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UPDATE ON GOVERNMENT FORMATION 2025: KEY INSIGHTS TO START THE WEEK

BERLIN, APRIL 7 – AS OF 4 P.M.



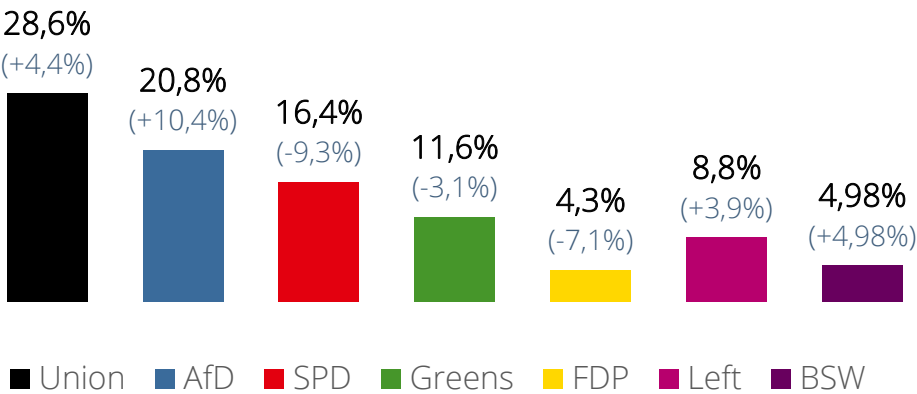
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Status Quo: Current Status of Government Formation at a Glance

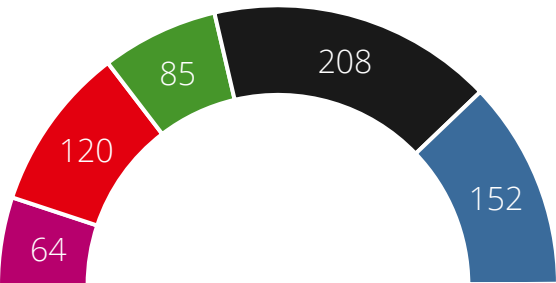
Talks at Leadership Level Continue as Conclusion of Negotiations Possible This Week

- **Negotiations at leadership level continue:** Since March 28, the main negotiating group and party chairs have been discussing contentious issues, financial demands, and the future allocation of ministries in what they call the "clearing phase."
- **Signed coalition agreement and government formation after Easter:** Ratification of the coalition agreement will now have to take place over or after the Easter holidays. The SPD's membership vote and the CDU's small party convention are expected no earlier than the last week of April. May 7 is being discussed as a realistic date for the chancellor vote.
- **Political Pressure is mounting from all sides:** A new poll by the INSA institute places the AfD for the first time neck-and-neck with the CDU/CSU as the strongest political force. Meanwhile, dissatisfaction within the Christian Democrats is also growing. At the same time, U.S. trade policy is increasing financial pressure from abroad: The German Economic Institute (IW) estimates potential economic damage from the new U.S. tariffs at €200 billion. Germany's DAX stock index dropped by more than ten percent at the start of trading today.

