

## Press Release 11/2024

Halle (Saale), 27 March 2024

### **East Germany's lead over West Germany in terms of growth is bound to shrink**

Implications of the Joint Economic Forecast Spring 2024 for the East German economy

In 2023, the East German economy is expected to have expanded by 0.5%, while it shrank by 0.3% in Germany as a whole. The Halle Institute for Economic Research (IWH) forecasts an East German growth rate of 0.5% again for 2024, and a rate of 1.5% in 2025. The unemployment rate is expected to be 7.3% in 2024 and 7.1% in the following year.

In its [spring report](#), the Joint Economic Forecast states that the German economy is in a prolonged phase of weakness. A recovery is likely to start in spring, but the overall momentum will not be strong. Production in East Germany was probably somewhat more robust last year than in the west.<sup>1</sup> This is because public and other service providers have a considerably greater weight here (just under 30%) than in West Germany (just under 20%), and these sectors of the economy expanded in 2023. In addition, private consumption has been supported by the increase in the minimum wage, which is frequently paid in East Germany. In addition, the statutory pension was increased by 5.9%, 1.5 percentage points more than in the west. Overall, production in East Germany will probably have increased by 0.5% in 2023 (see figure). “This means that the East German economy has been growing a bit faster than the economy in Germany as a whole for the past ten years, primarily due to higher momentum in the consumer-related sectors of trade, transport and hospitality, but also in manufacturing,” says Oliver Holtemöller, Head of the Department Macroeconomics and Vice President at the IWH.

East Germany is forecasted to growth by 0.5% in 2024, with Germany as a whole growing by 0.1%. “The narrowing gap in production momentum is partly due to barely increasing employment in East Germany, because the population is ageing rapidly,” says Holtemöller. In addition, from 2024 pensions will not increase stronger in the east because the equalisation of the pension value between east and west was achieved in 2023. However, unlike in the west, the manufacturing industry is likely to continue expanding, driven not least by the high subsidies for the semiconductor industry in Saxony and Saxony-Anhalt. For this reason, the rate of expansion in East Germany in 2025 is expected to remain, with 1.5%, slightly higher than in Germany as a whole (1.4%) despite the less favourable demographic trend.

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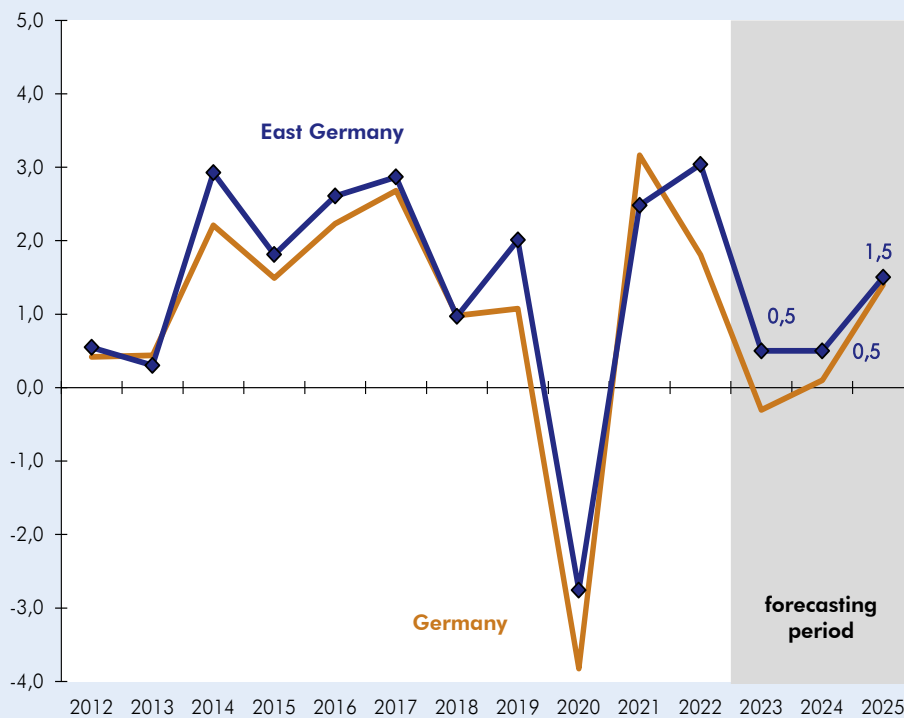
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<sup>1</sup> Official GDP figures of the federal states for 2023 will be published on March 28th, 2024.

**Figure**  
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 Spring 2024.

### Joint Economic Forecast, Spring 2024 Report (in German):




Joint Economic Forecast: [Deutsche Wirtschaft kränkelt – Reform der Schuldenbremse kein Allheilmittel](#). Kiel, March 2024.

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