



Facts & Figures: Hesse and Thuringia – Federal States in Germany

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Germany is a federal state consisting of 16 *Bundesländer* (federal states). Of these, Hesse and Thuringia are two states situated in the heart of Germany.

Hesse and Thuringia in the middle of Germany

16 federal states in Germany



Source: Helaba Research

Hesse is home to 7.4 % of Germany's population, and its residents generate 9 % of the country's GDP. With that, Hesse has a per capita GDP that is 21 % above the national average.

With regard to productivity – GDP per person in employment – Hesse is top in Germany (not counting the city states Berlin, Hamburg, Bremen) and exceeds the national average by 16 %. At an average of 5.9 %, Hesse's unemployment rate in 2011 was noticeably lower than the national level of 7.1 %.

Thuringia, too, is a successful state. However, an assessment needs to take into account that Thuringia – like all new states – started from a very low level of economic performance after reunification. By now, per capita GDP has more than doubled compared to the German average and stands at nearly 75 % of the national average. Although unemployment, at an

average rate of 8.8 % in the 2011, is above the national average, it is still considerably lower than in the other East German federal states.

Selected key figures

	Germany	Hesse	Thuringia
Area (km ²)	357,124	21,115	16,172
Inhabitants (millions, 2010)	81.8	6.1	2.2
GDP (nominal, billion €, 2010)	2,499	225	50
GDP per capita (€, 2010)	30,600	37,100	22,300
GDP per employee (€, 2010)	61,700	71,800	48,800
Unemployment rate (2011, average)	7.1 %	5.9 %	8.8 %

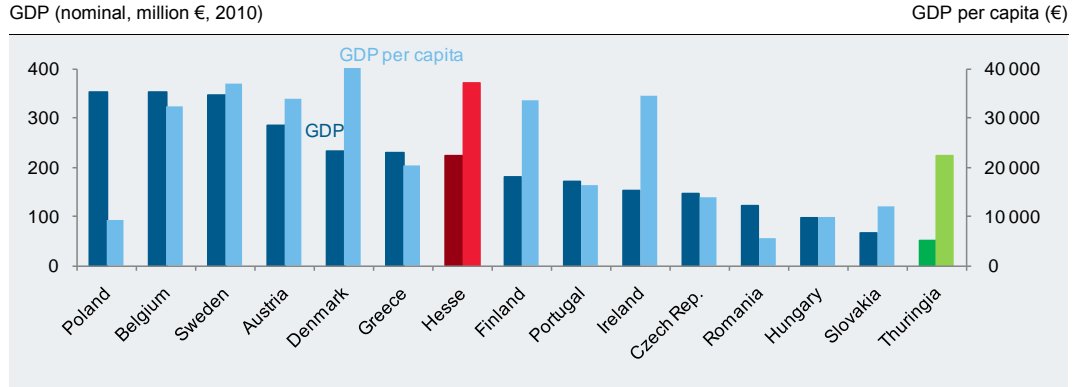
Sources: Regional statistical offices, Bundesagentur für Arbeit, Helaba Research

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Hesse's per capita GDP
50 % above the EU average

These two federal states also hold up well in an international comparison. For example, Hesse's GDP is as large as Denmark's, and the per capita output is 50 % higher than the EU average. At 91 %, Thuringia's economic output per capita is still slightly below the EU average. However, compared with other successor states of the former Eastern Block such as Poland (38 %) and Czech Republic (57 %), this is an excellent level.

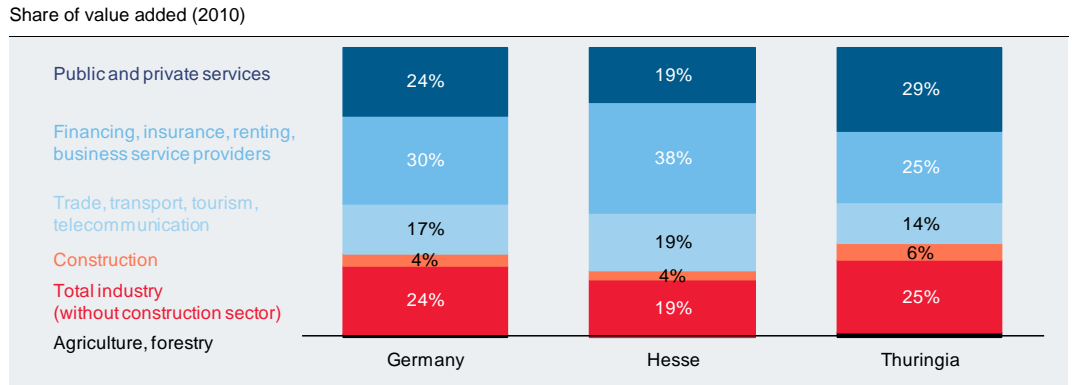
Hesse's GDP equal to Denmark's, Thuringia's per capita GDP higher than Central/Eastern Europe