Result of the Bundestag election

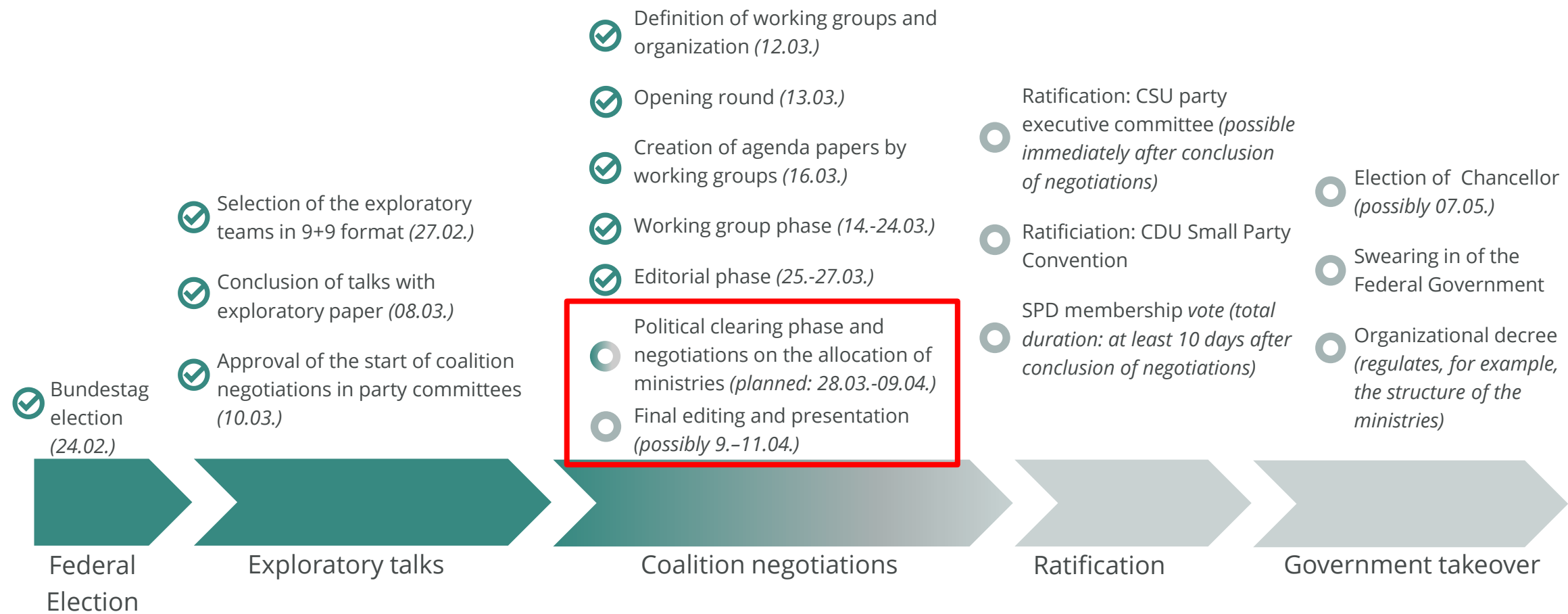


Distribution of seats



Status Quo: Current Status of CDU/CSU-SPD Government Formation

Talks at Leadership Level Continue as Conclusion of Negotiations Possible This Week



Preview: Navigating the Week

Calendar Week: 15: April 7 – 11

Changes through party leadership?

Party leaders have already signaled their distance from parts of the working group results, which sparked numerous conflicts and additional financial demands.

The leadership's goal is a **coherent, prioritized, and fiscally viable coalition agreement** — along with a unified approach instead of the piecemeal compromises of the working groups.

Open question: To what extent will the party leadership intervene in the working group outcomes?

What will the final coalition agreement look like?

In recent months, the CDU/CSU has pushed for a short and streamlined coalition agreement to allow for more flexible governance. However, the working group results could **potentially produce the longest coalition agreement** in the history of the Federal Republic.

Uncertainty remains over whether party leaders will shorten the **document**. Title and shared narrative are still pending. A **fast-track program** for the first months is also being considered.

What is the timeline?

Substantive negotiations are expected to **conclude by midweek**. It remains unclear how much **additional time will be needed for final editing**.

If the **coalition agreement is presented**, possibly by the end of the week, a roughly two-and-a-half-week **SPD membership vote and a small CDU party convention will follow**.

The agreement could be signed by **late April or early May**, with the chancellor elected on **May 7**.

Restructuring of Ministerial Portfolios?

In the final phase of negotiations, the **allocation of ministries** is also being finalized. Debates include:

- Creation of a **Ministry for Digital Affairs**
- Integration of the Development Ministry into the Foreign Office
- **Merger of Construction and Transport** into a new Ministry of Infrastructure
- Establishment of a **National Security Council**
- Additionally: Restructuring of the **Ministry for Economic Affairs**, with climate policy spun off and labor policy added; merging of Social Affairs and Health; separation of Education and Research.

