

## Press Release 22/2020

Halle (Saale), 14 October 2020

### **Economic slump in East Germany not as severe as in Germany as a whole – Implications of the Joint Economic Forecast and new data for East Germany**

The German economy started recovering quickly after the drastic pandemic-related slump in spring 2020. The recovery, however, loses much of its momentum in the second half of the year. The Joint Economic Forecast predicts that production levels seen before the crisis will not be reached again until the second half of 2021. In principle, the East German economy is following this pattern, although the economic slump is likely to be somewhat milder.

This is indicated by recently published data on economic output in the federal states: In the first half of 2020, production in East Germany was 5.6% below the level of the same period in the previous year, while in Germany as a whole it was 6.6%. One reason for the somewhat smaller decline is the lower weight of manufacturing industry and in particular car production in East Germany, as this production came temporarily to a complete standstill. In Saxony and Thuringia, where motor industries are, like in West Germany, quite important, the economic slump was hardly less severe, at 6.5% and 6.3% respectively.

Another reason why production is likely to be hit less severe in the east is that public service providers have, with 25% of total gross value added, more weight than in West Germany (18%), since this sector of the economy remains quite stable during the crisis. Finally, according to ifo business surveys, retail companies assess their situation in the east somewhat more favorably than in the west, which suggests more robust private consumption. One reason for this is that disposable income of private households in East Germany as a whole are supported by a strong pension adjustment of 3.9% this year. Moreover, the comparatively low infection rates so far have put less strain than elsewhere on the part of consumption that is associated with social contacts. The marked increase in infection numbers in the capital during autumn is a risk for the Berlin service sector, but also for the economy in East Germany as a whole.

“Assuming that another shutdown can be avoided in Berlin, as in the rest of Germany, East Germany’s gross domestic product is likely to fall by 2.9% in 2020,” says Oliver Holtemöller, Head of Department Macroeconomics and Vice President at the Halle Institute for Economic Research (IWH). “In Germany as a whole, it is expected to fall by 5.4%.” For 2021, growth is forecast to reach 3.6% in East Germany (Germany: 4.7%). The East German unemployment rate as defined by the Federal Employment Agency is expected to be 7.4% in 2020 and 7.2% in 2021.

Press embargo:  
14 October 2020, 11 a.m. CEST

Press contact  
Stefanie Müller-Dreißigacker  
Tel +49 345 7753 720  
presse@iwh-halle.de

Scientific contact  
Oliver Holtemöller  
Tel +49 345 7753 800  
ohr@iwh-halle.de

Keywords  
Germany, business cycle,  
productivity, East Germany, East-  
West comparison, convergence

Halle Institute for Economic  
Research (IWH) – Member of the  
Leibniz Association  
Tel +49 345 7753 60  
Fax +49 345 7753 820

Kleine Maerkerstrasse 8  
D-06108 Halle (Saale)  
Germany

P.O. Box 11 03 61  
D-06017 Halle (Saale)  
Germany

[www.iwh-halle.de](http://www.iwh-halle.de)

## **Joint Economic Forecast, autumn 2020 report:**

*Joint Economic Forecast: Recovery Loses Momentum – Economy and Politics Still Shaped by the Pandemic.* October 2020. Kiel 2020.

---

### **Scientific contact**

Professor Dr Oliver Holtemöller  
Tel +49 345 7753 800  
oliver.holtemoeller@iwh-halle.de

### **Press contact**

Stefanie Müller-Dreißigacker  
Tel +49 345 7753 720  
presse@iwh-halle.de

 IWH on Twitter

 IWH on Facebook

The IWH [list of experts](#) provides an overview of IWH research topics and the researchers and scientists in these areas. The relevant experts for the topics listed there can be reached for questions as usual through the IWH [Press Office](#).

The Halle Institute for Economic Research (IWH) – Member of the Leibniz Association was founded in 1992. With its three research departments – Macroeconomics, Financial Markets, and Structural Change –, IWH conducts economic research and provides economic policy recommendations, which are founded on evidence-based research. With the IWH's guiding theme "From Transition to European Integration", the institute's research concentrates on the determinants of economic growth processes with a focus on efficient capital allocation in a national and European context. Particular areas of interest for the institute are macroeconomic dynamics and stability, microeconomic innovation processes, productivity and labour markets, the dynamics of structural adjustment processes, financial stability and growth and the role of financial markets for the real economy.

The Leibniz Association connects 96 independent research institutions that range from the natural, engineering and environmental sciences via economics, spatial and social sciences to the humanities. Leibniz institutes address issues of social, economic and ecological relevance. They conduct knowledge-driven and applied basic research, maintain scientific infrastructure and provide research-based services. For further information see <http://www.leibniz-gemeinschaft.de/en/home/>.