Sources: Eurostat, National accounts of the federal states, Helaba Research

Crucial to Hesse's strong economic performance is the state's special mix of sectors. No other federal state can boast simultaneously an important financial center, an international airport, and a highly-regarded international fair. This is also reflected in the statistical data: 38 % of gross value added is generated in the economic sector "Financing, renting, business service providers." Another fifth of the output comes from the sector "Trade, transport, tourism, telecommunications."

Service-provider state Hesse, industrial Thuringia



Sources: National accounts of the federal states, Helaba Research

Sector mix in Hesse:
financial center, airport,
fair, chemicals/pharma

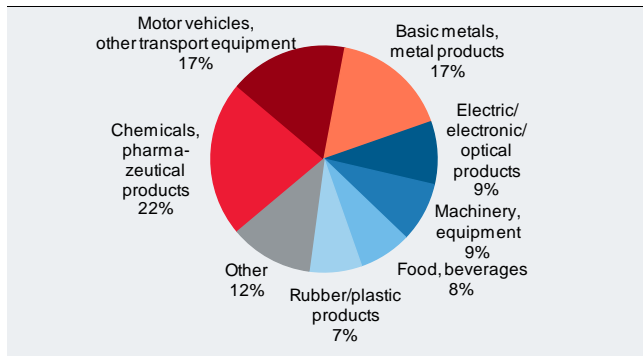
Behind the unusual sector composition stands, for one, the financial center Frankfurt. 217 domestic and foreign banks are headquartered in Frankfurt, which is 40 % of all supra-regional financial institutions active in Germany (i.e. not counting savings banks and credit unions). Another central factor for Hesse as a business location is Frankfurt airport, which is used by 28 % of passengers and 51 % of the cargo volume in German air traffic. That makes it the undisputed No. 1 in Germany and the largest hub in continental Europe, with regard to transportation of goods and the second largest with regard to passengers. The Frankfurt Fair is another asset that strengthens the region's international orientation. In terms of visitors and exhibitors, the Fair ranks first in Germany, with international exhibitors also appreciating the location.

Large share of industry in Thuringia

At 19 % of the gross value added, the industrial sector in Hesse plays a much smaller role than in Thuringia, where it accounts for 25 %. Within industrial manufacturing, there are clear focal points in Hesse: Nearly one quarter of industrial sales are generated in the sector chemical and pharmaceutical products. ‘Motor vehicles and other transport equipment’ and the metals sector generated 17 % of Hesse’s industrial sales each. With that, three sectors account for 56 % of sales. The structure of industry is more diversified in Thuringia. Thus, four sectors – food products and beverages, basic metals and metal products, electric/electronic and optical products, motor vehicles and trailers – make up 58 % of Thuringia’s industrial sales in nearly equal shares.

Chemicals/pharma most important sector in Hesse

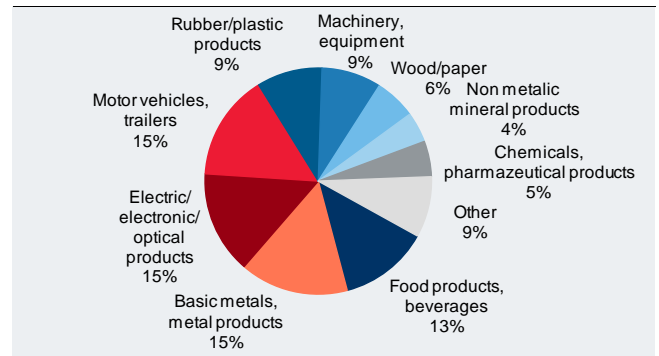
Share of industrial sales, January - September 2011



