

REGIONAL FOCUS

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Facts & Figures: The Federal State of Thuringia

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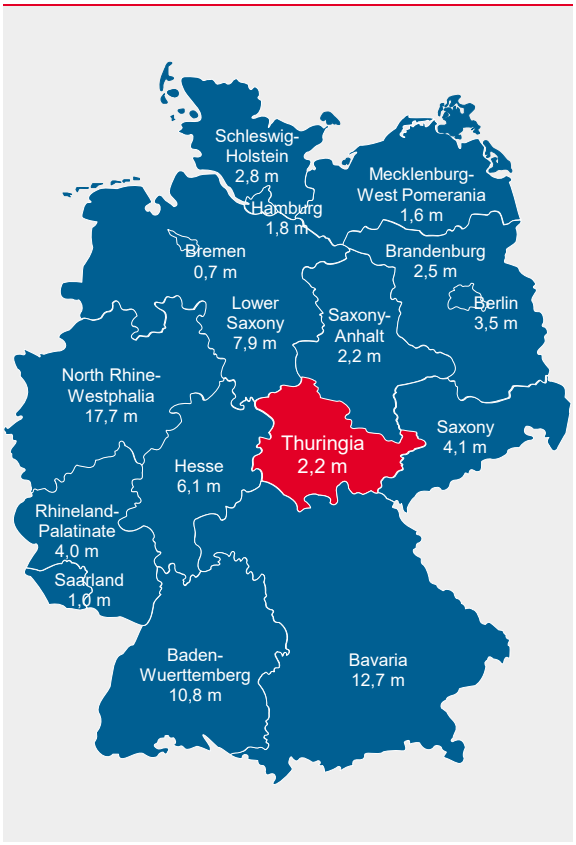
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Germany is a country with a federal structure that consists of 16 federal states. Thuringia, which is situated in the middle of Germany, is one of them and has an area of 16,200 km^2 making it a rather small federal state.

Thuringia in the middle of Germany

Population in millions, 2015



Sources: Statistisches Bundesamt, Helaba Research

The German state of Thuringia has a population of 2.2 million, which represents 2.6 % of the total population of the Federal Republic of Germany. The federal state has been through a turbulent development in its history. While the population was 2.7 million before reunification, it declined drastically in subsequent years due to an exodus of people to other states and a low birth rate. In 2015, refugees arriving in Germany were distributed among all federal states and Thuringia benefitted from this; the Thuringian population registered its first rise since the end of the 1980s.

The new arrivals are needed by the private sector. Even today, there is an older age structure in Thuringian companies than in western German firms. On top of that, the unemployment rate, at 7.2 % (January to June 2016) is significantly lower than the average of all eastern German states of 9.0 % and only slightly higher than the overall German average of 6.3 %.

Economically, too, Thuringia has made up considerable ground. From a starting point of very low economic output – in common with all new federal states after reunification – the state has meanwhile reached a level of 71 % of overall German GDP per capita and has thus more than doubled.

This publication was very carefully researched and prepared. However, it contains analyses and forecasts regarding current and future market conditions that are for informational purposes only. The data is based on sources that we consider reliable, though we cannot assume any responsibility for the sources being accurate, complete, and up-to-date. All statements in this publication are for informational purposes. They must not be taken as an offer or recommendation for investment decisions.

Selected figures

	Germany	Thuringia
Area (in km^2)	357,340	16,173
Population (2015)	81.6	2.2
GDP (nominal, EUR billions, 2015)	3,026	57
GDP per inhabitant (in EUR, 2015)	37,100	26,400
GDP per worker (in EUR, 2015)	70,300	54,500
Unemployment rate (in %, Ø January to June 2016)	6.3	7.2

