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To the point!

Cross-Asset- and Strategy-Research

A bleak experiment

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September 4, 2026

Germany is nearing its first far-right state government since 1945

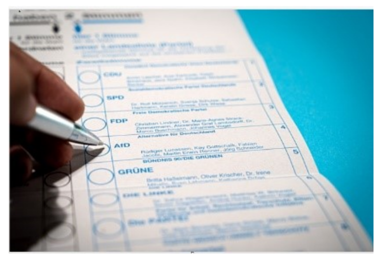
The Alternative for Germany (AfD), a far-right party, is close to taking power in Saxony-Anhalt, an eastern German state. It is currently polling at just over 40%. The Christian Democrats (CDU), Germany's traditional center-right party, are languishing below 25%. The Left, a post-communist left-wing party, could win 13%. The others may be lucky to make it into the state parliament at all (see fig. 1).

A party whose platform bristles with isolationist demands could thus lead a German state government. The party program calls for Germany to leave the euro, remake the EU from top to bottom, pursue "remigration" – a far-right euphemism for pushing migrants out of Germany – and retreat behind national ramparts. For an economy as dependent on foreign trade as Germany's, that would be economic self-harm.

Saxony-Anhalt, part of East Germany until reunification in 1990, has also become more reliant on exports. Industry's export share has risen steadily – from 26% in 2009 to 33% in 2024. Saxony-Anhalt therefore relies on Germany's strong reputation among foreign customers and its stable place inside the EU single market. A radical break with the status quo would unsettle companies. Fear of an AfD takeover already seems so acute that some firms apparently no longer dare to speak out. Before the 2024 state elections in Saxony and Thuringia, things were different: the German Family Business Association, a lobby group for family-owned firms, published a 12-page study on the AfD's "anti-business policies". Fear is breeding preemptive silence.

Good governance is good business

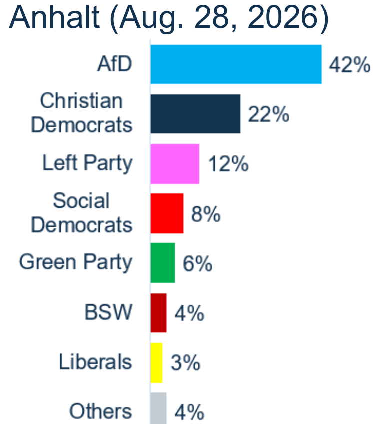
The U.S. is currently showing how deteriorating governance can dampen investment. For more than a year, investment in U.S.



The German state of Saxony-Anhalt is on its way to electing the far-right AfD into government..
Quelle: Mika Baumeister via Unsplash

Much is at stake on Sunday

Fig. 1: Polling results State election Saxony-Anhalt (Aug. 28, 2026)



Source: INSA, LBBW Research

manufacturing outside the technology sector has been falling, most recently by 1.3%. That is what happens when rules are written on a whim, institutions come under pressure and political decisions are handed down by fiat.

Companies in Saxony-Anhalt, moreover, should have little trouble finding alternatives elsewhere in Germany. They would not even have to leave the country. An investment exodus is quiet and gradual: an expansion happens somewhere else, a hire is never made, a site no longer appears on the shortlist for the next upgrade. Eventually, however, the machinery grinds to a halt.

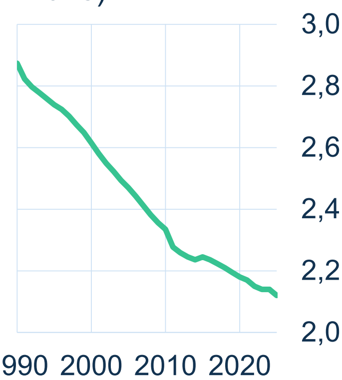
The decline in population would likely accelerate

Saxony-Anhalt, still marked by the demographic scars of reunification and deindustrialization, is already shrinking steadily. Since 2000, its population has fallen by 18%. The number of regular payroll employees has declined by almost 4% over the same period. Nationwide, employment grew by 25%. Among young adults aged 20 to 35, the population has dropped by as much as a third since 2010. A political climate that unsettles people with international backgrounds – or even merely cosmopolitan outlooks – turns a structural problem into a self-inflicted crisis.

Young people in particular are already missing

Workers of immigrant origin would be hit especially hard. With its threats of "remigration", the AfD confronts them with a basic choice: stay or leave. Many companies have long known that they cannot do without these workers. If politics drives them away, businesses will suffer too. A country cannot court skilled workers while creating an inhospitable environment.

Fig. 2: Resident population Saxony-Anhalt (millions)



Source: Statistical Office of Saxony-Anhalt, LBBW Research

Exclusion is not a business model

The AfD's so-called program for government in Saxony-Anhalt, meanwhile, contains no realistic measures to strengthen the local economy. Many promises. Unclear funding. The funding gap is estimated to exceed 2 billion EUR. The economy appears only much later in the program, after the nationalist-identitarian catechism – "Think German!", "No admission for non-EU foreigners" or "Love of homeland into the constitution" – has been recited at length. By comparison, Donald Trump looks positively restrained. Confrontation rather than cooperation would probably deepen society's divides. "End sanctions against Russia that damage the economy" and "end the obsession with university education" are slogans masquerading as economic policy. Yet Saxony-Anhalt already ranks second to last among Germany's states in spending on research and development.

The AfD manifesto would deepen divides

For a state whose economy is emerging in 2025 from its fourth consecutive year of recession, such policies would be a severe blow. One could cynically cheer the prospect of Saxony-Anhalt becoming a warning to other German states. Perhaps. But people across Saxony-Anhalt would pay a high price. One can only hope voters understand that their choice will do more than register protest. It will shape the state's economic future.

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This document is a translation of Kraemers Klartext, "Reallabor Sachsen-Anhalt", original publication date: 04.09.2026. The translation has been made for convenience only with the German original always prevailing in all aspects, especially in case of potential discrepancies resulting from the translation.

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