Sources: Hessisches Stat. Landesamt, Helaba Research

Diversified industrial structure in Thuringia

Share of industrial sales, January - October 2011



Sources: Thüringer Landesamt f. Statistik, Helaba Research

The 25 largest companies

The economic structure of the federal states is clearly reflected in the twenty-five largest enterprises in Hesse and Thuringia, whereby our most recent rankings¹ were determined by a company’s workforce in the respective state, and not by its importance in Germany as a whole or worldwide.

Hesse

Rank	Company	Sector
1	Deutsche Lufthansa AG	Transportation
2	Deutsche Bahn AG	Transportation
3	Deutsche Post Gruppe	Transportation, banking
4	REWE Group	Wholesale and retail trade
5	Fraport AG	Transportation
6	Deutsche Telekom AG**	Telecommunication
7	Adam Opel GmbH	Automotive industry
8	Volkswagen AG	Automotive industry
9	Continental AG	Automotive supplier
10	DZ Bank Gruppe	Banking
11	Allianz Group	Insurance
12	Deutsche Bank AG	Banking
13	Rhön-Klinikum AG	Hospitals
14	Merck KGaA	Chemicals, pharmaceutical products
15	Metro Group	Wholesale and retail trade
16	Commerzbank AG	Banking
17	Sanofi-Aventis Gruppe	Chemicals, pharmaceutical products
18	Arcandor AG	Wholesale and retail trade
19	WISAG Service Holding	Service to buildings
20	Procter & Gamble Germany GmbH & Co.Operations oHG	Chemicals
21	Siemens AG	Electric/electronic products
22	Asklepios Kliniken GmbH	Hospitals
23	Evonik Industries AG	Chemicals, utility, real estate
24	B. Braun Melsungen AG	Pharmaceutical products, medical engineering
25	Helaba Konzern	Banking

Sources: Helaba Research, Hessen Agentur, LEG Thüringen

Thuringia

Rank	Company	Sector
1	Edeka	Wholesale and retail trade
2	Deutsche Bahn AG	Transportation
3	Deutsche Post AG	Transportation
4	Randstad Deutschland	Temporary employment company
5	Bosch	Electric/electronic products
6	Helios Kliniken GmbH	Hospitals
7	Rewe Markt Region Ost	Wholesale and retail trade
8	Rhön-Klinikum	Hospitals
9	Zeitungsgruppe Thüringen	Publishing
10	SWE Stadtwerke Erfurt GmbH	Utility
11	Carl Zeiss AG	Optical/electronic products
12	Deutsche Telekom AG	Telecommunication
13	Opel Eisenach GmbH	Automotive industry
14	Continental Gruppe	Automotive supplier
15	E.ON Thüringer Energie AG	Utility
16	GeAT	Temporary employment company
17	Jenoptik-Konzern	Optical/electronic products
18	Metro Group	Wholesale and retail trade
19	ITT Industrie- und Transport-schutz Thüringen GmbH	Security firm
20	Bertelsmann	Printing, call center
21	Rege Motorenteile GmbH	Automotive supplier
22	Stadtwerke Jena	Utility
23	August Storck KG	Food industry
24	Siemens	Electric/electronic products
25	K+S Kali GmbH	Exploitation of salt

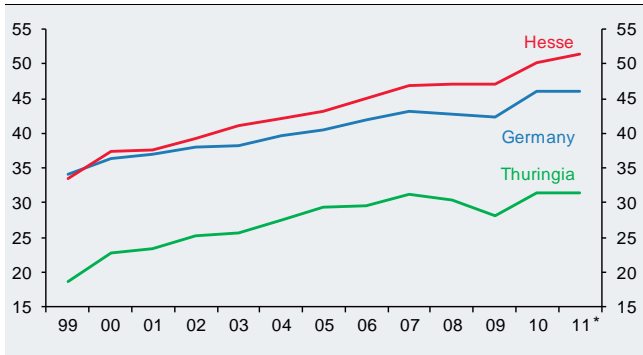
¹The ranking for Hesse is based upon the employment of 2007, and for Thuringia on 2010. However, we know from experience that the enterprises and their ranking change only slightly.

