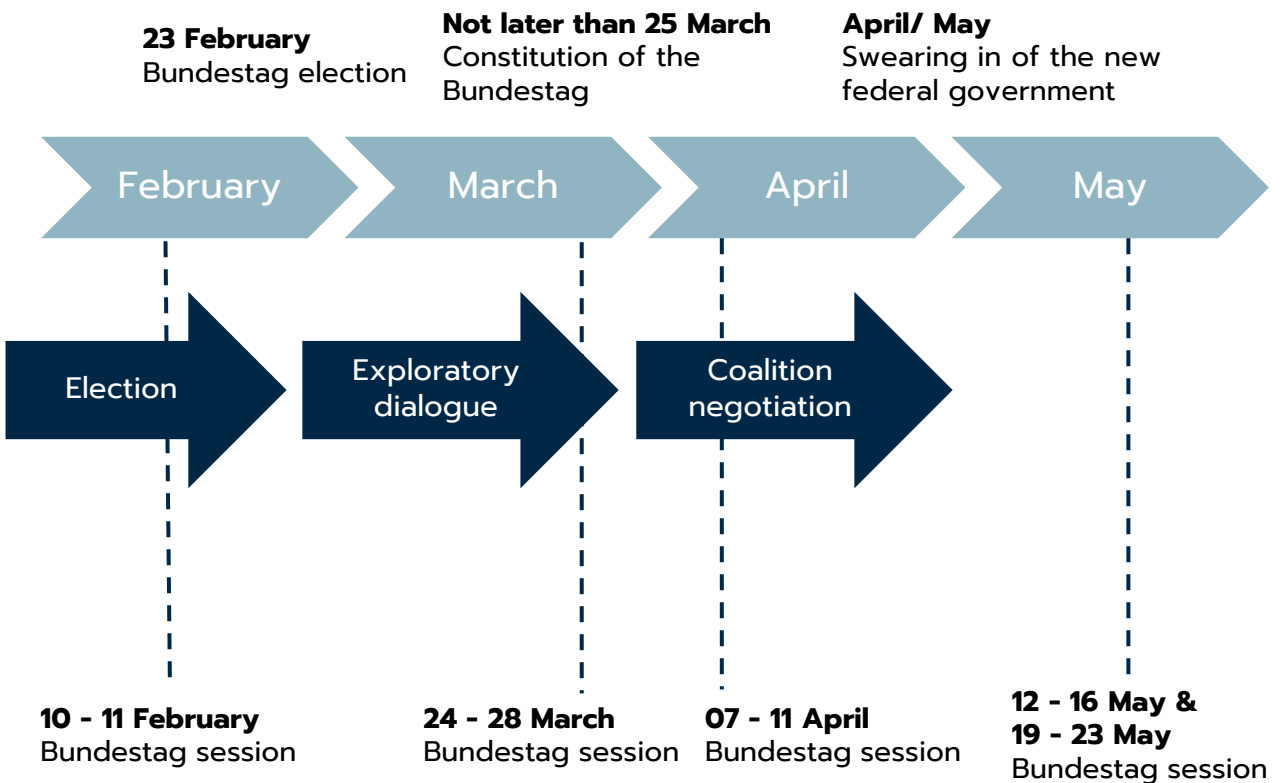
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ELECTION OBSERVER

The German federal elections are being held this Sunday, and current polls indicate a clear winner: the CDU/CSU will emerge as the strongest party, with Friedrich Merz set to become the new chancellor. The gap between the CDU/CSU and its competitors in the polls is substantial and consistent, indicating a likely majority for the Conservatives. However, it is important to note that Merz's ability to govern depends on a coalition partner. He has ruled out a coalition with the AfD, which is expected to come in second. This would leave the SPD, Greens and FDP as potential partners to form a government capable of winning a majority. Traditionally, there has been a significant overlap between the CDU/CSU and the Liberals, but it remains to be seen whether Lindner's party will manage to cross the five percent hurdle. Given these factors, it is unsurprising that the CDU leader himself considers an alliance with the two other coalition parties to be the most likely. CSU leader Markus Söder's strict rejection of a black-green coalition is likely to become obsolete after election day. This issue of the election observer analyses where agreement could be reached quickly between which party in coalition negotiations and where the differences seem insurmountable.





