

ifo Business Climate Eastern Germany Continues Downward Trend

Dresden, November 30, 2020 – Sentiment among companies in eastern Germany deteriorated further in November in a continuation of the downward trend that began in October. The ifo Business Climate Index for the region’s economy as a whole fell from 93.9 to 92.1 points. Business expectations and assessments of the current situation declined to the same extent.

In eastern German *manufacturing*, the business climate brightened notably. Business expectations for the coming six months rose markedly, while assessments of the current situation improved a little.

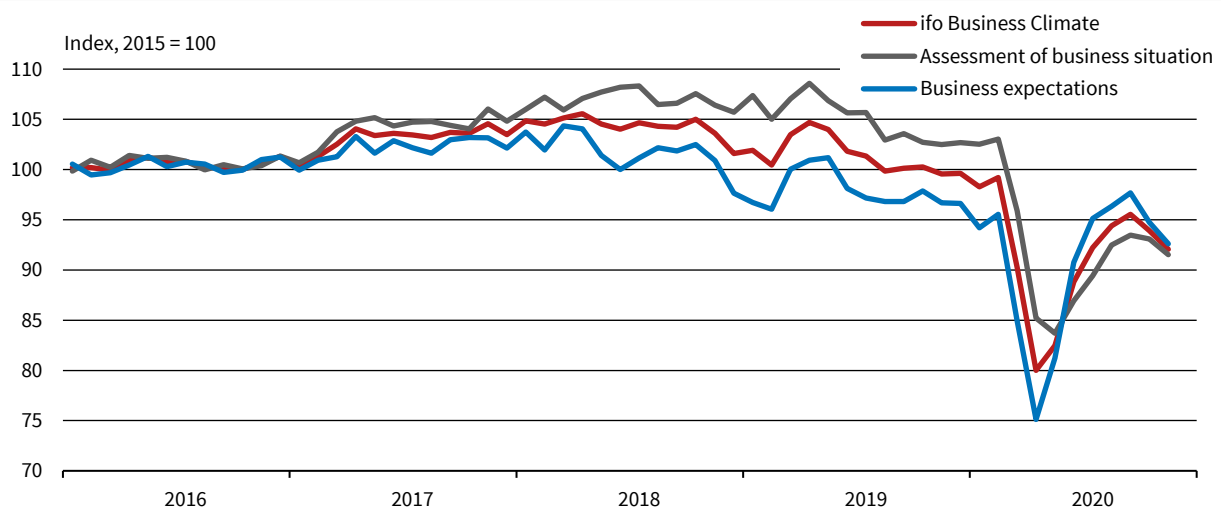
There was a major fall in the ifo Business Climate Index for the eastern German *service sector*. This was primarily due to a precipitous drop in assessments of the current situation. Business expectations for the coming six months also became much more pessimistic.

In eastern German *trade*, sentiment deteriorated further, although while the companies surveyed slashed their business expectations, they raised their assessments of the current situation substantially. In wholesale, this contrast between the current situation and expectations was particularly conspicuous.

The mood in eastern Germany’s *construction industry* rose a little in November. The companies surveyed raised their overall assessments of the current situation perceptibly, while business expectations for the coming six months fell slightly.

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ifo Business Climate Eastern Germany^a Seasonally adjusted



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

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

	11/19	12/19	01/20	02/20	03/20	04/20	05/20	06/20	07/20	08/20	09/20	10/20	11/20
Climate	99.6	99.6	98.3	99.2	90.3	80.0	82.5	88.8	92.2	94.4	95.6	93.9	92.1
Situation	102.5	102.7	102.5	103.0	95.9	85.2	83.7	86.9	89.4	92.5	93.5	93.1	91.5
Expectations	96.7	96.6	94.2	95.6	84.9	75.1	81.2	90.7	95.1	96.3	97.7	94.8	92.6