Rising export rates

The export rates of the industrial enterprises have risen by more than ten percentage points over the last ten years in both of the federal states. And Hesse, where foreign sales account for 51 % of total sales, is above-average by German standards. In Thuringia, too, the export shares have improved noticeably in the last few years to a solid 31 %. The economic crisis saw a sharp slump in domestic and foreign demand in 2008/09, so that, in the end the export ratios declined only slightly. German businesses, and thus also those in Hesse and Thuringia, were able to profit particularly strongly from the global economic recovery in 2010, as a result of which the export shares were surging again. Owing to the strengthening of the domestic demand in 2011 the export ratios were maintaining their high levels.

Export quotas maintain their high levels

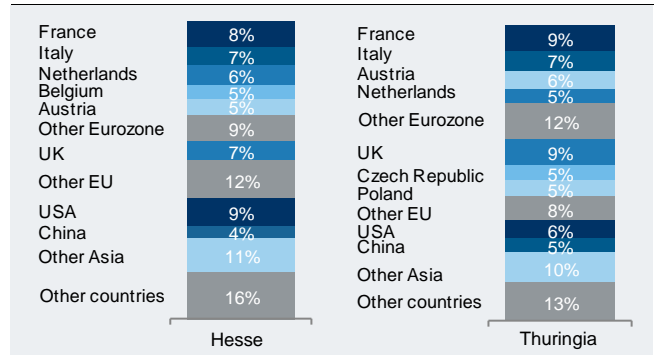
Share of foreign sales among total sales in %



*January-November 2011
Sources: Statistisches Bundesamt, Helaba Research

Most exports go to Europe

Share of exports, 2010



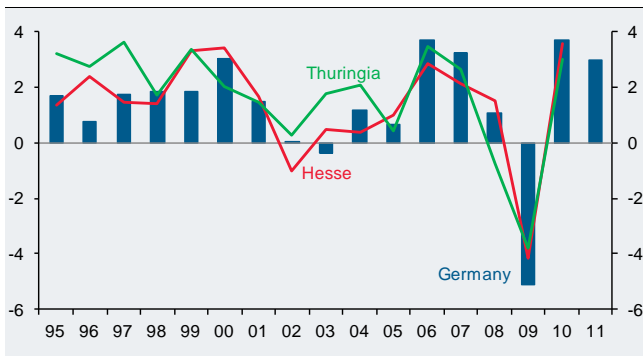
Sources: Regional statistical offices, Helaba Research

Main export target: Europe

The Euro Zone was the main target for exports in 2010: around 40 % of Hessian and Thuringian exports were sent there, with the neighbouring states and Italy among the top customers. Europe as a whole received 68 % and 75 %, respectively, of the exports of Hesse and Thuringia. Asia is the second-largest target region (share of exports: 16 % and 15 %, respectively), with China as the chief importer. The US plays an important role for the businesses in Hesse, as it is still the country with the highest single share of exports. For Thuringia, by contrast, are the neighbours to the East – Poland and the Czech Republic – important customer countries for its products.

Economy 2010: upswing in full swing

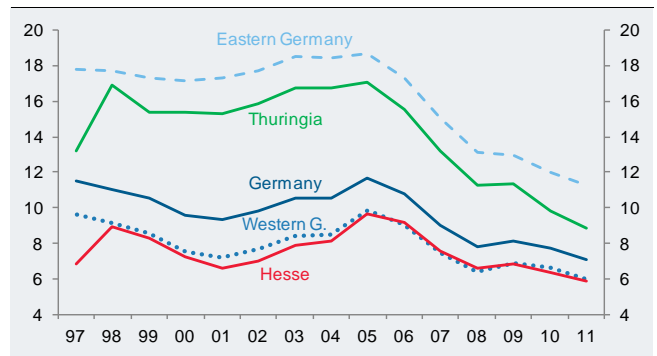
Real change in GDP compared to previous year in %



Sources: Statistisches Bundesamt, Helaba Research

Rapid recovery in the labour market

Unemployment rate in % of labour force



Sources: Bundesagentur für Arbeit, Helaba Research

Strong recovery of the economy in 2010

A robust economic upswing took place in Hesse and Thuringia in 2010. The year-over-year growth rate in Hesse stood at 3.6 % and was thus equal to Germany's growth rate, while Thuringia achieved 3.0 %. With that the economy recovered very rapidly, after orders and production had collapsed in 2009 and Germany suffered the worst economic slump of the post-war period. Be-

cause of Germany's comparatively strong focus on industry, that slump was more severe than in other countries.

