



Cross-Asset- and Strategy-Research

Stuttgart is not the new Detroit

Baden-Württemberg's economy is still near the front of the pack

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On Sunday Baden-Württemberg kicks off this year's round of state elections in Germany. That once again turns the national spotlight on Germany's southwest. And if you have been following the coverage, you may recently have come away with the impression that the region between Lake Constance and Mannheim is in an industrial wasteland. It has almost turned into a journalistic contest to see who can most artfully explain why Baden-Württemberg is destined to become the next Ruhr region – Germany's former coal-and-steel belt and a byword for industrial decline. The headlines may be catchy and attention-grabbing – the underlying claim does not stand up to scrutiny.

A state with real challenges

There is, of course, a kernel of truth to the narrative that Germany's southwest – long Germany's industrial heartland thanks to its automotive and mechanical-engineering sectors – is particularly exposed to global economic and policy headwinds. Compared with other German states, Baden-Württemberg is no longer leading the pack in terms of growth (see fig. 1). Why?

Germany was among the biggest winners of the globalization boom. And within Germany, Baden-Württemberg served as the spearhead of the export-driven growth model. But the export engine has been sputtering for years – not only since Donald Trump entered the scene. Imports in Germany have been growing faster than exports for some time, and China's emergence as an industrial powerhouse has hit Germany hard. It has hit the southwest even harder. In Baden-Württemberg, manufacturing accounted for 38% of gross value added in 2024 – on a par with China itself. Across Germany, industry's share was only 29%, and EU-wide it was lower still (25%).

Model region or Germany's rust belt?

Fig. 1: GDP growth difference Baden-Württemberg minus Germany



Source: Statistisches Landesamt, LBBW Research

In the crosshairs of deglobalization

Germany's southwest is correspondingly heavily reliant on exports: more than 5% of Baden-Württemberg's GDP in 2024 came from exports to the U.S., roughly 50% more than the national figure. Almost one quarter of all German exports to the U.S. in 2023 originated in Baden-Württemberg. Trump's tariff tsunami has therefore hit the southwest particularly hard, especially because the region is strong precisely in the sectors that suffer disproportionately: vehicles and machinery. So, is there, after all, a whiff of Germany's rust belt about all this? Not in the least. The challenges are offset by considerable strengths.

Research, development and innovation: still top tier

Baden-Württemberg remains a wealthy region. In 2023, average income adjusted for purchasing power was 29% above the EU average (Germany as a whole: 17%). The southwest has indeed lost some of its relative lead since 2004, but it still occupies a top spot in Europe. Hardly the profile of a rust belt.

Unlike the coal and steel industry that once dominated the Ruhr region, Baden-Württemberg's industrial base is far from a one-trick pony. Yes, car manufacturers and their suppliers are a key pillar of the southwest's economy. But there is much more. Take, for example, the biotechnology cluster around Tübingen, or [Cyber Valley](#) – Europe's largest research collaboration in artificial intelligence, bringing together partners from politics, academia, business and civil society.

Research and development (R&D) are key drivers of economic progress. With its established R&D capacities, the southwest accounts for more than a quarter of all R&D spending in Germany. Companies in Baden-Württemberg spend 5.7% of GDP on developing new technologies, more than anywhere else in the EU. At more than [EUR 3,200 per capita](#), Baden-Württemberg holds a leading position within Germany and across Europe (see fig. 2). Among the EU's most R&D-intensive regions, two – Karlsruhe and Stuttgart – are in the southwest. And, sorry: the Ruhr region's former coal-and-steel cities that people like to invoke as a warning – Gelsenkirchen, Bochum and Hagen – are nowhere to be found on that list.

One might object that much of this research still takes place in legacy sectors. Almost half of all R&D spending comes from the automotive industry. But this segment, too, continues to generate technologies fit for the future. What holds for Germany overall also applies to Baden-Württemberg, though: corporate research efforts are still too heavily concentrated in mid-tech segments. But things are moving into high tech in "the Ländle", as locals affectionately call Baden-Württemberg. Black Forest Labs, currently Germany's most valuable AI start-up, comes from Freiburg, in the far southwest of the state. And the [AI campus](#) near Heilbronn is also a notable player. Neither, to be sure, bears comparison with the tech giants from the U.S. or China. But it is a start – the pervasive gloomy mood is not justified.

More than just cars

Fig. 2: R&D expenditure per capita (Euros, 2023)



Source: [Eurostat](#), LBBW Research

High tech flourishing next to traditional industries

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