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Three German elections, one bill

The three state elections in September will not determine Germany's economic outlook, but they could change the price of everything the Merz government still wants to do, and how much time it has left to do it

The clock is ticking on the Merz government's reform plans as key state elections approach

Germany votes three times in 15 days: Saxony-Anhalt this Sunday, Mecklenburg-Vorpommern and Berlin on 20 September. Together, these elections cover around 5.4 million voters, roughly 8% of the electorate. That may seem too small to matter nationally, but that would be a mistake. State elections can influence federal policymaking through two channels: directly via the Bundesrat, which can block legislation affecting state interests, and indirectly through the political signal they send to the governing parties. The second channel is the dangerous one.

The direct economic impact will be limited. New state governments could weaken support for the reform package CDU and SPD agreed before the summer and slow an implementation that is already cumbersome. That is a drag, not a rupture. The indirect impact is where the risk sits, and four triggers are worth watching.

One: the cordon sanitaire gets expensive. In two of the three states the AfD leads, and in none of them does the incumbent coalition still have a majority. In Saxony-Anhalt, where the AfD is polling above 42% and could supply the Federal Republic's first AfD state premier, exactly one non-AfD majority exists – CDU, Die Linke and SPD, with roughly a seat to spare. In Mecklenburg-Vorpommern, the arithmetic points the same way. Merz has held the line against cooperating with the AfD. September sends him the bill, in the form of an ugly internal argument about which taboo is load-bearing: the firewall, or the resolution ruling out the Left.

Two: leadership risk turns live. Merz is currently the least popular chancellor on record, and his own party has been queuing up to say so – the debt-brake U-turn, the gap between announcement and delivery, some clumsy personnel management. There was already speculation over the summer of a move against him after September. Easier said than done. But the debate itself is the signal.

Three: the SPD's slow-motion crisis. At 12% nationally, the party risks missing the 5% threshold in Saxony-Anhalt entirely. The weaker it gets, the likelier an internal fight over whether to carry the reform agenda or unwind it and adopt a more French approach.

Four: could the AfD for the first time lead a regional state government? In Saxony-Anhalt it possibly could. But what would AfD economics actually be? Still a grab bag. The Halle Institute costed the party's Saxony-Anhalt programme in August: roughly €2.5bn annual financing needs against €243m provable savings, less than ten cents of every promised euro. At the same time, the party is still flirting with a euro exit. Not that this would happen via Saxony-Anhalt, but the question is whether international investors are able to make this distinction.

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