After the election







Economy

				
Priorities	<p>Agenda 2030 includes:</p> <ul style="list-style-type: none"> • Reduction of corporate tax to 25% • Abolition of solidarity tax • Reduction of social security contributions to 40% • Increase commuter allowance • Abolition of supply chain act • Investment in digitalisation and AI • New basic security instead of citizen's income 	<ul style="list-style-type: none"> • Germany fund to promote Germany as a business location • Investment promotion through 'Made in Germany' bonus • Faster reduction of bureaucracy • Increase the minimum wage to 15 euros • Unbureaucratic implementation of the Skilled Labour Immigration Act • Promotion of electric cars • Solidarity tax should remain 	<ul style="list-style-type: none"> • Investment premium of 10% for all companies and investments (except buildings) • Digitalisation of administrative processes • Improving the start-up climate • Immigration of skilled labour and more job opportunities for women through better work-life balance 	<ul style="list-style-type: none"> • Abolition of the Supply Chain Act • De-bureaucratisation of tax law, • Reduction of the corporate tax burden to below 25% • Abolition of solidarity tax • Increase in the basic tax-free allowance and reduction in income tax rates • Exemption of overtime bonuses from income tax
Exclusion criteria	Negotiable in the details, as financing of tax cuts not yet secured.	Negotiable in the details, but an increase in the minimum wage will be important to the SPD.	Negotiable in the details. However, more employment opportunities for women are one of the core issues of the Greens and therefore compromises in this area are less likely.	Reducing bureaucracy is important to the FDP, as is not increasing taxes.





Construction & Real Estate

				
Priorities	<ul style="list-style-type: none"> • Fewer regulations to reduce construction costs • More apartments through densification, addition of storeys and repurposing of areas • Funding for energy-efficient renovation • Families should be able to acquire residential property more easily 	<ul style="list-style-type: none"> • An investment, tax and bureaucracy reduction offensive is intended to overcome the housing shortage • Investments in social housing to be strengthened • Extension of the rent brake • The law on termination for personal use is to be reformed 	<ul style="list-style-type: none"> • Construction program for fast, cost-effective, sustainable and energy-efficient construction • Increasing the promotion of social and non-profit. Housing • Extension of the rent brake • Limitation of investment speculation and vacancy 	<ul style="list-style-type: none"> • Building law according to Building Type E Act • Digital building models to become planning standard • Expiration of the rent brake • Simplification of ancillary costs law • Introduction of a real estate transfer tax allowance of EUR 500,000 for the first owner-occupied property
Exclusion criteria	Negotiable	<p>Negotiable in principle, strongly dependent on the coalition partner</p> <p>No red line</p>	<p>Both the continuation of the rent brake and the anchoring of climate protection criteria in future building subsidy programmes are among the demands of the Greens with less willingness to compromise. Everything else remains a bargaining chip.</p>	Negotiable in detail





Energy & Environment

				
Priorities	<ul style="list-style-type: none"> • Examination of the recommissioning of nuclear power plants • Coal phase-out by 2028 • Reduction of electricity tax and grid charges • Promotion of the expansion of renewable energies 	<ul style="list-style-type: none"> • Speed up the expansion of renewable energies and the electricity grids • Stable and low electricity prices through price caps • The nuclear power plants in Germany are to remain decommissioned • By 2040, electricity is to come entirely from renewable energies • Germany is to be climate-neutral by 2045 • "Climate money" to compensate for rising CO2 prices 	<ul style="list-style-type: none"> • Consistent continuation of the energy transition, including coal phase-out by 2030, no re-entry of nuclear power or new long-term contracts for gas • Introduction of a socially graduated climate money to compensate for the CO2 price as a central control element • Reduction of electricity tax to EU minimum • Reform of financing grid expansion & reduction of grid charges 	<ul style="list-style-type: none"> • Technology openness in climate protection • Ending the phase-out of combustion engines • Electricity tax to be reduced to the EU minimum • Reformation of grid charges • Climate neutrality to be increased to 2050 • Expansion of domestic natural gas production
Exclusion criteria	Non-negotiable: Energy must become significantly cheaper	Negotiable in detail, an implementation of the industrial electricity price will be very important to the SPD.	Energy independence from Russia and the rapid expansion of renewable energies are seen as key successes of the government's policy to date. A continuation is therefore considered non-negotiable. The concrete design remains negotiable.	Lowering energy prices is non-negotiable.





