ifo Business Climate in Eastern Germany Declines Significantly

Dresden, August 30, 2024 – The ifo Business Climate Index for Eastern Germany fell again noticeably. The barometer of business sentiment for the regional economy in eastern Germany declined to 88.2 points, down from 90.1 points in July. The eastern German companies surveyed assessed their business situation as significantly worse than in the previous month and lowered their business expectations appreciably.

In eastern German *manufacturing*, the business climate improved in August. The companies surveyed assessed their current business situation as considerably better than in the previous month. Compared to the previous month, their expectations for future business development fell slightly.

The Business Climate Index in eastern Germany's *service sector* fell very sharply in August. The service companies surveyed lowered the assessment of their current business significantly. Their business expectations for the coming months are noticeably more pessimistic.

In eastern German *trade*, the climate indicator remained at the previous month's level. In wholesale, the business climate improved slightly, while it cooled marginally in retail. In wholesale, the business situation improved slightly, while it deteriorated somewhat in retail. Business expectations improved slightly in both sectors.

In eastern German *construction*, the business climate cooled slightly in August. The construction companies surveyed stated that they assessed their business situation as worse than in July. Their business expectations are more pessimistic than in the previous month.

Joachim Ragnitz und Marcel Thum
Geschäftsführer ifo Institut, Niederlassung Dresden

ifo Business Climate Eastern Germany[a]
Seasonally adjusted
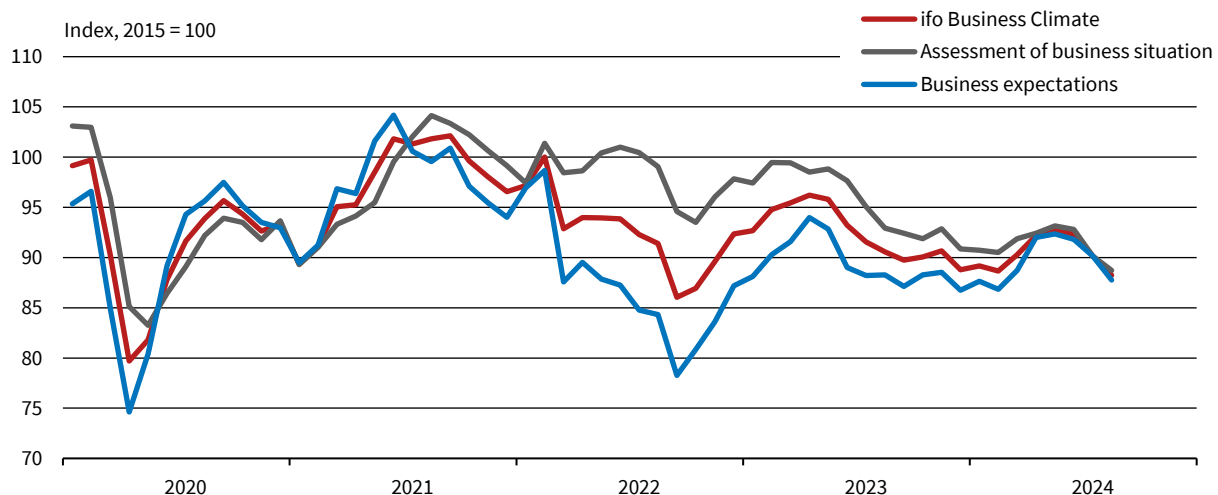
ª Manufacturing, service sector, trade and construction.
Source: ifo Business Survey, August 2024.

© ifo Institute

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

	08/23	09/23	10/23	11/23	12/23	01/24	02/24	03/24	04/24	05/24	06/24	07/24	08/24
Climate	90.6	89.7	90.1	90.7	88.8	89.2	88.7	90.3	92.2	92.8	92.3	90.1	88.2
Situation	92.9	92.4	91.9	92.9	90.9	90.7	90.5	91.9	92.4	93.1	92.8	90.1	88.7
Expectations	88.3	87.1	88.3	88.5	86.7	87.6	86.8	88.7	92.0	92.4	91.8	90.2	87.8

Source: ifo Business Survey

© ifo Institute

For long time series in Excel format, please see www.ifo.de/en/umfragen/time-series.

