

Press Release 24/2022

Halle (Saale), 29 September 2022

The East German economy expanded strongly in the first half of 2022, but falls into recession in the second half of the year
Implications of the Joint Economic Forecast Autumn 2022 and of Länder data from recent publications of the Statistical Offices

The energy crisis is pushing the German economy into recession. This also affects the economy in East Germany. According to the Halle Institute for Economic Research (IWH), East German production will expand at a slightly stronger rate of 1.5% than in Germany as a whole. For the coming year, the decline in East Germany is expected to be less pronounced than in the west at 0.1% (Germany: -0.4%). For 2024, the economists forecast a growth of 1.7% (Germany: 1.9%).

In its [Autumn Report](#), the Joint Economic Forecast Project Group states that the European energy crisis is leading to a massive reduction of purchasing power and pushing the German economy into recession. This also applies to the East German economy. In the first half of 2022, the economy in East Germany was still quite strong: Production was more than 3% higher than a year earlier, while in Germany as a whole the increase was only 2.6%.¹ “The East German economy benefited from the fact that the weight of the weakening manufacturing sector is lower than in the west,” says Oliver Holtemöller, Head of the Department Macroeconomics and Vice President at the Halle Institute for Economic Research (IWH). The disposable incomes of private households in East Germany are being supported by the gradual alignment of East German pensions with those in the west; each year, East German pension increase is by about ¾ percentage points higher than in West Germany. Furthermore, the particularly strong increase in the minimum wage in 2022 plays a greater role in the east than in the west, since a significantly larger proportion of the workforce is affected by this measure. Due to the currently favourable labour market situation, the negative employment effects of the minimum wage increase have so far remained within narrow limits. “In addition, some of the widely noticed large-scale industrial projects in East Germany, such as the Tesla factory in Grünheide or new chip factories in Dresden, may already have measurable effects on the economy as a whole,” says Oliver Holtemöller.

These supporting effects, however, are small compared to the expected loss of purchasing power due to the sharp rise in energy prices. As in Germany as a whole, private consumption as well as production in East Germany will shrink in the coming winter. There are no major differences in the burden on households and businesses: Natural gas has roughly the same importance as a heating fuel in east and

Press embargo:
29 September 2022, 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
business cycle, convergence, East Germany, East-West comparison, forecast, energy crisis, Germany, productivity

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

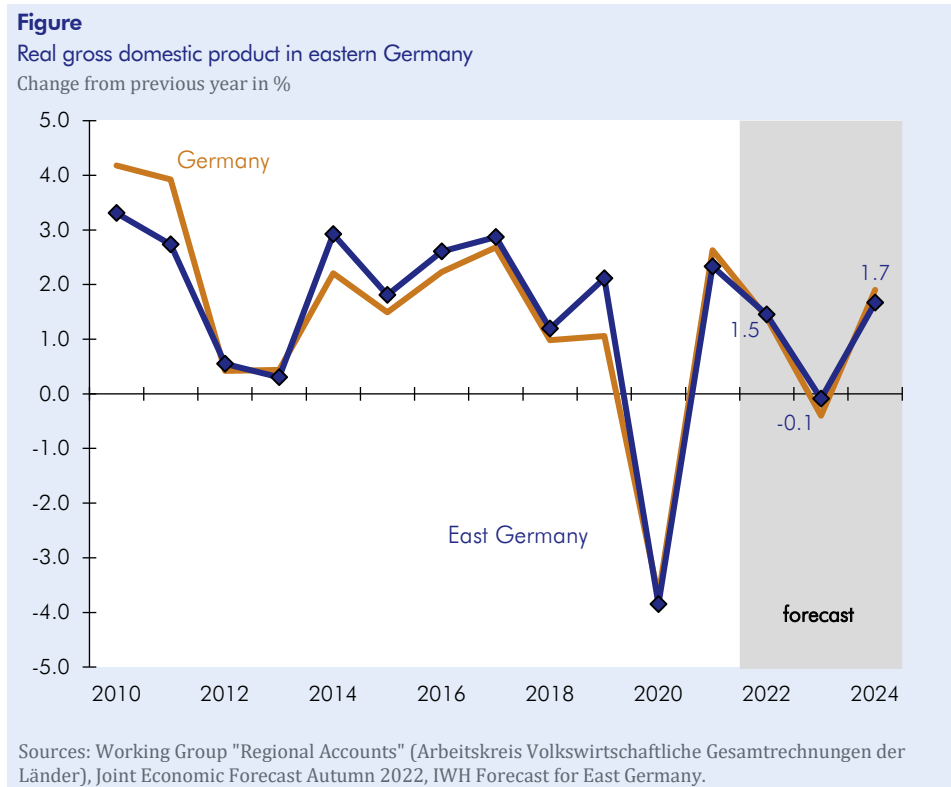
Kleine Maerkerstrasse 8
D-06108 Halle (Saale)
Germany

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

www.iwh-halle.de

¹ IWH calculation of the East German gross domestic product based on Länder data.

west,² and the energy- and gas-intensive sectors of the manufacturing industry have roughly the same weight in East and West Germany.³



Overall, East German production will probably expand somewhat more strongly in 2022 (1.5%) than in Germany as a whole (1.4%, see figure). For 2023, the decline in East Germany is likely to be less pronounced than in the west at 0.1% (Germany: -0.4%), not least because the larger share of value added by public service providers in the east supports output in the crisis. For 2024, growth is forecast to be 1.7% (Germany: 1.9%). The East German unemployment rate as defined by the Federal Employment Agency rises from 6.8% in 2022 to 7.1% next year, only to fall back to 6.8% in 2024.

Joint Economic Forecast, Autumn 2022 Report (in German):

Joint Economic Forecast: [Energiekrise: Inflation, Rezession, Wohlstandsverlust](#). Essen, October 2022.

Scientific contact

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

² See Arbeitskreis Konjunktur des IWH: [Energiekrise in Deutschland](#). IWH, *Konjunktur aktuell*, Jg. 10 (3), 2022, 78.
³ Of the 28 branches in the manufacturing industry, the five branches with the highest gas and energy intensity are (according to IWH calculations based on data from the Federal Statistical Office): Manufacture of paper and paperboard/Coking and refining of mineral oils/Manufacture of chemicals/Manufacture of glassware, ceramics and processing of stone and earth/Metal production and processing. In West Germany, these industries account for 11.5% of the total payrolls in manufacturing, in East Germany for 12%. This is a bit more mainly because the branch "manufacture of glassware, ceramics and processing of stones and earths" is of somewhat greater importance in the east.

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 97 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/>.