Defence & Security

				
Priorities	<ul style="list-style-type: none"> • Increase of the defence budget by 10 billion euros per year • Introduction of a "growing" military conscription model • Further support for Ukraine with weapons and equipment 	<ul style="list-style-type: none"> • More spending on security and defence budget of at least 2% of GDP • New military service on a voluntary basis • Strengthening of the security authorities • Modernisation of the Federal Police Act • Protection of the emergency services through better equipment, training, etc. • Digital Protection against Violence Act to combat cybercrime and hate speech 	<ul style="list-style-type: none"> • Defence budget with permanently over 2% of GDP through higher borrowing • Strengthening a demand-oriented European arms market, but also a restrictive common export policy • Increased focus on organized crime with more investment in security agencies (especially police) 	<ul style="list-style-type: none"> • Compliance with the 2% target • Strengthening the defence capability through a professional volunteer army • Strengthening the responsibility of EU-NATO partners
Exclusion criteria	In consideration of the USA's demands for higher military spending, the increase in defence spending is non-negotiable, at most the order of magnitude.	Higher expenses on security and defence is an unavoidable issue in the coalition negotiations.	Increasing defence expenses is seen as geopolitically necessary and is therefore considered non-negotiable.	A European defence strategy is seen as crucial. Germany's support for Ukraine is non-negotiable.

Digitalisation & Finance

				
Priorities	<ul style="list-style-type: none"> • Open to reform of the debt brake, especially on state level • Tax cuts are to be counter financed by cutting unemployment payments • Higher economic growth to increase revenue base • Creation of an independent digital ministry • Reduction of VAT on food 	<ul style="list-style-type: none"> • Reform of the debt brake • Tax on very high assets • Bundling of administrative digitization in one ministry • Nationwide use of the "eID" • Expansion of the "BundID" to the "DeutschlandID" as a digital citizen account • Implementation of the AI Act with a focus on bot labelling • VAT rate for food to 5% 	<ul style="list-style-type: none"> • Introduction of the Germany Fund and reform of the debt brake • Reform of inheritance tax towards a model with a life allowance and generous deferral regulations • Expansion of digital infrastructure and digital state, including Germany app for administration • Promotion of open-source software • Stronger AI regulation and transparency 	<ul style="list-style-type: none"> • Compliance with the debt brake • Flattening of income tax rates • Rejection of a wealth tax • Streamlining the government landscape • Administrative digitisation and creation of a digital ministry • BaFin should be supplemented by the area of "financial market promotion" • Reduced VAT on food in the catering industry to 7%
Exclusion criteria	Negotiable in the details, however, cutting unemployment payments is important to the CDU.	From the SPD's point of view, the reform of the debt brake is desirable. Partly negotiable, VAT reduction is an important issue in the election campaign.	Reform of the debt brake and mobilisation of investment capital is seen as urgently necessary and is therefore only negotiable in the details of implementation. Tax reforms, including the billionaire's tax, were subject of discussion during the election campaign, but there is a willingness to compromise.	Compliance with the debt brake is non-negotiable. Development of the reduction of bureaucracy is negotiable.

Health & Nutrition

				
Priorities	<ul style="list-style-type: none"> • Reduction of waiting times for doctor's appointments • Strengthening local pharmacies • Reintroduction of the discount for agricultural diesel • Less EU bureaucracy in agriculture 	<ul style="list-style-type: none"> • Abolition of "two-class medicine" • Introduction of an appointment guarantee • Digitization and prevention to be promoted • Legalisation of cannabis in accordance with European law • Limitation of the personal contribution to inpatient care costs to EUR 1,000 • More transparency in food prices 	<ul style="list-style-type: none"> • Food Processing Strategy • Reduction of sugar in soft drinks • Protecting children from advertising for unhealthy foods • Strengthening the protection of non-smokers, by introducing uniform, neutral packaging without brand logos and banning flavours for e-cigarettes 	<ul style="list-style-type: none"> • Introduction of a primary care system with general practitioners and paediatricians as the first point of contact • Reducing bureaucracy and increasing digitalisation in healthcare
Exclusion criteria	Negotiable in the details, CSU has already laid claim to the office of Minister of Agriculture	Negotiable in the details	Negotiable in the details	Negotiable in the details

The Election Observer on the 2025 Federal Election...

... is a format created by the public affairs team of H/Advisors Deekeling Arndt. As one of the leading agencies for strategic communications, we provide our national and international clients with consulting services on the great transformation challenges of our times from our offices in Düsseldorf, Berlin and Frankfurt. Together with our partners at H/Advisors, we are active in all relevant markets, stock exchanges and government locations worldwide.

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