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Germany's hot political autumn

The weather is cooling in Germany, but politics is heating up. Three state elections in a fortnight now decide how much authority the Merz government has left

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It is Germany's super election year, and that is without a federal election. Two state elections at the start of the year, three more this autumn. State elections hit federal policymaking twice over: directly through the Bundesrat, which reviews every law parliament passes and can veto those touching state powers, and indirectly through the mood they set inside the parties and inside the governing coalition. A regional election is always that rare hybrid – a vote on local matters and local politicians, and a running poll on the popularity of the federal government.

Germany's election year got off to a relatively quiet start, but is about to end with a bang. In March, the Greens held Baden-Württemberg by some 27,000 votes over a CDU that gained almost six points and then lost the top spot in the final days of the campaign, and the CDU took Rhineland-Palatinate after 35 years of Social Democratic rule. The CDU escaped with bruises. Its junior partner in the federal government, the SPD, continued the downward trend of recent years.

Now three state parliaments are up within a fortnight: Saxony-Anhalt on 6 September, then Mecklenburg-Vorpommern and Berlin together on 20 September. Roughly 5.4 million people are entitled to vote across the three, about 8% of the German electorate – and yet the outcome will set the political weather in Berlin for the remaining three years of this legislature, or could even end the coalition before the legislature officially does. In two of the three, the AfD leads. In the third, Die Linke does. In none of the three does the incumbent coalition still have a majority.

The timing is unkind. Friedrich Merz is one of the least popular chancellors ever; his party stands at some 21% in national polls, the SPD at 12, the AfD at 29. Government and country are struggling to agree on the far-reaching reforms needed to pull the economy out of a stagnation that has lasted far too long, regain competitiveness and confront structural challenges from demographic change to China's shifting role in the global economy. CDU and SPD agreed a reform package just before the summer, but not everyone in the parties supports it and implementation is cumbersome. The AfD, meanwhile, benefits from the government's inability – and at times unwillingness – to push reforms through quickly, and from the plain fact that reforms come at a cost.

What the polls are telling us

The election that probably matters most for the bigger picture is **Saxony-Anhalt** on 6 September. Not because of its size – 2.2 million people, four Bundesrat votes, the eleventh-largest state – but because the AfD is polling above 42% and could, for the first time in the Federal Republic's history, supply a state premier. If it wins an absolute majority, the case is clean-cut. If it comes first without one, uncertainty increases rather than falls: every other party would have to squeeze into a single coalition, or one of them would become kingmaker as the AfD's junior partner.

The incumbent CDU has no comfortable way out. Sven Schulze took the premiership only in January, succeeding Reiner Haseloff after 15 years, and his CDU-SPD-FDP coalition has since shed roughly a quarter of its support. On current polling, exactly one majority exists that excludes the AfD: CDU plus Die Linke plus SPD, with about one seat to spare. One seat, for five years, with a partner the CDU's own federal resolution forbids it to govern with.

Mecklenburg-Vorpommern offers a slightly different example. The AfD leads at 36% with Leif-Erik Holm, but Manuela Schwesig's SPD is at 29% – an extraordinary number for a party polling around 12% nationally. Asked directly who should be premier, voters back Schwesig over Holm by 47 to 27. Just 12% want a CDU-led government at all.

Schwesig's coalition with Die Linke would nonetheless lose its majority. The likely repair is an SPD-Linke-CDU arrangement, which would put the CDU into government as the fourth-placed junior partner of a red-red coalition. Note the shape of that: to keep the AfD out, the CDU may end up governing with Die Linke in two states on the same fortnight.

Berlin is a different animal: 2.4 million voters, four Bundesrat votes, and an AfD that at 17% is nearly double its 2023 result but nowhere near winning. The drama here is fragmentation: Die Linke, CDU, AfD, Greens and SPD are currently inside six percentage points, and every plausible majority needs three of them.

The CDU has fallen roughly nine points from its 2023 high, and Kai Wegner – the first conservative mayor of Berlin since 2001 – withdrew his candidacy in July after months of criticism over his handling of the January blackout, staying on only until a successor government is formed. Finance Senator Stefan Evers inherited the candidacy and the acting party chairmanship with 10 weeks to run. Die Linke, campaigning hard on rents and expropriation with Elif Eralp, currently leads.

The AfD's grab bag of economic policies

Underneath these three horse races sits a broader story, and one that markets and the business community should be paying more attention to than they are: the rise of the AfD to Germany's largest political party, at least according to the polls.

