

Press Release 27/2024

Halle (Saale), 26 September 2024

Services stabilise the East German economy

Implications of the Joint Economic Forecast Autumn 2024 and of Länder data from recent publications of the Statistical Offices

In 2024, the East German economy is expected to grow by 0.2%, while it will decline by 0.1% in Germany as a whole. The Halle Institute for Economic Research (IWH) is forecasting an East German growth rate of 0.7% in 2025, and a rate of 1.2% in 2026. According to the IWH forecast, the unemployment rate in eastern Germany is likely to be 7.5% in 2024 as well as 2025 and 7.2% in 2026.

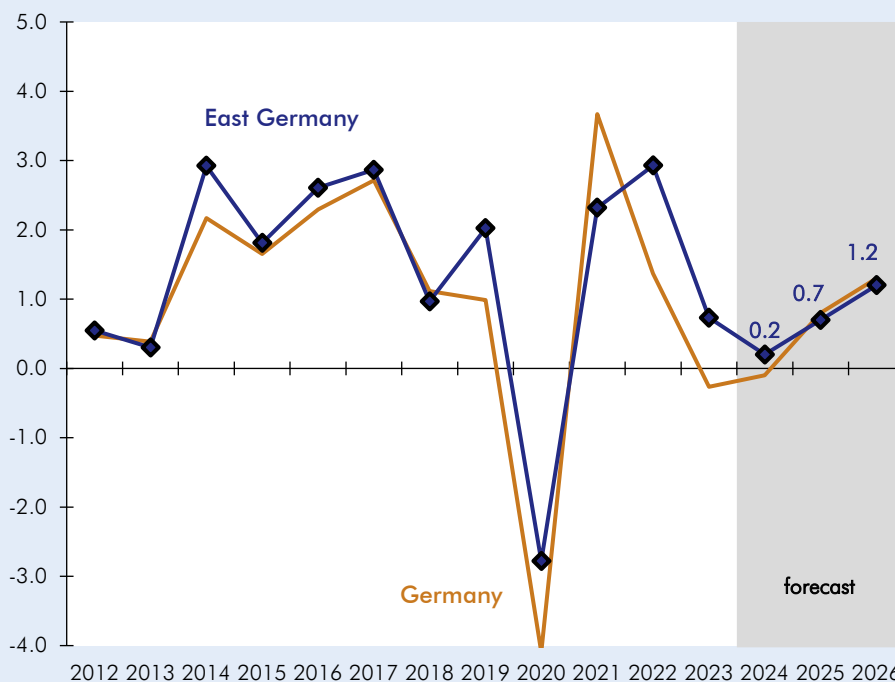
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Figure 1
Real gross domestic product in East Germany
Change from previous year in %



Sources: Working Group "Regional Accounts" (Arbeitskreis „Volkswirtschaftliche Gesamtrechnungen der Länder“), Joint Economic Forecast Autumn 2024.

In its [autumn report](#), the Joint Economic Forecast states that the German economy is in a pronounced phase of weakness, which has structural as well as cyclical causes. This also applies to East Germany, although the downturn here is likely to be somewhat milder this year. This is because the export-orientated manufacturing industry, which is particularly affected by the weak economy, is less important in East Germany than in the west. Berlin in particular has a service-orientated economy,

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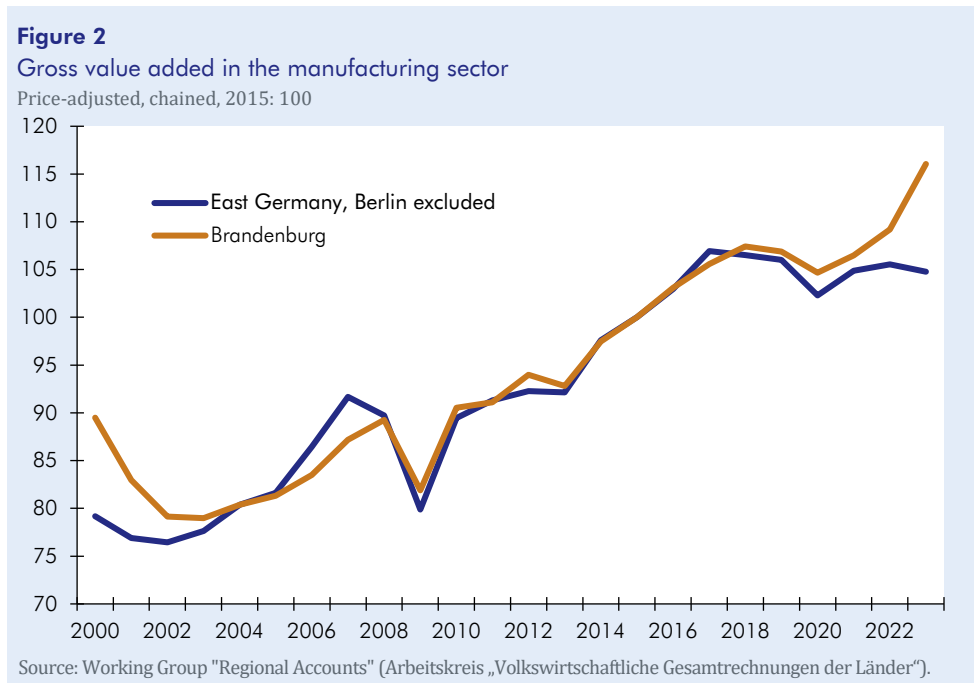
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and, according to the Working Group on National Accounts of the Federal States, output in Berlin rose by 0.2% in the first half of 2024 compared to the same period of the previous year, while it slightly fell in Germany as a whole. Thanks to Berlin's high weight, the economy in East Germany probably was roughly stagnant in the first half of the year. Gross domestic product in eastern Germany is expected to increase by 0.2% in 2024, while production in Germany as a whole will fall by 0.1% (see figure 1).

In recent years, East Germany has also benefited from a number of major projects such as the Tesla plant in Grünheide. However, it is questionable whether this trend will continue in the coming years. Intel has halted the start of construction on its semiconductor factory in Magdeburg for the time being. This decision will only slightly dampen the economic outlook for the next two years, because production was not due to start until 2027 or 2028, and factory construction will only have a minor impact on the economy as a whole. A look at the impact of the Tesla factory in Grünheide on Brandenburg's value added figures suggests this: The plant was built within two years from 2020 to 2022. Tesla's car production is probably the main reason why gross value added in the manufacturing sector in Brandenburg in 2023 was 8½% higher than in 2019, while in East Germany excluding Berlin it was about 1% lower. In contrast, during the period of factory construction, i.e. in 2020 and 2021, gross value added in Brandenburg did not expand much more than in East Germany as a whole (see figure 2).



“The negative demographic trend is increasingly slowing down the East German economy,” says Oliver Holtemöller, Head of the Department Macroeconomics and Vice President at the IWH. Employment subject to social insurance contributions has been falling slightly in East Germany since February, while it continues to rise in the west. This is a major reason why the expansion of gross domestic product in East Germany over the next two years, at 0.7% and then 1.2%, is likely to be

slightly lower than in Germany as a whole. The unemployment rate in East Germany, as defined by the Federal Employment Agency, will be 7.5% in 2024 as well as 2025 and 7.2% in 2026.

Joint Economic Forecast, Autumn 2024 Report (in German):

Joint Economic Forecast: [Deutsche Wirtschaft im Umbruch – Konjunktur und Wachstum schwach](#). Berlin, September 2024.

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