

Press Release 29/2025

Halle (Saale), 25 September 2025

Fiscal policy will stimulate the East German economy next year Economic Forecast Fall 2025 for the East German economy

In 2025, the economy in East Germany, as in Germany as a whole, is likely to do little more than stagnate. In the coming year, fiscal policy measures will stimulate the economy, but their effects are likely to be somewhat weaker than in Germany as a whole. The Halle Institute for Economic Research (IWH) expects the expansion rate of the East German economy in 2025 to be at 0.3%, slightly higher than that of Germany as a whole (0.2%). In both following years, it will rise to 1.1% and 1.2% respectively, which is slightly less than in the west.

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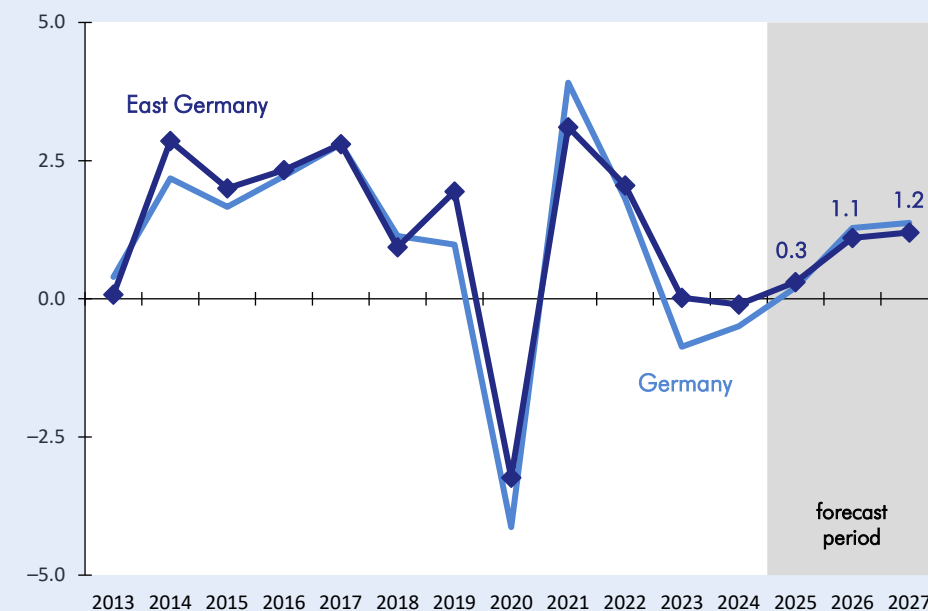
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Figure

Real gross domestic product in East Germany
Change from previous year in %



Sources: Working Group "Regional Accounts" (Arbeitskreis „Volkswirtschaftliche Gesamtrechnungen der Länder“); Federal Statistical Office; Joint Economic Forecast Autumn 2025.

In its [Autumn Report](#), the Joint Economic Forecast Project Group states that the German economy will be stimulated by fiscal policy measures over the next two years. While services, particularly in the public sector, will continue to grow significantly, only a modest recovery in manufacturing and construction is to be expected. This applies to East Germany as well, but the recovery will be somewhat weaker there because manufacturing plays a less important role than in the west.

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The slightly higher importance of construction in East Germany compared with the west will have less of an impact.

“Overall, however, there is little difference in growth dynamics between east and west,” says Oliver Holtemöller, Head of the Department Macroeconomics and Vice President at the IWH. After official statistics in March revised East Germany's gross domestic product for previous years downwards, it became apparent that growth in East Germany was slightly larger than in all of Germany over the past ten years only because services in Berlin have grown strongly. Thus, according to the latest statistical data, East German production expanded by half a percentage point in the first half of year mainly thanks to the Berlin economy, while production stagnated in Germany as a whole. Overall, however, the growth of the East German economy is being slowed by the demographic decline in the labour force. Most recently (June), employment subject to social insurance contributions in East Germany was 0.4% below the previous year's level, while in the West it was 0.2% above it.

In 2025, the expansion rate of the East German economy is forecast to be at 0.3%, slightly higher than that of Germany as a whole (0.2%). In 2026 and 2027, it will rise to 1.1% and 1.2% respectively, which is slightly less than in the west (see figure). The unemployment rate is expected to be 7.8% in 2025 and to fall to 7.6% and 7.1% in the following two years.

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

Joint Economic Forecast: [Expansive Finanzpolitik kaschiert Wachstumsschwäche](#).
Berlin, September 2025.

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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.

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