

ifo Economic Forecast for Eastern Germany and Saxony: Economy Defies Turbulence

Dresden, December 21, 2022 – A mild recession is expected in eastern Germany and Saxony in the winter half-year. Eastern Germany’s economic output in 2023 is thus forecast to be 0.2 percent below the previous year’s level; in Saxony, the ifo Institute expects output to remain unchanged (Germany: –0.1 percent). In the current year, by contrast, economic output in those regions will still grow by 2.1 and 1.7 percent, respectively (Germany: +1.8 percent).

“This year was characterized by a large number of bottlenecks, for example in the energy supply and in many intermediate products. This put pressure on production in manufacturing and construction in particular. Because its economic structure is more manufacturing-heavy, this is hitting Saxony harder than the other eastern German states,” says economic expert Joachim Ragnitz from the ifo Institute’s Dresden Branch. At the same time, consumer spending by private households continued to rise significantly, and service providers recorded high growth rates. This counteracted the negative effects from the international sphere.

“In the coming year, energy prices for consumers aren’t expected to rise as much, but price levels will remain high and reduce disposable incomes,” Ragnitz explains. This will then also have an impact on service providers. Nevertheless, eastern Germany and Saxony seem to have emerged from the crisis relatively unscathed, mainly because developments in manufacturing were once again positive. The economy is expected to return to a growth trajectory in the second half of 2023.

Despite the difficult conditions, the labor market is unlikely to deteriorate. As a consequence, the eastern German states can expect a 0.8 percent increase in the number of people in employment this year (Saxony: +0.1 percent). Next year, however, there is likely to be a decline of 0.6 percent (Saxony: –0.1 percent).

ifo Economic Forecast for Eastern Germany and Saxony – Key Figures

Percent change over previous year

	Eastern Germany		Saxony	
	2022	2023	2022	2023
Gross domestic product (price-adjusted)	2.1	–0.2	1.7	0.0
Gross value added (price-adjusted)				
Manufacturing, excluding construction	–0.1	1.0	–0.9	1.2
Construction industry	–3.2	–4.7	–3.5	–5.1
Trade, hospitality, transportation; information and communication	4.1	–1.5	3.8	–1.3
Financial, insurance, and business activities; real estate activities	1.8	–1.0	2.1	–0.6
Providers of public and other services; education and health	3.7	2.0	3.7	2.2
People in employment	0.8	–0.6	0.1	–0.1

Source: ifo Institute, December 2022 forecast

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