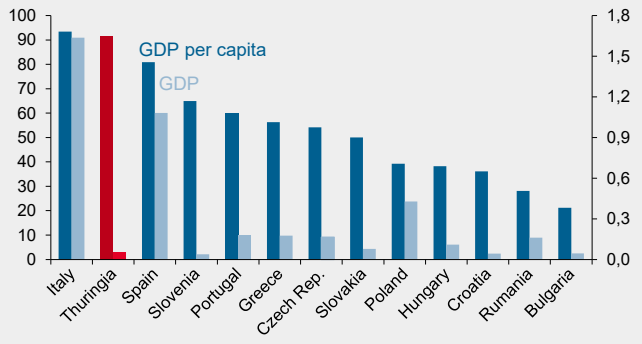
Sources: Statistische Landesämter, Bundesagentur für Arbeit, Helaba Research

Thuringia's GDP per capita reaches 92 % of EU average

The federal state stands up well to international comparison, too. Thuringia's GDP per capita is only 8 % below the EU average. This is excellent compared to other successor states of the former Eastern Bloc such as the Czech Republic or Poland, which reached 54 % and 40 % of EU average. In terms of GDP per capita the economic strength of Thuringia is comparable to big southern European countries like Italy (93 %) or considerably higher, for example Spain (81 %).

Thuringia's GDP per capita as high as Italy's

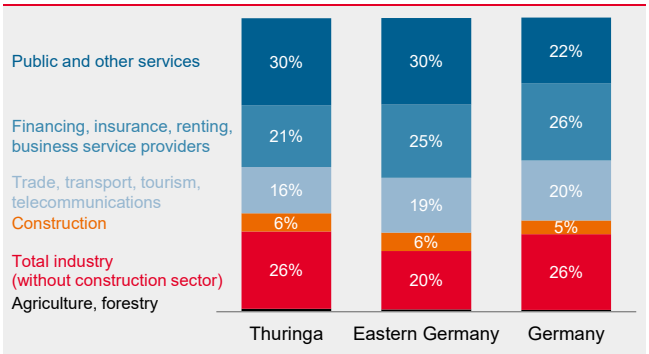
GDP (nominal) per capita in % of EU 28-average — GDP in EUR billions, 2015



Sources: Arbeitskreis VGR der Länder, Eurostat, Helaba Research

Thuringia: the industry state

Share of gross value added in %, 2015



Sources: Arbeitskreis VGR der Länder, Helaba Research

At first glance, Thuringia has an economic structure that appears to be similar to the overall German average: manufacturing and construction make up 32 % of the economy, in Germany as a whole this figure is 31 %. Assuming this rough breakdown, the service sector would account for the majority of economic activity in Thuringia as well as in all other federal states.

Any deviations from this only occur within the service sector. For instance, the weight of the government-dominated sector of "public and other service providers", with a share of gross value added of 30 % is higher (Germany: 22%). The provision of government services to citizens of Thuringia leads to a similar amount being "produced" per head of population in this segment as in Germany as a whole. The two private-sector service industries, on the other hand, have a lower share. Thuringian companies are often involved in national or international corporations and their demand for services is therefore concentrated on locations of head offices, which in many cases are situated in the western federal states.

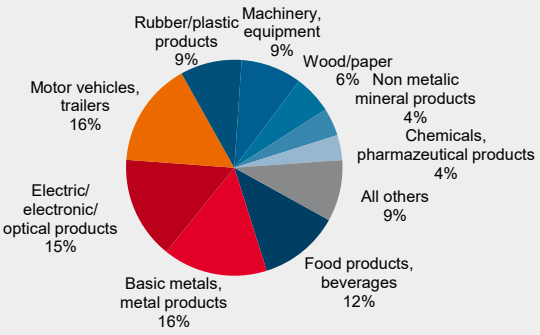
The construction industry is also relatively strongly represented, since public infrastructure and private construction investment were neglected during the time of the GDR and there was no adequate existing infrastructure that could be used by authorities, companies or private individuals. This is still partly true in case companies in Thuringia want to expand their operations. In addition, not all transportation projects from the program "German unification" have been completed yet.

