

ifo Business Climate East Germany Falls

Dresden, October 29, 2020 – Sentiment among companies in Saxony deteriorated noticeably in October. The ifo Business Climate Index for the region’s economy as a whole fell from 95.7 to 94.0 points. This is mostly due to a clear drop in business expectations. Assessments of the current situation also fell slightly.

In eastern German *manufacturing*, the business climate was marginally gloomier. While business expectations for the coming six months worsened markedly, assessments of the current situation continued to improve. Companies were able to increase their capacity utilization from 76.5 percent to 78.7 percent.

There was a significant fall in the ifo Business Climate Index for the eastern German *service sector*. This is primarily attributable to the drop in business expectations. However, assessments of the current situation also declined somewhat.

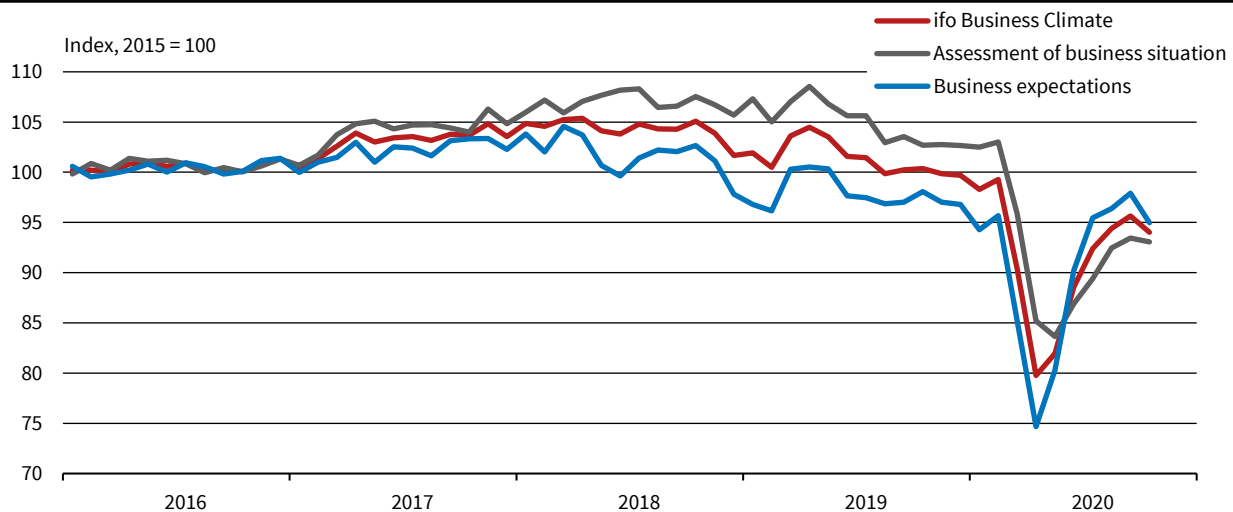
In eastern German *trade*, sentiment deteriorated. The companies surveyed lowered their assessments of the current situation considerably. Their outlook for the coming six months also worsened slightly.

Sentiment in eastern German *construction* continued to decline. The construction companies surveyed lowered their assessments of the current situation appreciably, but their business expectations for the coming six months were more or less unchanged.

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ifo Business Climate Eastern Germany^a

Seasonally adjusted



^a Manufacturing, service sector, trade, and construction.

Source: ifo Business Survey, October 2020

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

	09/19	10/19	11/19	12/19	01/20	02/20	03/20	04/20	05/20	06/20	07/20	08/20	09/20
Climate	100.4	99.8	99.7	98.3	99.3	90.4	79.8	82.0	88.6	92.4	94.4	95.7	94.0
Situation	102.7	102.8	102.7	102.5	103.0	95.9	85.2	83.6	86.9	89.4	92.5	93.4	93.1
Expectations	98.1	97.0	96.8	94.3	95.7	85.2	74.7	80.3	90.2	95.5	96.4	97.9	95.0