Business Situation and Expectations Eastern Germany by Sector

Balances, seasonally adjusted
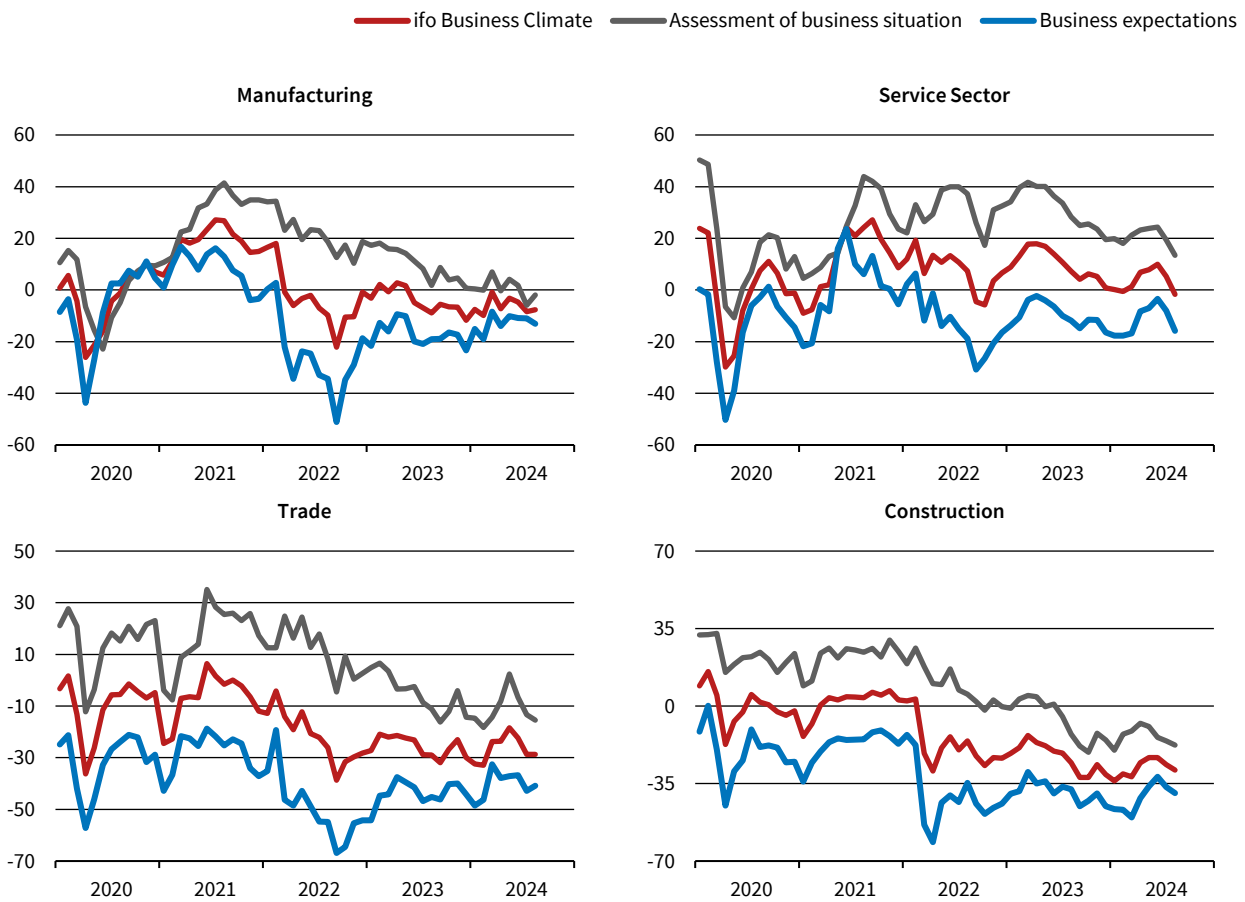
Legend: ifo Business Climate · Assessment of business situation · Business expectations

Charts: Manufacturing, Service Sector, Trade, Construction

Source: ifo Business Survey, August 2024.

© ifo Institute

ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

	08/23	09/23	10/23	11/23	12/23	01/24	02/24	03/24	04/24	05/24	06/24	07/24	08/24
Eastern Germany	**-4.6**	**-6.4**	**-5.7**	**-4.4**	**-8.5**	**-7.6**	**-8.7**	**-5.2**	**-1.1**	**0.1**	**-0.8**	**-5.5**	**-9.6**
Manufacturing	-8.9	-5.6	-6.5	-6.6	-11.7	-7.5	-9.8	-0.9	-7.3	-3.1	-4.7	-8.4	-8.9
Service sector	7.2	4.1	6.3	5.2	0.7	0.2	-0.6	1.3	6.9	7.9	10.0	5.2	7.2
Trade	-29.0	-31.9	-26.7	-23.0	-29.9	-32.5	-32.9	-23.7	-23.7	-18.4	-22.4	-28.7	-29.0
Construction	-25.5	-32.2	-32.2	-26.4	-30.9	-33.8	-30.7	-31.9	-25.5	-23.2	-23.3	-26.4	-25.5

Source: ifo Business Survey

© ifo Institute

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.