

## ifo Business Climate Eastern Germany: Massive Collapse

Dresden, March 31, 2020 – In March, the ifo business climate for eastern Germany cooled off heavily. The ifo Business Climate Index for the entire regional economy fell from 99.4 to 89.7 points, in line with the figure for the whole of Germany. Both the assessments of the current situation and the business expectations of the eastern German respondents surveyed saw a steep drop. Overall, the outlook declined even more strongly than the assessments of current business.

**It should be noted that the data was collected in the middle of the month, i.e., before the introduction of the massive restrictions to contain the coronavirus pandemic. This means that assessments of the current situation in particular are likely to have deteriorated even further by now.**

In eastern German *manufacturing*, there was a massive fall in sentiment in March, primarily because of a sizable downward revision to business expectations. However, at the time of the survey, participating companies assessed their current business situation as only slightly worse than in the previous month.

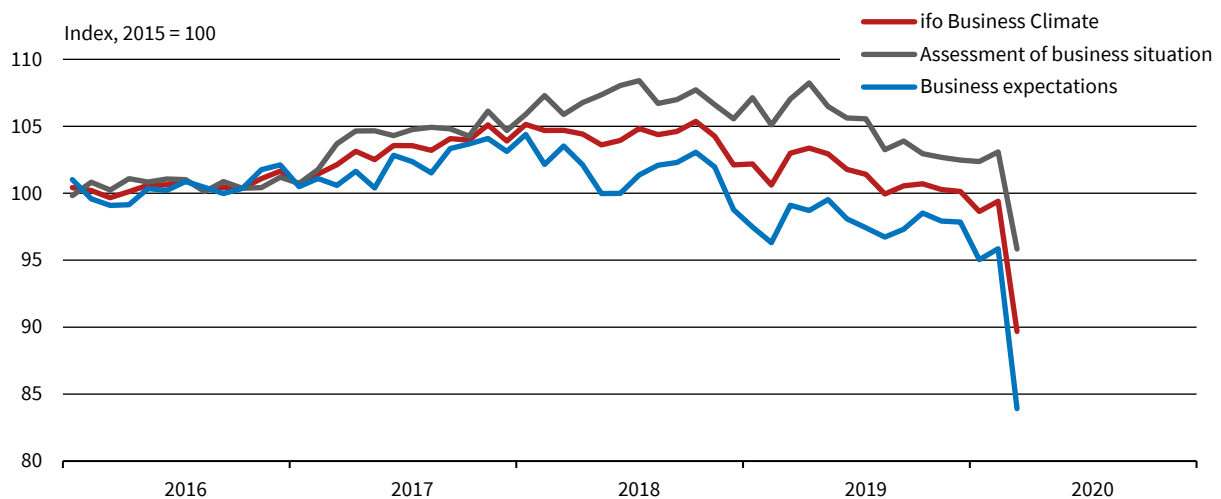
The Business Climate Index fell furthest in the eastern German *service sector*. Service providers revised their assessments in both subindices significantly downward.

The mood in eastern German *trade* also saw a dramatic fall. Here, too, this development was driven by a sharp deterioration in business expectations; assessments of the current situation, meanwhile, remained comparatively high at the time of the surveys, falling only slightly compared with the previous month.

In eastern German *construction*, there was also a definite cooling off in the business climate. However, this sector showed the least pronounced decline due to an improved assessment of current business. However, the companies surveyed revised their outlook for the coming six months emphatically downward.

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### ifo Business Climate Eastern Germany<sup>a</sup> Seasonally adjusted



<sup>a</sup> Manufacturing, service sector, trade, and construction.  
Source: ifo Business Survey, March 2020



**ifo Business Climate Eastern Germany** (Index, 2015 = 100, seasonally adjusted)

	03/19	04/19	05/19	06/19	07/19	08/19	09/19	10/19	11/19	12/19	01/19	02/19	03/20
<b>Climate</b>	103.0	103.4	102.9	101.8	101.4	99.9	100.6	100.7	100.3	100.1	98.6	99.4	89.7
<b>Situation</b>	107.0	108.2	106.5	105.6	105.6	103.2	103.9	103.0	102.7	102.5	102.4	103.1	95.8
<b>Expectations</b>	99.1	98.7	99.5	98.1	97.4	96.7	97.3	98.5	97.9	97.9	95.0	95.9	83.9

