

Press Release 14/2025

Halle (Saale), 10 April 2025

In East Germany, as in the west, the economy is in crisis Implications of the Joint Economic Forecast Spring 2025 and new data for the East German economy

In 2024, the economy in East Germany shrank by 0.1% and in Germany as a whole by 0.2%. The Halle Institute for Economic Research (IWH) expects stagnation for East Germany in 2025 and growth of 1.1% in 2026. According to the IWH forecast, the unemployment rate is expected to be 7.8% in both 2025 and 2026, after 7.5% in 2024.

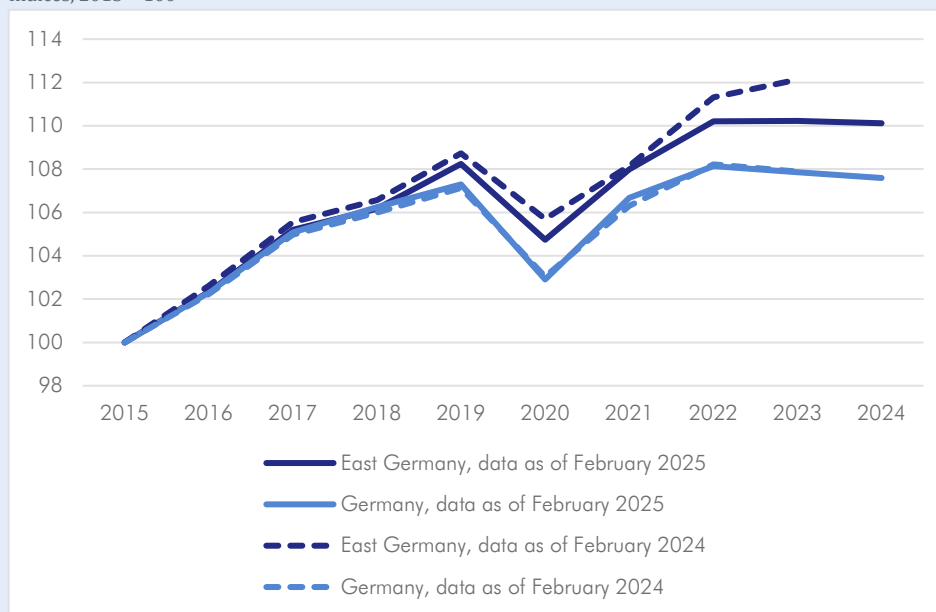
Press embargo:
10 April 2025, 12.30 p.m. CEST

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Keywords
business cycle, convergence, East Germany, East-West comparison, demography, exports, forecast, Germany, gross domestic product, labour market, production, service sector, tariffs

Figure
GDP in Germany and East Germany
Indices, 2015 = 100



Sources: Volkswirtschaftliche Gesamtrechnungen der Länder, Reihe 1, Länderergebnisse Band 1; Data as of February 2025 and data as of August 2023/February 2024.

In its [Spring Report](#), the Joint Economic Forecast Project Group states that the German economy has been in crisis since the end of 2023 and that the new US tariffs and the high level of political uncertainty will have a negative impact on activity in 2025. This also applies to East Germany, even if here exports to the US play a smaller role than for the West German economy. In 2024, gross domestic product (GDP) in East Germany fell by 0.1%, which was a bit less than in West Germany (–0.3%). Production in Berlin increased by 0.8%, while it fell by 0.5% in the other East German states. With the publication of production figures in March 2025, East Germany's GDP has been revised downwards for the past few years (see figure). According to

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the calculations from spring 2024, it was 12.1% higher in 2023 than in 2015; according to the current calculations, it was only 10.2% higher. The revision of cumulative growth was particularly strong for Brandenburg (4.5% instead of 11.6%), Mecklenburg-Western Pomerania (7.3% instead of 13.3%) and Saxony-Anhalt (-0.1% instead of 3.3%). If the East German economy grew slightly faster than the German economy as a whole over the past ten years, it was only because services expanded strongly in Berlin.

“In the coming years, a decline in the workforce will place an increasing burden on the East German economy,” says Oliver Holtemöller, Head of the Department Macroeconomics and Vice President at the IWH. Already last year, the number of employees subject to social insurance contributions fell by 0.1% in the east, while it increased by 0.4% in the west. In addition, the majority of armaments investments are likely to be made in West Germany, as this is where the German defense industry is concentrated. Overall, production in East Germany is likely to stagnate in 2025 (Germany +0.1%). Expansion in the following year is forecast to be 1.1%, which is 0.2 percentage points lower than in Germany as a whole. At 7.8% in both 2025 and 2026, the unemployment rate will be slightly higher than in 2024 (7.5%).

Joint Economic Forecast, Spring 2025 Report (in German):

Joint Economic Forecast: [Geopolitischer Umbruch verschärft Krise – Strukturreformen noch dringlicher](#). Essen, April 2025.

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