Industrial country Thuringia

Industrial production (in terms of gross value added) per capita has reached a level in Thuringia, at 72 %, that beats all other new German federal states. Even traditional locations for industry, such as Saxony or Saxony-Anhalt, only manage 65 % and 57 %, respectively. Thus, per head of population more goods are produced in Thuringia on average than anywhere else in eastern Germany. The share of manufacturing industry (excluding construction) as a proportion of gross value added is equal to the German average of 26 %. Thuringia is thus a federal state with an industrial focus.

Diversified structure of the Thuringian industry

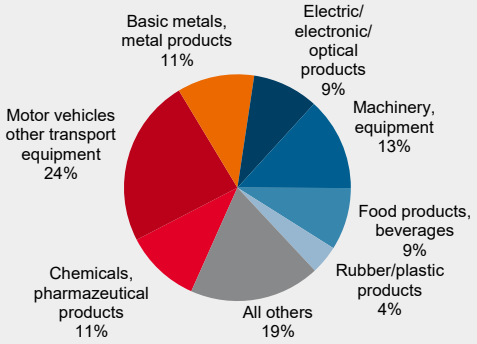
Thuringia: Share of industrial revenues, 2015



Sources: Thüringer Landesamt für Statistik, Helaba Research

German industry: automotive important

Germany: Share of industrial revenues, 2015



Sources: Statistisches Bundesamt, Helaba Research

Diversified industrial structure

The biggest four industrial segments in Thuringia "motor vehicles and equipment", "basic metals and metal products", "electric/electronic/optical products" and "food products and beverages" show almost the same share of industrial revenues (range between 12 % and 16 %). They are closely followed by "rubber/plastic products" and "machinery" with shares of respectively 9 %. This diversified industrial structure is something typical of Thuringia. Nationwide "motor vehicles" contribute nearly one fourth to industrial revenue. Four more sectors (machinery, chemicals/pharmaceutical products, basic metals/metal products, electric/electronic/optical products) have considerably lower shares between 9 % and 12 %. With respect to exports, the differences are smaller. Internationally, technical products made in Germany and in Thuringia are high regarded. Therefore there is a great demand for these products when it comes to investment projects worldwide.

The 25 largest companies

The economic structure of the federal state is clearly reflected in Thuringia's largest companies. The following ranking[1], which we compiled ourselves, is based on a company's total workforce in Thuringia and is not measured by its German or global significance.

Ranking of 25 largest companies in Thuringia[1]

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	Telekommunication
13	Opel Eisenach GmbH	Automotive industry

Rank	Company	Sector
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

Sources: Helaba Research, LEG Thüringen

High export ratios

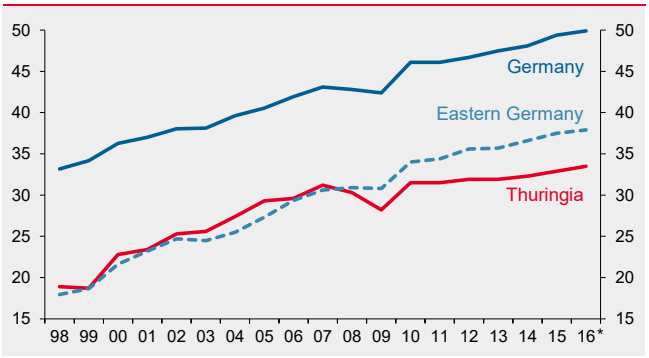
The export ratios of industrial companies have risen strongly over the last fifteen years. With a share of 34 % of total revenues in January to April 2016, the foreign turnover in Thuringia achieved an export ratio that is in fact below the German average, the exports being underestimated though. A lot of high-tech products are used as components in export goods of other German companies and are therefore not captured in the Thuringian exports. The economic crisis of 2008/2009 led to a slump in domestic and foreign demand, so that total export ratios declined slightly. Thuringian companies could benefit from the worldwide recovery in 2010 and export ratios rose again. As the

[1] For Thuringia, the ranking is based on data of 2010. Experience shows, that there are only minor changes in companies and ranking positions.

domestic economy strengthened, export ratios initially remained largely constant. In 2015 and 2016 there was slight increase again, which could be observed in Thuringia, too.