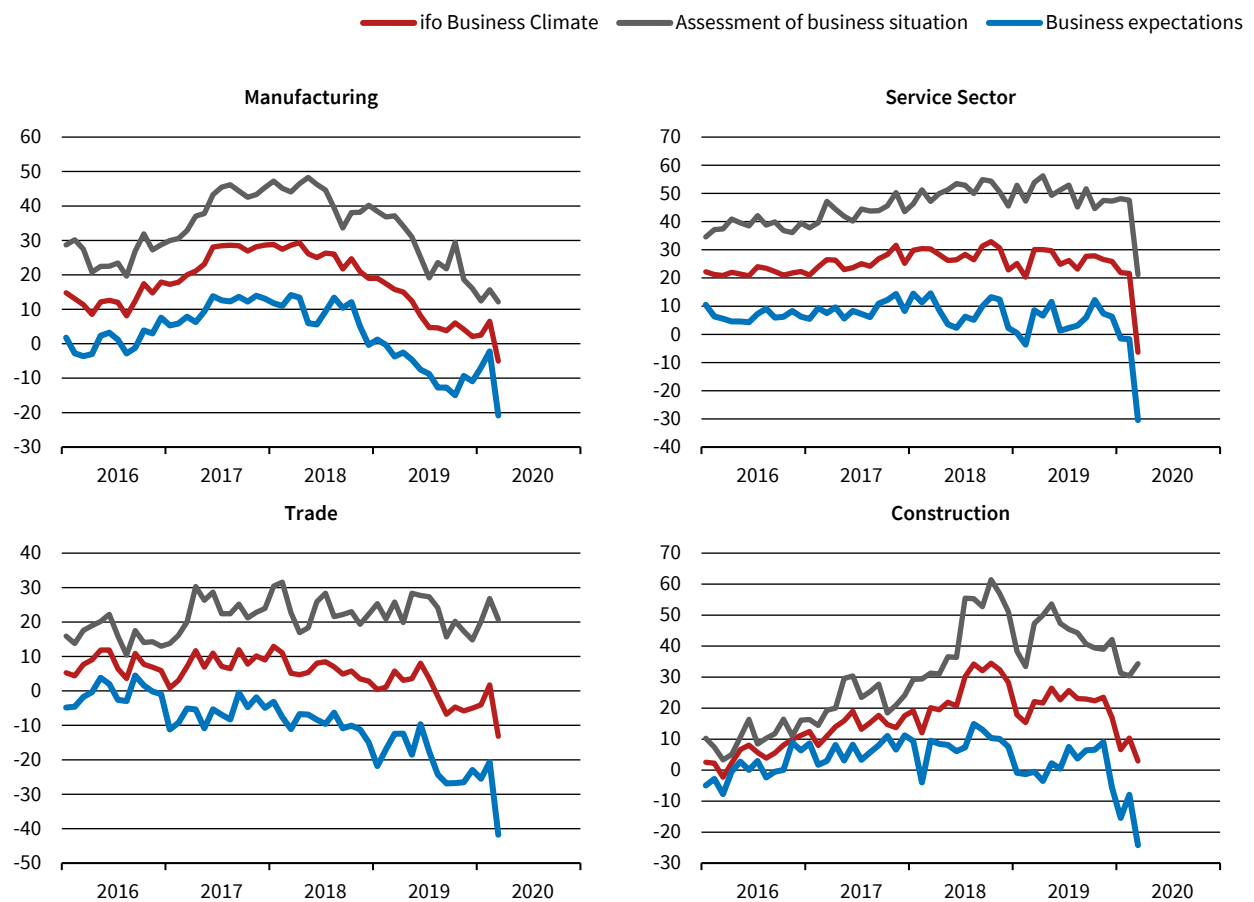
Source: ifo Business Survey

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**Business Situation and Expectations in Eastern Germany by Sector**

Balances, seasonally adjusted



Source: ifo Business Survey, March 2020

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**ifo Business Climate Eastern Germany** (Balances, seasonally adjusted)

	03/19	04/19	05/19	06/19	07/19	08/19	09/19	10/19	11/19	12/19	01/19	02/19	03/20
<b>Eastern Germany</b>	22.2	23.0	22.1	19.6	18.8	15.6	17.0	17.3	16.4	16.1	12.8	14.5	-6.5
Manufacturing	15.8	15.0	12.4	8.1	4.7	4.6	3.8	6.1	4.2	2.1	2.5	6.5	-5.0
Service sector	30.1	30.1	29.7	24.9	26.2	23.2	27.7	27.8	26.6	25.9	21.9	21.6	-6.4
Trade	5.8	3.1	3.6	8.0	3.6	-1.6	-6.8	-4.7	-5.8	-5.0	-4.0	1.7	-13.2
Construction	22.1	21.7	26.5	22.7	25.7	23.1	22.9	22.4	23.5	16.9	6.6	10.4	3.0

Source: ifo Business Survey

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The Ifo Business Climate Eastern Germany is based on approx. 1,700 monthly survey responses from businesses in manufacturing, the service sector, trade, and construction. Companies are asked to give their assessments of the current business situation and their expectations for the next six months. They can describe their situation as “good,” “satisfactory,” or “poor” and their business expectations for the next six months as “more favorable,” “unchanged,” or “less favorable.” The balance value of the current business situation is the difference in the percentage shares of the responses “good” and “poor”; the balance value of the expectations is the difference in the percentage shares of the responses “more favorable” and “less favorable.” The business climate is a transformed mean of the balances of the business situation and the expectations. To calculate the index values, the transformed balances are all normalized to the average for the year 2015.