Source: ifo Business Survey

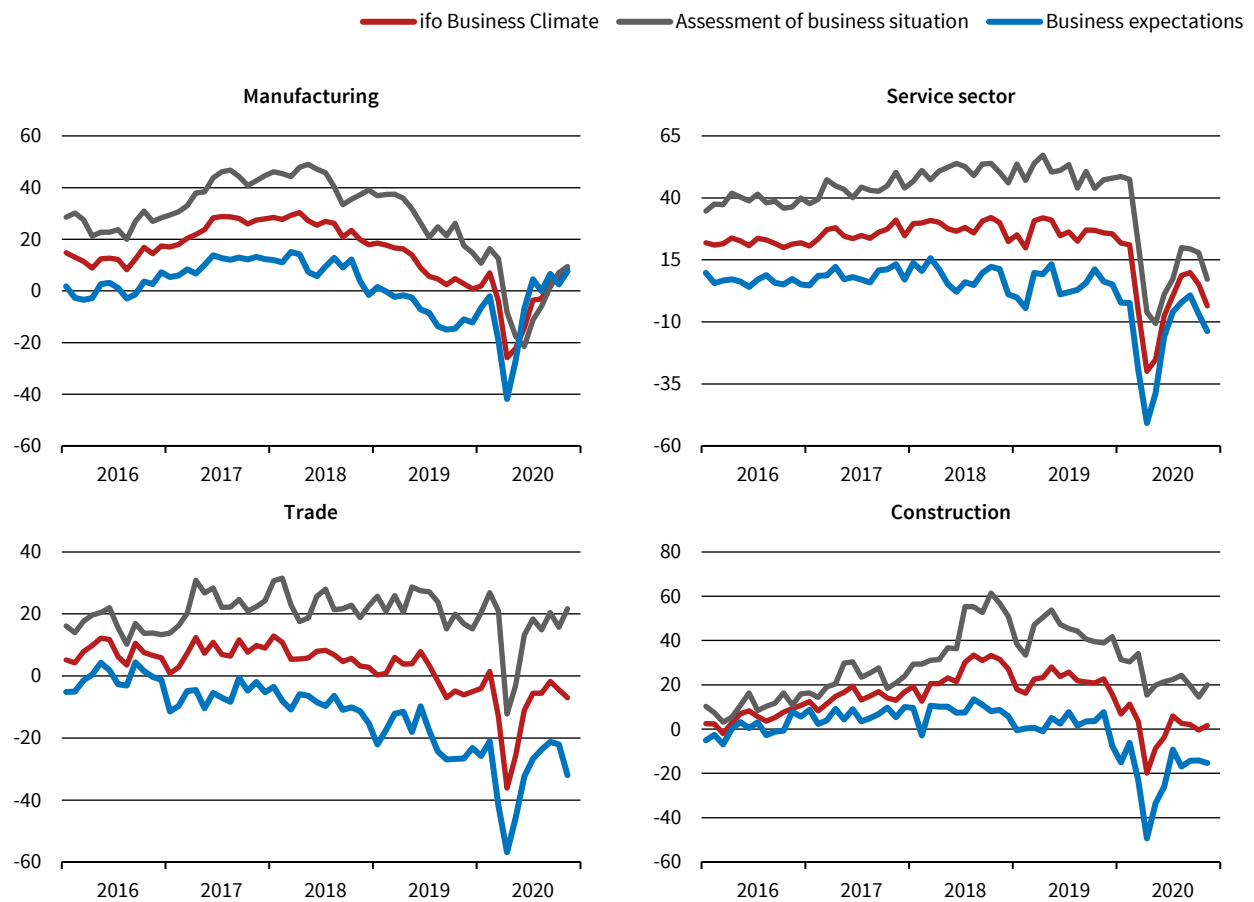
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The ifo Institute’s Dresden Branch is partly financed by tax revenues on the basis of the budget approved by the members of Saxony’s state parliament.

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



Source: ifo Business Survey, November 2020

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ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

	11/19	12/19	01/20	02/20	03/20	04/20	05/20	06/20	07/20	08/20	09/20	10/20	11/20
Eastern Germany	14.8	14.9	12.0	14.1	-5.3	-27.4	-22.1	-8.4	-1.0	3.6	6.2	2.6	-1.4
Manufacturing	2.7	0.8	1.9	7.0	-3.9	-25.9	-22.3	-14.3	-3.5	-3.0	4.0	4.8	8.5
Service sector	25.9	25.6	21.8	21.1	-5.6	-29.9	-25.3	-7.6	0.6	8.7	9.9	5.1	-3.5
Trade	-6.1	-5.0	-4.1	1.5	-13.1	-36.2	-25.7	-11.0	-5.6	-5.6	-1.7	-4.4	-7.0
Construction	22.8	15.7	6.9	11.3	3.5	-19.8	-8.7	-3.7	6.0	2.6	2.0	-0.3	1.6

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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