

ifo Business Climate Index for Eastern Germany Stops Falling

Dresden, January 7, 2020 – Sentiment among companies in eastern Germany improved a little in December, bringing to an end the downward trend that began in October. The ifo Business Climate Index for the entire regional economy rose from 92.1 to 92.4 points. While survey participants' assessments of their current situation were decidedly better, their business expectations dimmed somewhat.

In eastern German *manufacturing*, the business climate cooled marginally in December. Manufacturers assessed their current business as slightly better than in the previous month, but they revised their outlook for the coming six months significantly downward.

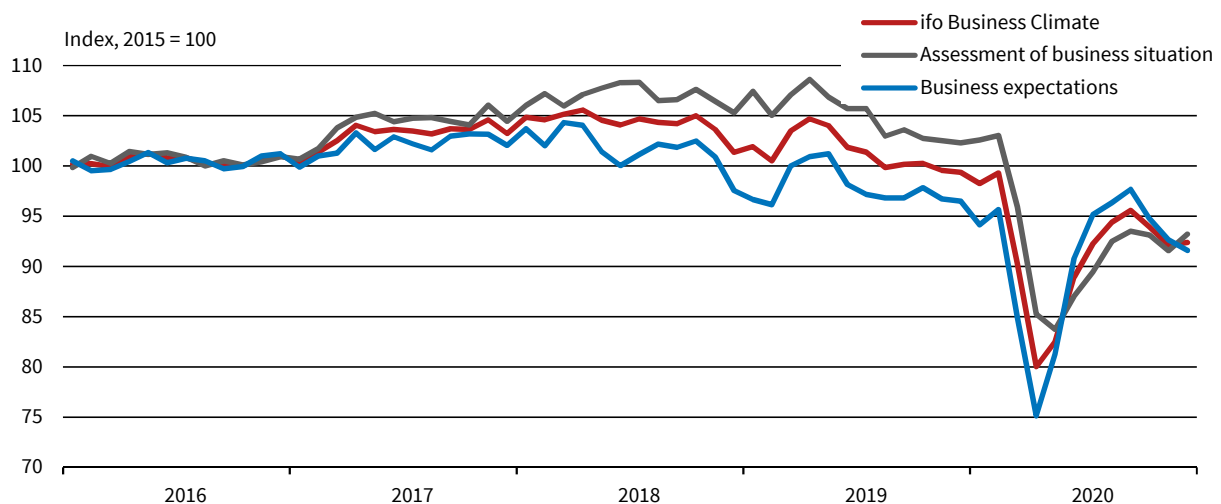
The ifo Business Climate Index climbed a little in the eastern German *services sector*, a change largely attributable to the rise in assessments of the current situation. Expectations for the coming six months were somewhat gloomier.

In eastern German *trade*, sentiment was marginally better. Assessments of the current situation and business expectations both improved slightly. While the business climate rose for wholesalers, it fell for retailers.

The mood in eastern Germany's *construction industry* clouded over a little in December. The companies surveyed raised their overall assessments of the current situation perceptibly, but at the same time their business expectations for the coming six months fell markedly.

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ifo Business Climate Eastern Germany^a Seasonally adjusted



^a Manufacturing, service sector, trade and construction.
Source: ifo Business Survey, December 2020.

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

	12/19	10/20	02/20	03/20	04/20	05/20	06/20	07/20	08/20	09/20	10/20	11/20	12/20
Climate	99.4	98.3	99.3	90.2	80.0	82.5	88.9	92.3	94.4	95.6	93.9	92.1	92.4
Situation	102.3	102.6	103.1	95.9	85.2	83.7	87.0	89.5	92.5	93.5	93.1	91.5	93.2
Expectations	96.5	94.1	95.7	84.9	75.1	81.3	90.8	95.2	96.3	97.7	94.7	92.6	91.6

