

Eastern German Economy in Coronavirus Recession

Dresden, July 9, 2020 – The ifo Institute expects economic output in eastern Germany for the current year to slump by 5.9 percent. In Saxony, the decline is likely to be even more pronounced at minus 6.4 percent, owing to the larger proportion of industry there. However, the fall in gross domestic product will be somewhat less severe than in Germany as a whole (minus 6.7 percent). In the coming year, economic growth in eastern Germany and Saxony is likely to see a strong recovery, with growth rates of 5.8 percent and 6.3 percent, respectively (Germany: 6.4 percent), and will return to its pre-crisis level before the end of the year.

The coronavirus pandemic led to a massive economic slump in eastern Germany in the first half of 2020, hitting consumer-related service providers and industry the hardest. “The coronavirus is impacting every region of Germany,” says economic expert Joachim Ragnitz from the ifo Institute’s Dresden Branch. “Consumer-related service providers have been severely affected by the restrictions on public life and the resulting business closures. Meanwhile, industry is suffering from significant production losses, not least due to the temporary disruption of supply chains.” As restrictions ease, however, the situation will begin to recover in the second half of 2020. Demand from abroad is also set to see an upturn again. However, the return to the pre-virus growth trajectory is being hampered by the fact that companies’ investment activity is picking up again only gradually.

The ifo institute expects the workforce in eastern Germany to fall by 80,700 in the current year, of which 20,700 are in Saxony (–1.0 percent each). Employment is expected to grow again slightly in 2021, with the addition of 24,200 and 6,000 (+0.3 percent each) jobs, respectively.

ifo Economic Forecast for Eastern Germany and Saxony – Key Figures

Year-on-year change in percent

	Eastern Germany		Saxony	
	2020	2021	2020	2021
Gross domestic product (price-adjusted)	-5.9	5.8	-6.4	6.3
Gross value added (price-adjusted)				
Manufacturing excluding construction	-12.5	12.1	-13.0	12.6
Construction	-0.5	1.5	0.0	1.4
Trade, transport, catering; information and communication	-8.4	6.8	-8.8	6.9
Finance, insurance, business services; real-estate and rentals	-3.5	3.6	-3.5	3.7
Public sector; education; health; private households; other services	-1.7	4.3	-1.6	4.0
Employed persons	-1.0	0.3	-1.0	0.3

Source: ifo Institute, forecast from July 2020.

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