Source: ifo Business Survey

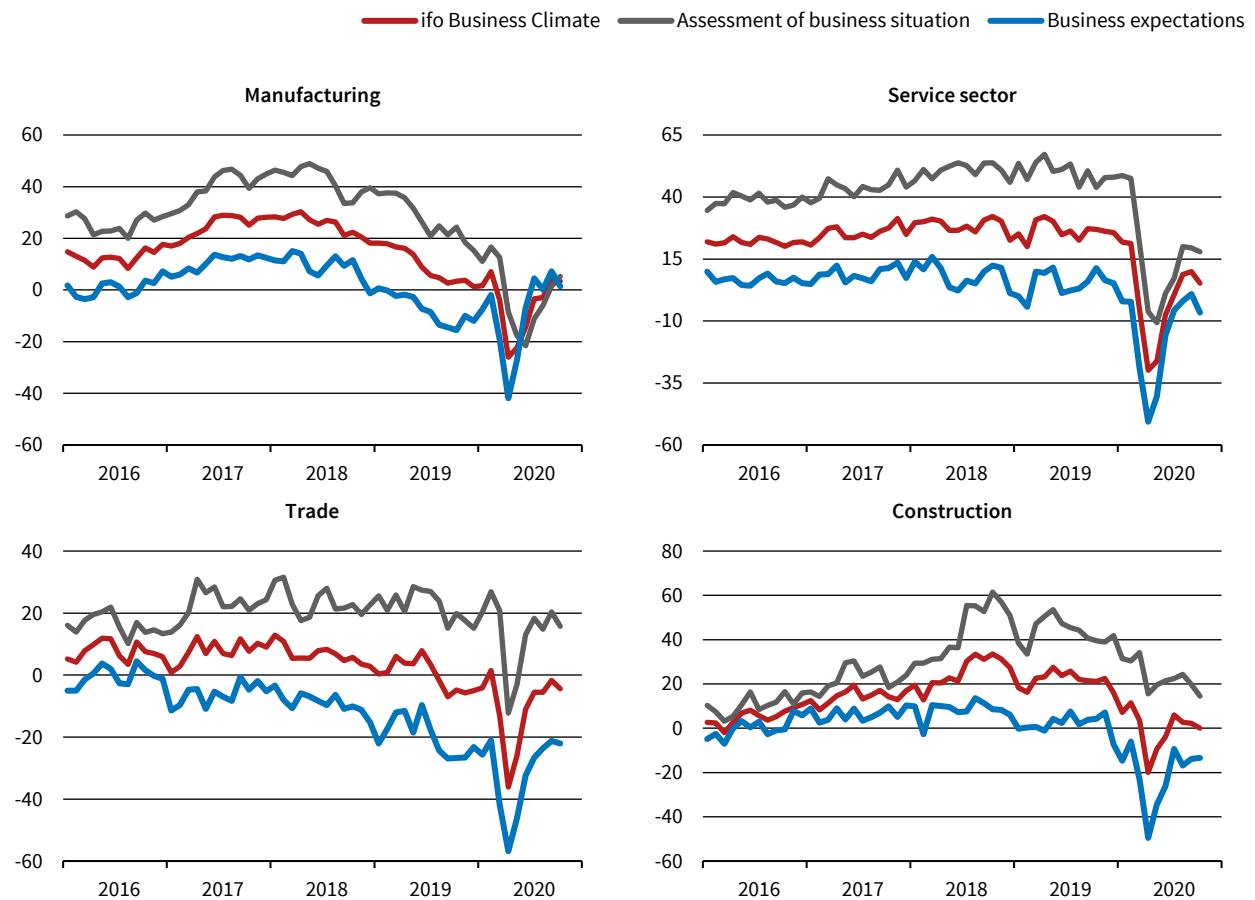
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The ifo Institute’s Dresden Branch is partly financed by tax revenues on the basis of the budget approved by the members of Saxony’s state parliament.

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



Source: ifo Business Survey, October 2020

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ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

	09/19	10/19	11/19	12/19	01/20	02/20	03/20	04/20	05/20	06/20	07/20	08/20	09/20
Eastern Germany	16.5	15.4	15.1	12.1	14.2	-5.0	-27.9	-23.2	-8.9	-0.7	3.7	6.4	2.9
Manufacturing	3.5	3.7	1.2	1.6	7.1	-3.9	-26.0	-22.4	-14.4	-3.4	-2.9	4.3	3.4
Service sector	27.0	26.2	25.6	21.8	21.2	-5.5	-29.8	-26.2	-7.5	0.6	8.8	10.0	5.2
Trade	-4.8	-5.8	-5.0	-4.1	1.5	-13.1	-36.1	-26.0	-11.0	-5.6	-5.5	-1.7	-4.4
Construction	21.1	22.5	15.9	7.1	11.4	3.5	-20.0	-9.4	-3.8	5.9	2.7	2.2	0.0

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.



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