German GDP growth
2011: 3.0 %
2012: around 1 %

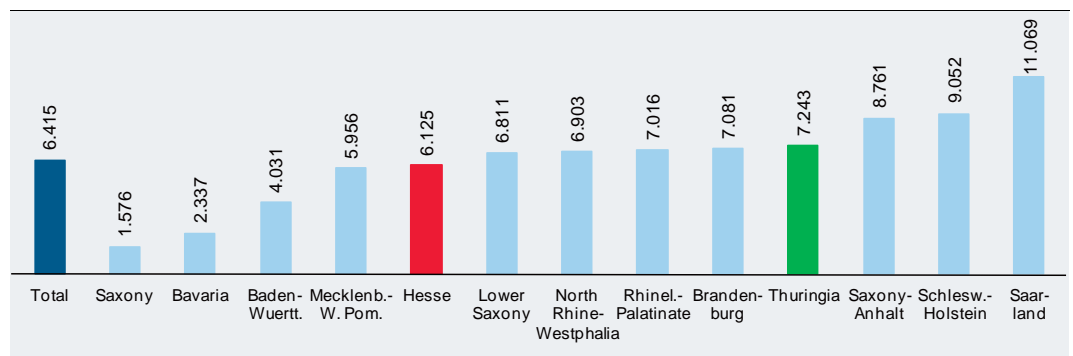
At the beginning of last year, the pace of growth in Germany remained high: by the middle of 2011, incoming orders were back up to the level of the previous boom also in Hesse and Thuringia, and GDP growth in those states in the first half of the year was 4.3 % and 4.1 %, respectively. By now, growth has begun to normalize. Overall, last year Germany, for the second time in a row, saw a dynamic GDP growth rate, amounting to 3.0 %. The dynamic should be equally strong in Hesse and Thuringia. Signs point to a noticeably lower growth rate in the current year. With many economies facing structural problems, the debt crisis requires determined cuts in public expenditure around the world. This is putting a damper on demand for goods and services “made in Germany”. Thus the growth rate in Germany will be around 1 %. Hesse and Thuringia will not be able to escape this trend.

Rising employment

The economic recovery in the last two years still has a positive influence on the Hessian and Thuringian labour market. After unemployment hardly rose in the economic crisis, unemployment rates have been dropping for some time and employment has been rising. The reasons for this are demographic factors as well as the strong competitiveness of German companies thanks to a favourable development of unit labour costs.

Debt: Hesse below average, Thuringia above average

Debt of federal states per capita in €, 2010



Sources: Bundesfinanzministerium, Helaba Research

Hesse well positioned because of high financing strength

The economically strong federal states have noticeably higher tax revenues. For example, in Hesse the financial strength per capita is 30 % above the national average with regard to the income and corporate tax. By contrast, Thuringia does not even reach 50 % of the average. Since Germany is, on the one hand, a federal state and, on the other hand, pays attention to the uniformity of living standards, the VAT is distributed according to other criteria, as a result of which the financially weak federal states catch up. The financial equalization between the federal states leads to a further equalization of revenue per capita, which is then boosted even more by the special federal supplementary grants. Thus, the financial strength per capita in Hesse is only 6 % above average after the redistribution, while Thuringia is only slightly below average.

The financial equalization system between the states and the guarantee of the federal states' existence in the constitution have prompted the ratings agency Fitch to issue a uniform “AAA” rating for all federal states. Standard & Poor's takes into account the economic productivity and the debt situation of the various federal states and differentiates accordingly: Hesse receives an “AA” rating, for while it has high tax revenues thanks to its economic strength, its per capita debt is not as clearly below the average as in Bavaria and Saxony (Thuringia is not rated). ■