

ifo Business Climate Eastern Germany: On Track for Recovery

Dresden, June 30, 2020 – In June 2020, there were stronger signs of recovery in the eastern German economy following the major slump in spring. The ifo Business Climate Index for the entire regional economy in eastern Germany jumped from 81.7 to 88.6 points. This was mainly attributable to the continuation of the strong upward trend in the survey participants' expectations that began in the previous month. Meanwhile, assessments of the current situation by the eastern German survey participants are also on their way up again.

Sentiment in eastern German *manufacturing* brightened considerably in June. While the survey participants' assessments of their current business situation still declined slightly, they continued to raise their business expectations.

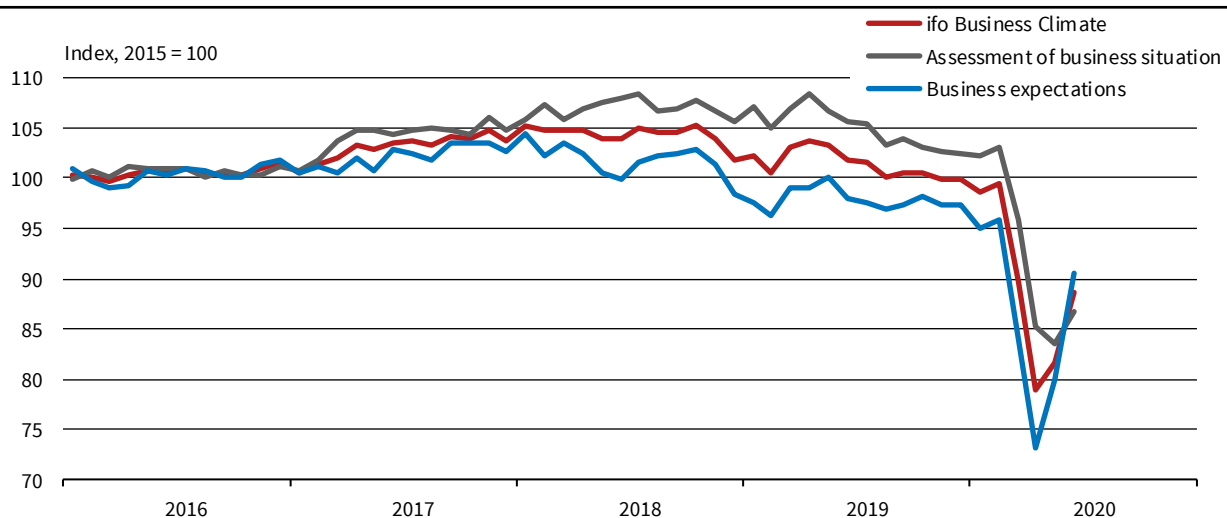
In the eastern German *services sector*, the ifo Business Climate Index saw a very significant climb, rising sharply for both the current situation and expectations. The increase in expectations was more pronounced than that for the assessments of the current situation.

The business climate in eastern German *trade* also brightened substantially. Both subindices surged upward. A striking development here is that the assessments of the current situation developed much more favorably than expected. The majority of the retailers surveyed said that they were once again optimistic about their current business situation in June.

In eastern German *construction*, the ifo Business Climate Index saw a strong uptick. While assessments of the current situation improved only slightly, business expectations rose sharply.

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ifo Business Climate Eastern Germany^a Seasonally adjusted



^a Manufacturing, service sector, trade and construction.

Source: ifo Business Survey, June 2020.

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

	06/19	07/19	08/19	09/19	10/19	11/19	12/19	01/20	02/20	03/20	04/20	05/20	06/20
Climate	101.7	101.5	100.1	100.6	100.6	99.9	99.9	98.6	99.4	89.6	78.9	81.7	88.6
Situation	105.6	105.5	103.2	103.9	103.0	102.7	102.5	102.3	103.0	95.8	85.1	83.5	86.7
Expectations	98.0	97.6	97.0	97.4	98.3	97.2	97.3	95.1	95.9	83.9	73.1	79.9	90.6