CDU's Position Ahead of Final Talks: Merz Under Pressure from All Sides

The CDU Is in Urgent Need of Negotiation Wins

1 Credibility tarnished

During the election campaign, **Merz promised nothing less than a political change**, a departure from the Merkel era and a change of course in migration, economic and financial policy. **His credibility depended on this clear profile**. Merz was only able to convince liberal voters to a limited extent anyway, and the election result of 28.6% was considered unsatisfactory. Following the **debt package** and the **results of the exploratory talks** and working groups, his **credibility is now also diminishing** in conservative and economically liberal circles.

2 Dissatisfaction within the party

There is **growing discontent** with the current negotiation outcomes, both at the grassroots level and within various power centers and party bodies. Some local CDU chapters are making headlines with resignations, open letters, and demands for membership votes. For now, criticism and demands are being channeled primarily through the Junge Union, while the parliamentary group and other committees remain largely silent. **Merz canceled yesterday's meeting of the party's executive and presidium** — likely in anticipation of sharp internal criticism.

3 Poor negotiating situation with the SPD

In addition to external pressure and growing discontent within his own party, Merz is facing a **poor negotiating position**. He is pushing for swift government formation, aiming to ensure Germany is quickly able to act on the international stage. The Christian Democrats have **no viable alternative coalition partners** and are dependent on forming a government with the Social Democrats (SPD). Internally, Merz is being criticized for having already conceded “too much” to the SPD with the debt package. A key point of criticism: the party still **lacks effective leverage** to push through its own policy priorities.

4 CSU as the third party in the negotiations

On certain issues, **Bavaria's CSU** is acting more like a third coalition party than as the CDU's sister party and negotiation partner. The CSU is pushing for consumer-oriented projects such as pension credits for mothers and subsidies for agricultural diesel. This further **undermines the Union's credibility and bargaining position** — particularly regarding fiscal discipline and budget cuts.

SPD's Position Ahead of Final Talks: Fundamental Crisis Postponed

The Negotiations Have so far Helped The SPD after Its Election Defeat

1

Historically worst election result does not (yet) influence negotiations

The SPD achieved its worst election result ever, and many predicted a fundamental crisis for the party. However, the party is **performing very well** in the coalition negotiations. In exploratory talks and coalition negotiations, the more **experienced SPD negotiators** often appeared **better prepared** than their CDU/CSU counterparts. The debt package and the interim results of the negotiations are publicly interpreted as a **victory for the SPD** - reinforced by the CDU's internal criticism of its leadership. However, the programmatic crisis may only be delayed: the SPD is currently pushing for precisely those issues that won it only 16% of the vote in the Bundestag elections.

2

Power vacuum filled in the short term

On the evening of the election, **co-party leader Lars Klingbeil** also **secured the parliamentary group chairmanship** from Rolf Mützenich, thus closing a potential power vacuum in the party at an early stage. Chancellor Olaf Scholz and Mützenich acted passively and largely withdrew, no one from the federal states has yet pushed to Berlin and the parliamentary group remains disciplined. Calls for her resignation have mainly targeted Klingbeil's co-chairwoman Saskia Esken. The next decisive step is the appointment of the cabinet and the parliamentary group, followed by the election of the new party chair.

3

Bundestag parliamentary group severely weakened

The SPD's electoral defeat is currently most visible in the **parliamentary group**, which has **shrunk from 206 to 120 members**. The quantitative downsizing and very low number of new MPs is making it difficult to reorganize the parliamentary group's programme and thus to prepare and reorganize the SPD's personnel for the next general election.

4

Member vote must be won

The SPD leadership was worried about the membership vote. Friedrich Merz was seen as an obstacle with his profile and statements against the SPD, especially during the election. There is cautious optimism that, after recent interim results and media reports, the party will back the coalition deal. Even in the very difficult vote on the last Great Coalition, a majority voted in favor of the coalition agreement - despite a broad campaign against it.

What does all that mean for public affairs practitioners in the coming months?

1. Many new stakeholders are entering the arena
2. Shape the agenda of the first months
3. Double budget legislation (2025 + 2026) this year
4. Don't neglect the Greens in the opposition
5. Consider the federal state governments' formal and informal power

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