Source: ifo Business Survey

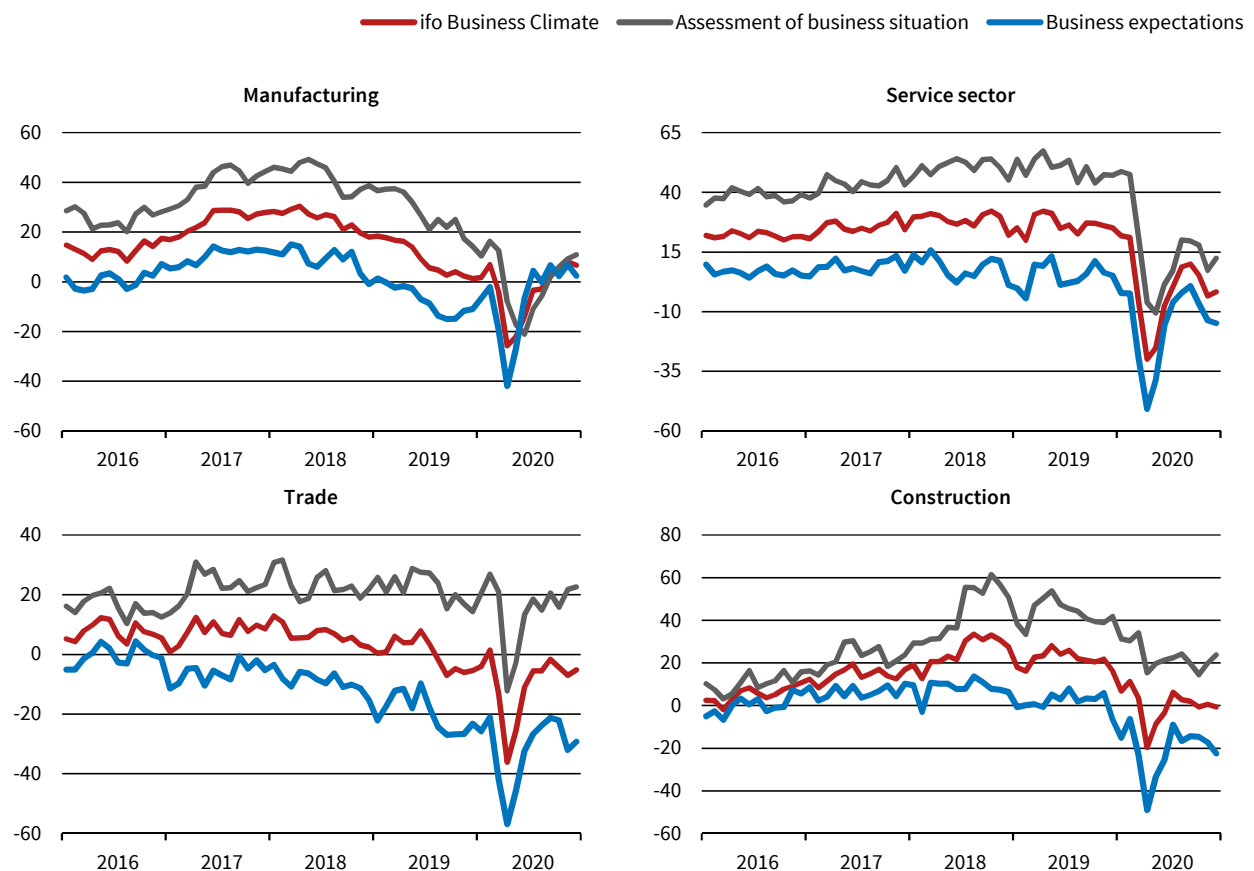
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The ifo Institute's Dresden Branch is partly financed by tax revenues on the basis of the budget approved by the members of Saxony's state parliament.

Business Situation and Expectations in Eastern Germany by Sector
Balances, seasonally adjusted



Source: ifo Business Survey, December 2020

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ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

	12/19	10/20	02/20	03/20	04/20	05/20	06/20	07/20	08/20	09/20	10/20	11/20	12/20
Eastern Germany	14.4	12.0	14.2	-5.3	-27.4	-22.0	-8.2	-0.9	3.7	6.2	2.6	-1.3	-0.6
Manufacturing	1.2	1.7	6.9	-4.0	-25.8	-22.1	-14.0	-3.4	-2.9	4.3	4.1	8.1	6.6
Service sector	25.1	21.8	21.2	-5.6	-29.9	-25.2	-7.4	0.6	8.7	9.9	5.2	-3.5	-1.7
Trade	-5.4	-4.0	1.5	-13.1	-36.1	-25.6	-10.9	-5.5	-5.5	-1.7	-4.4	-7.0	-5.2
Construction	16.3	6.8	11.3	3.5	-19.7	-8.6	-3.4	6.2	2.8	2.0	-0.6	0.5	-0.7

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.



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