Export ratios on a high level

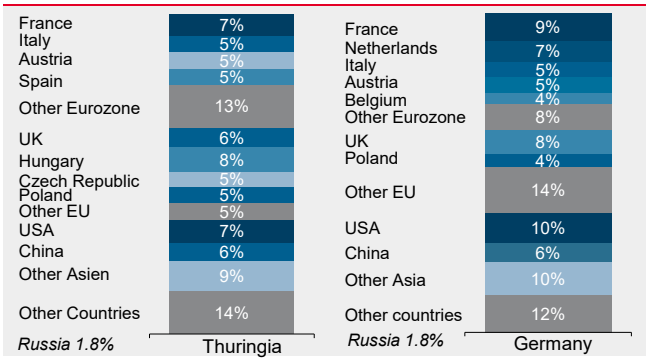
Foreign turnover as proportion of total revenues in %



*Average of January to April 2016
Sources: Statistisches Bundesamt, Helaba Research

Exports primarily destined for Europe

Share of exports, 2015



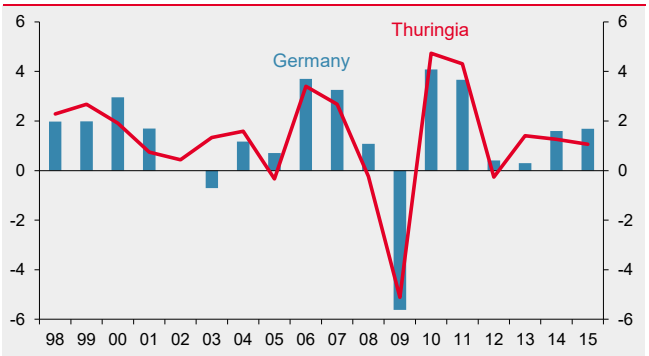
Sources: Statistisches Bundesamt, Helaba Research

Main destination for exports: Europe

In 2015, the euro area was the main destination for exports, accounting 35 % of Thuringia's exports, with Germany's neighbouring countries and Italy being among the chief export markets. 72 % of Thuringian exports went to Europe as a whole. Asia was the second-biggest destination (share of exports 15 %), with China as primary importer. Especially the eastern neighbours – Hungary, Poland and the Czech Republic – played an important role for companies in Thuringia.

2015: Growth in Germany on last year's level

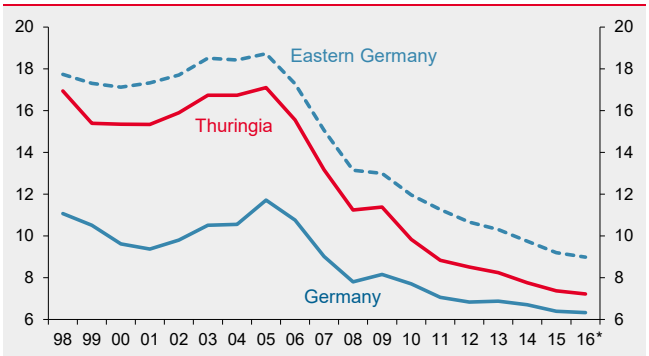
Real change in GDP yoy in %



Sources: Statistisches Bundesamt, Helaba Research

Stable labour market

Unemployment rates in % of total workforce



*Average of January to May 2016
Sources: Bundesagentur für Arbeit, Helaba Research

After the economic slump, Thuringia experienced strong growth rates in 2010 and 2011 before the economy subsequently slowed down considerably. The Thuringian economy was initially more heavily affected by the downturn, but in 2013 it recovered fast. Economic growth in almost all German federal states was positive again in 2014 and 2015. With 1.3 % and 1.1 %, Thuringia GDP growth rates were less dynamic than Germany as a whole (1.6 % and 1.7 %).

