

Press Release 26/2021

Halle (Saale), 14 October 2021

East German economy less affected by supply bottlenecks than German economy as a whole, but lower vaccination rates pose risks

Implications of the Joint Economic Forecast Autumn 2021 and of Länder data from recent publications of the Federal Statistical Office

Supply bottlenecks affect production in the manufacturing sector in East Germany somewhat less than in Germany as a whole. With 1.8%, the increase in Gross Domestic Product in eastern Germany in 2021 therefore is likely to be lower than in Germany as a whole (2.4%); this gap is likely to enlarge in 2022, when supply bottlenecks hamper less (East Germany: 3.6%, Germany 4.8%).

In its [autumn report](#), the Joint Economic Forecast Project Group states that the economic situation in Germany is still shaped by the Corona pandemic. In addition, supply bottlenecks for intermediate products are currently hampering production in the manufacturing sector. This also applies to the East German economy. "However, these bottlenecks do not have quite the same impact on economic production because the manufacturing sector and especially the automotive industry, which is strongly affected by the bottlenecks, have a somewhat lower weight in the east," says Oliver Holtemöller, Head of the Department Macroeconomics and Vice President at the Halle Institute for Economic Research (IWH). The supply bottlenecks have not been fully reflected in the data for Gross Domestic Product in the German states (Länder) reported by the Federal Statistical Office for the first half of 2021. According to this, the rate of change of the price-adjusted Gross Domestic Product in East Germany was, with a bit more than 2%, 0.7 percentage points below that of Germany as a whole. The main reason for the difference is high growth in Baden-Württemberg and Bavaria, where the manufacturing sector is particularly important.

The pandemic poses risks again in the coming winter, especially for contact-intensive services. Here the conditions in the east are less favourable than in Germany as a whole: Based on data from the Robert Koch Institute for the federal states, the current (10 October) rate of fully vaccinated persons in East Germany is about 60%, for Germany the rate is 65%. The pandemic already seems to have had more of a dampening effect on restaurants and hotels in the east than in the west over the summer. An evaluation of turnover figures in east and west by the Federal Statistical Office has shown that West German turnover in the hospitality industry from March to July 2021 has increased slightly compared to one year ago, while East German turnover has fallen further.

Press embargo:
14 October 2021, 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
oliver.holtemoeller@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

All in all, growth in East Germany in 2021 will, with 1.8%, probably be slightly lower than in Germany as a whole (2.4%). For 2022, when supply bottlenecks are less of a constraint on manufacturing, the gap between growth in Germany as a whole (4.8%) and in East Germany (3.6%) is likely to be wider. For 2023, growth in East Germany is forecast at 1.5% (Germany: 1.9%). The unemployment rate as defined by the Federal Employment Agency will fall from 7.1% in 2021 to 6.7% next year and 6.5% in 2023.

Joint Economic Forecast, autumn 2021 report (in German):




Joint Economic Forecast: [Krise wird allmählich überwunden – Handeln an geringerem Wachstum ausrichten](#). October 2021. Halle (Saale) 2021.

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 LinkedIn
-  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 four research departments – Macroeconomics; Financial Markets; Structural Change; Laws, Regulations and Factor Markets –, 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/>.