Source: ifo Business Survey

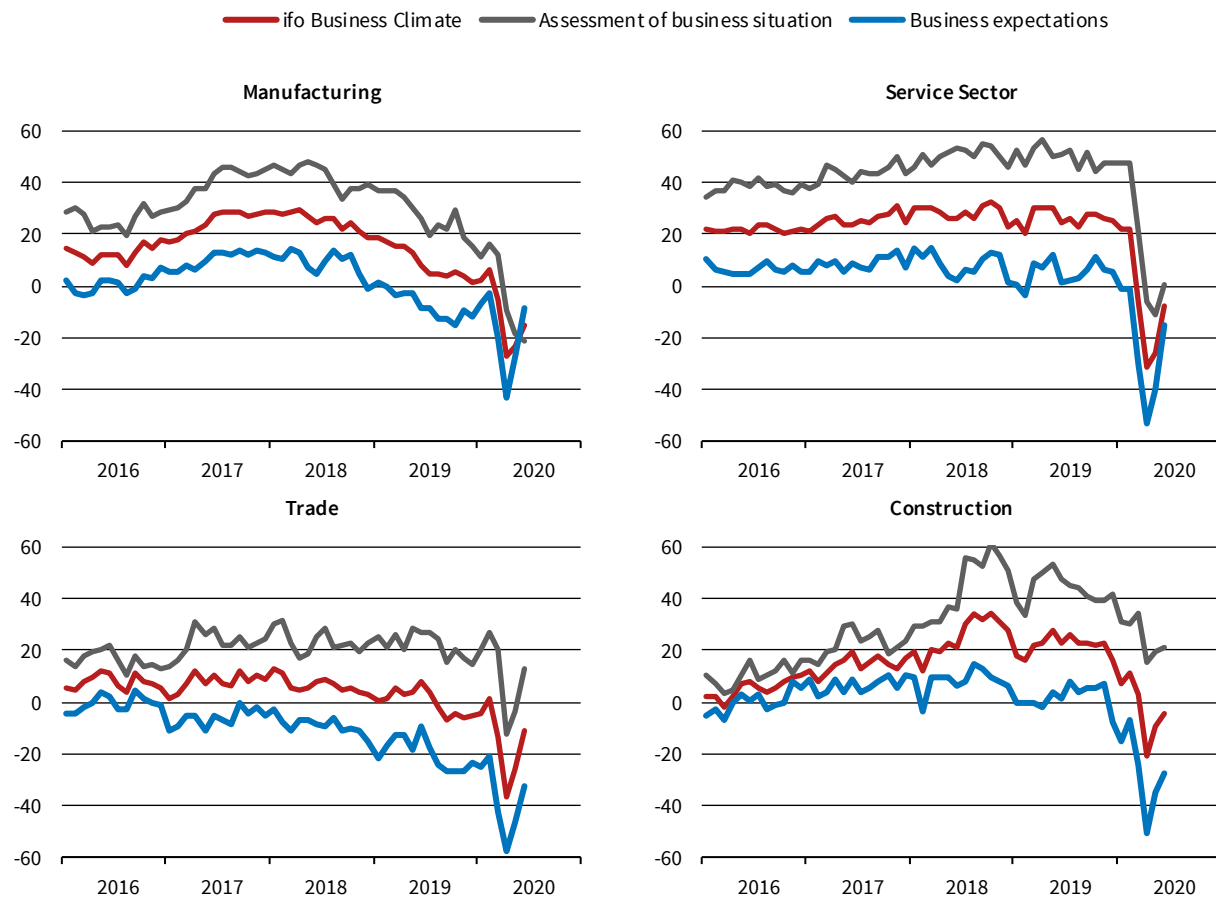
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Business Situation and Expectations Eastern Germany by Sector
Balances, seasonally adjusted



Source: ifo Business Survey, June 2020.

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ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

	06/19	07/19	08/19	09/19	10/19	11/19	12/19	01/20	02/20	03/20	04/20	05/20	06/20
Eastern Germany	19.5	19.0	15.9	17.0	17.0	15.6	15.5	12.8	14.4	-6.6	-29.7	-23.7	-8.8
Manufacturing	8.3	4.9	4.8	4.0	5.8	4.0	1.6	1.8	6.6	-5.0	-27.1	-23.1	-14.9
Service sector	24.9	26.3	23.2	27.7	27.5	26.2	25.5	22.0	21.7	-6.3	-31.4	-26.3	-7.7
Trade	7.9	3.5	-1.6	-6.8	-4.6	-5.8	-5.1	-4.1	1.7	-13.4	-36.7	-26.1	-11.1
Construction	23.1	25.8	23.0	22.6	21.9	22.5	15.8	6.8	10.9	2.9	-20.9	-9.6	-4.6

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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