GDP forecast 2016: Germany 1.7 %

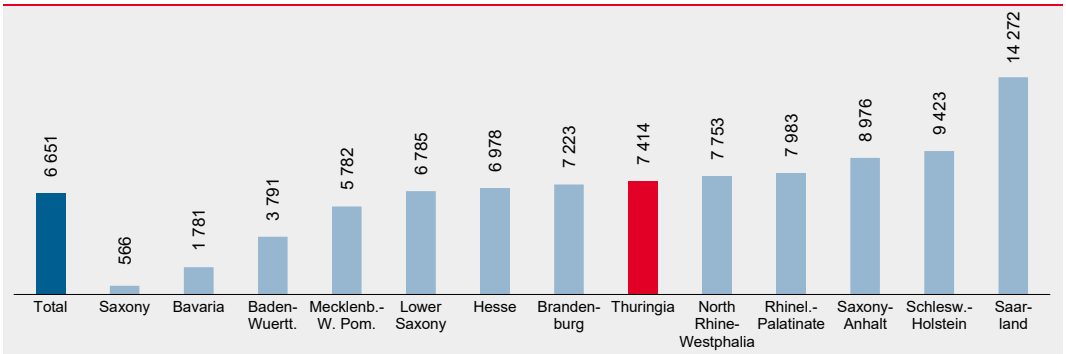
German economic growth has primarily been underpinned by domestic consumption which, due to increases in real wages and a high level of immigration, is expanding strongly. In addition, loose monetary policy as well as historically low interest rates should provide some support to the economy. The improved situation in many euro area countries is having a positive effect, whereas global economic growth is subdued. Accordingly, there is only weak growth in investment by German companies. Growth prospects are likely to be only slightly effected by the withdrawal of Britain from the EU. However Thuringia's growth rate should draw nearer to the estimated German average of 1.7 % (not calendar-adjusted).

Rising employment

The overall high output level of recent years is continuing to have an effect on Thuringian labour market. The unemployment rate will continue to decline and converge to national average. Besides the quite high degree of capacity utilization, demographic factors play an important role especially in the eastern German states. Furthermore, the stability of the labour market is reflected in the employment trend of jobs subject to social insurance contributions, which has been almost constantly positive for the last six years. In this respect, local employees are not the only ones who are able to find a new job, but companies are also able to fill vacancies, according to their requirements, with migrant jobseekers as well.

Public debt: Thuringia slightly above average

Public debt of federal states per inhabitant in EUR, December 2015



Sources: Bundesfinanzministerium, Helaba Research

Economically strong federal states generate considerably higher tax revenues. In this regard the per capita financial strength of Hesse is 22 % above the German average in terms of both income and corporation taxes, whereas Thuringia only reaches 53 % of average. Since, on the one hand, Germany is a federal country and, on the other, is concerned about ensuring the uniformity of living conditions, value added tax is distributed according to other criteria, so that financially weak federal states are able to catch up. The ensuing fiscal equalization system between federal states leads to a further harmonization of per capita income, which is additionally boosted by general supplementary federal grants. As a consequence, per capita financial strength in Hesse is only 2 % above the German average after these redistributive measures, whereas Thuringia reaches 94 % of national average.

Rating supported by fiscal equalization system

The closely intertwined system of fiscal harmonization between federal states as well as the constitutional guarantee of existence for the federal states prompts the rating agency Fitch to couple the ratings of German states to that of the Federal Republic of Germany. Thuringia could achieve an „AAA“-rating if it had an active rating relationship to Fitch as an issuer. Standard & Poor’s cites the economic performance as well as debt situation and differentiates accordingly. However, Thuringia is not rated by this agency. ■