

Press Release 10/2026

Halle (Saale), 1 April 2026

Economic growth in East Germany slightly higher than in the West

Implications of the Joint Economic Forecast Spring 2026 and of new data for the East German economy

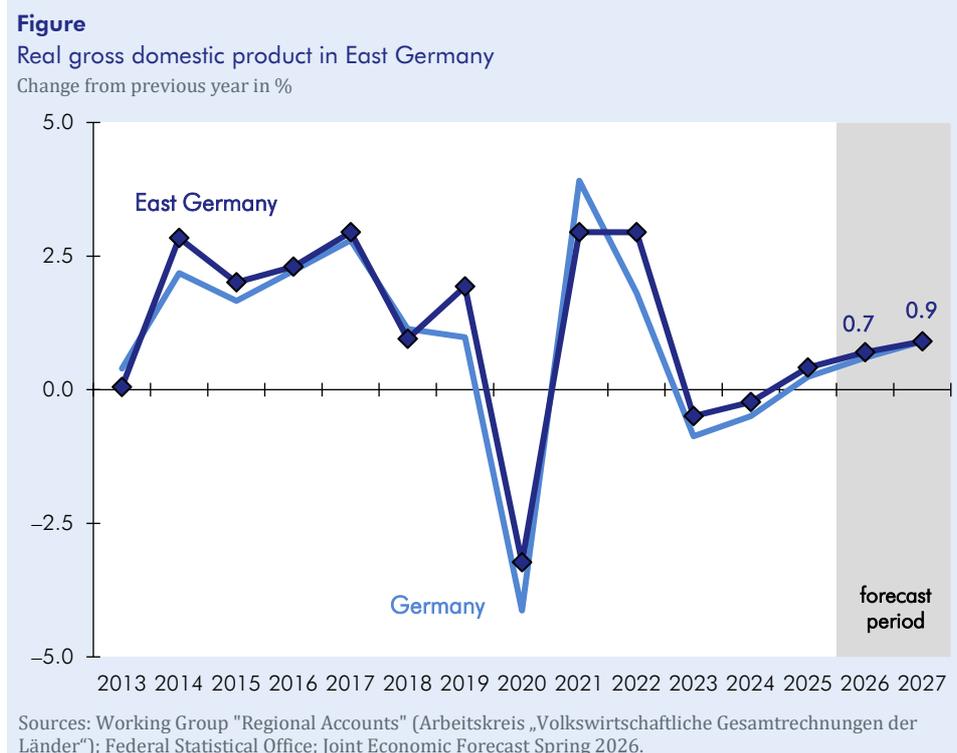
In 2025, the East German economy expanded by 0.4%, somewhat more than Germany as a whole (0.2%). For 2026, the Halle Institute for Economic Research (IWH) expects growth of 0.7% for East Germany (Germany: 0.6%). The unemployment rate is likely to amount to 7.9% in the current year, after 7.8% in 2025.

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In its [Spring Report](#), the Joint Economic Forecast Project Group notes that, after a long period of economic weakness, a recovery set in over the course of the past year in Germany. The energy price shock triggered by the war in Iran is likely to dampen this recovery, but – given the expansionary fiscal policy stance – will not bring it to a complete halt. The same applies to the East German economy. In 2025, it expanded by 0.4%, somewhat more strongly than Germany as a whole (see figure). As in previous years, the marked increase in Berlin’s economy (1.1%) made the difference, and as in earlier years, value added in the economic sector comprising wholesale and retail

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trade, transport, accommodation and food service activities, as well as information and communication, grew more strongly in East Germany than in the West.

In 2025, value added in East Germany's manufacturing sector declined slightly less than in Germany as a whole (-0.8% compared with -1.0%). However, current data on sales and orders indicate that the situation of industry in the East is currently no more favorable than in the West. For this reason, in the current year the economy is likely to expand only a bit more strongly, by 0.7%, than in Germany overall (0.6%). For 2027, growth of 0.9% is forecast for both economic regions. The East German unemployment rate is expected to increase slightly to 7.9% in this year, before falling back to 7.8% in 2027.

"The energy price shock is likely to weigh on the East German economy about as much as on the German economy as a whole," says Oliver Holtemöller, Head of the Department Macroeconomics and Vice President at the IWH. Although energy prices are somewhat more important for the East German manufacturing sector than for that in the West – because the share of energy intensive industries in total manufacturing is slightly higher¹ – services, which are less affected by the energy price shock, account for a larger share of total value added in the East (75%) than in Germany overall (71%).

Joint Economic Forecast, Spring 2026 Report (in German):

Joint Economic Forecast: [Energiepreisschock überlagert Fiskalimpuls – Wachstumskräfte versiegen](#). München, April 2026.

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The Halle Institute for Economic Research (IWH) – Member of the Leibniz Association was founded in 1992. With its four research departments – Financial Markets; Laws, Regulations and Factor Markets; Macroeconomics; Structural Change and Productivity –, 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

¹ Measured by the sum of gross wages and salaries, the share of energy-intensive industries — food and beverage manufacturing; textiles; paper and cardboard; chemicals; glass, ceramics, and mineral processing; as well as metal production and processing — in total manufacturing is, at 28%, higher in East Germany (excluding Berlin) than in Germany as a whole (22%, both figures for 2024).

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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