On economic policy, the AfD remains a grab bag, or a surprise bag. What it actually wants is unclear; contradictions are not rare and very little has been committed to paper. The 2025 federal manifesto, adopted unanimously ahead of the federal election and still the binding party programme, contains an entire chapter demanding Germany's exit from the euro, a return to a national currency, gold repatriation and Target-2 "monetarisation". It also called for higher pensions. The ZEW scored it as having the largest financing gap of any party's programme.

Earlier this year, the AfD's parliamentary group published a position paper on economic policy. Measured against the 2025 manifesto, the deletions are the headline. The entire monetary-sovereignty complex – euro exit, D-Mark, gold, Target-2, Bitcoin – the party's founding DNA from 2013, is absent without a trace. Russia policy is laundered into supply-chain language. What remains is dressed as poisoned fruit for the CDU: the paper builds its tax reform on Paul Kirchhof's proposals – the flat-tax architecture Angela Merkel brought into the 2005 campaign, and which the SPD then turned into the "professor from Heidelberg" caricature that nearly cost Merkel the chancellery – and defends the constitutional debt brake as sacrosanct. The AfD is handing the CDU back a weapon that once blew up in its hands.

Where the party does put numbers on paper, the numbers have now been checked. On 5 August, a month before polling day, the Halle Institute for Economic Research costed the AfD's Saxony-Anhalt programme. Of 136 cost-effective measures, 28 can be quantified by official sources, at roughly €1.6bn a year; add the €877m of already-planned borrowing the party's no-new-debt pledge would have to replace, and the annual financing need is about €2.5bn. Against that stand €243m of provable savings, on assumptions deliberately generous to the AfD. Less than ten cents of every promised euro is covered. The residual gap of at least €2.2bn equals roughly a quarter of the state's entire tax revenue – and it is a floor, since 108 of the

136 measures could not be costed at all. However, here is the uncomfortable part for anyone who believes costs win arguments. The study landed on 5 August. The AfD's polling has risen since.

And then there is the small matter of what the party leader says when the cameras are on. In the ZDF Sommerinterview on Sunday, filmed in Vienna where she was meeting the FPÖ, Alice Weidel walked through the entire case against the single currency: an unstable soft currency, a machine for redistribution, a country that was doing distinctly better before it. What she did not do was say plainly that an AfD government would take Germany out of the eurozone. The argument was made in full; the commitment was left hanging. On Schengen she was blunter: the treaty would be cancelled. Which tells you something about where the party thinks its caution still pays. Even leaving the financing question aside, it remains completely unclear what kind of economic policy a state – or the country – would get with the AfD in government.

Why the three state elections matter for national politics

The direct impact on the German economy from the September elections will be very limited. At best, new state governments could undermine support for the federal reform package and slow implementation, or eventually derail it. The indirect impact could be much larger. Beyond the symbolic effect one or several AfD wins would have on foreign investor sentiment, there are potential reactions inside the parties themselves that could slow reform further and eventually bring down the federal government. Three triggers are worth watching.

One: the cordon sanitaire becomes expensive. Chancellor and CDU leader Friedrich Merz has held the line against cooperation with the AfD. September's arithmetic sends the bill. If the only non-AfD majorities in Saxony-Anhalt and Mecklenburg-Vorpommern are coalitions in which the CDU governs alongside Die Linke, an ugly internal debate follows about which taboo is load-bearing: the firewall against the AfD, or the party resolution ruling out coalitions with the Left.

Two: leadership risk becomes live. Merz remains the least popular chancellor on record. His U-turn on the debt brake and fiscal stimulus, the gap between words and action, the slow and cumbersome reform effort and some clumsy personnel management have all drawn criticism from within his own party. Over the summer there were already rumours of an attempt to replace him after the September elections. Easier said than done – but the mere existence of the debate signals unrest, and unrest can grow.

Three: the SPD's slowly growing existential crisis. There is a real risk the SPD misses the 5% threshold in Saxony-Anhalt and drops out of the state parliament altogether – unprecedented, and deeply unsettling for a party leadership already short of good news. The weaker the SPD's support, the likelier an internal fight over course: press on with the government's reform agenda, or unwind much of it and take a more French approach to economic reform.

For the economy, nothing will change in September. What the elections could change is the price of everything the government still wants to do. And how much time it will have left to do it.

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