

## Sharp decline in the ifo Business Climate for eastern Germany

Dresden, 27 February 2019 – The ifo Business Climate for eastern Germany fell sharply in February. The business climate index for the economy in the east fell from 102.1 to 100.2 points. The measure of business confidence in eastern Germany has thus continued the downward trend of recent months. The most recent decline is due to the sharp downward corrections of the assessments of the current business situation. Business expectations also declined somewhat.

In eastern German *manufacturing*, the business climate cooled slightly. The survey participants were clearly more pessimistic regarding the business outlook, although their assessments of the current situation improved somewhat.

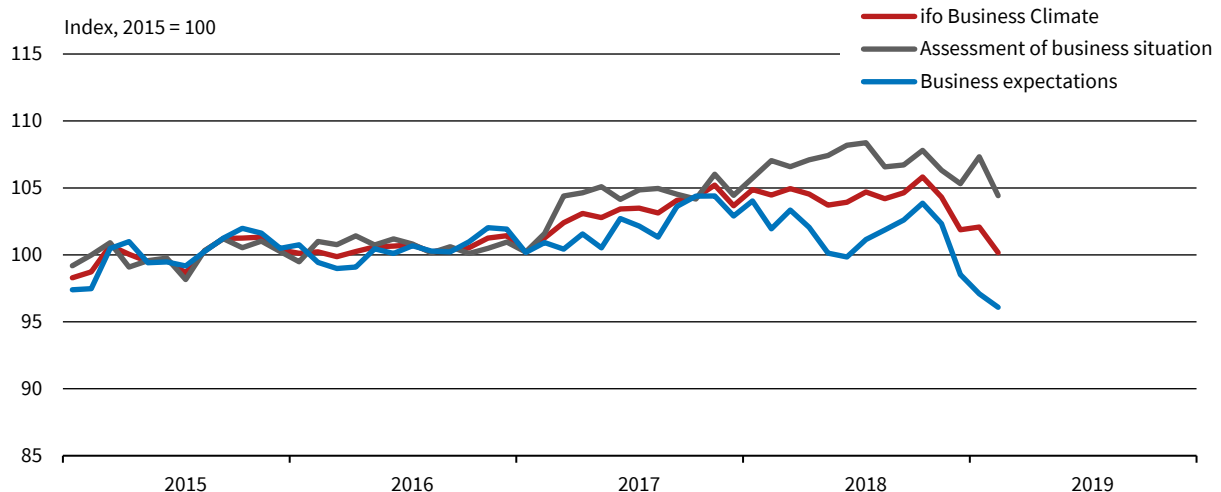
Business confidence in the eastern German *services* weakened noticeably. The firms gave much poorer assessments of the current situation and also revised their business expectations significantly downwards.

In eastern German *distribution*, the business climate brightened slightly. This was due to the improvement in business expectations for both wholesalers and retailers. Assessments of the current business situation weakened slightly.

In eastern German *construction*, the business climate index fell slightly. Following on the recent considerable cooling in the business climate, confidence weakened once again. This was mainly due to the continuing downward trend in the assessments of the current situation. Business expectations, however, recovered slightly.

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### ifo Business Climate Eastern Germany<sup>a</sup> Seasonally adjusted



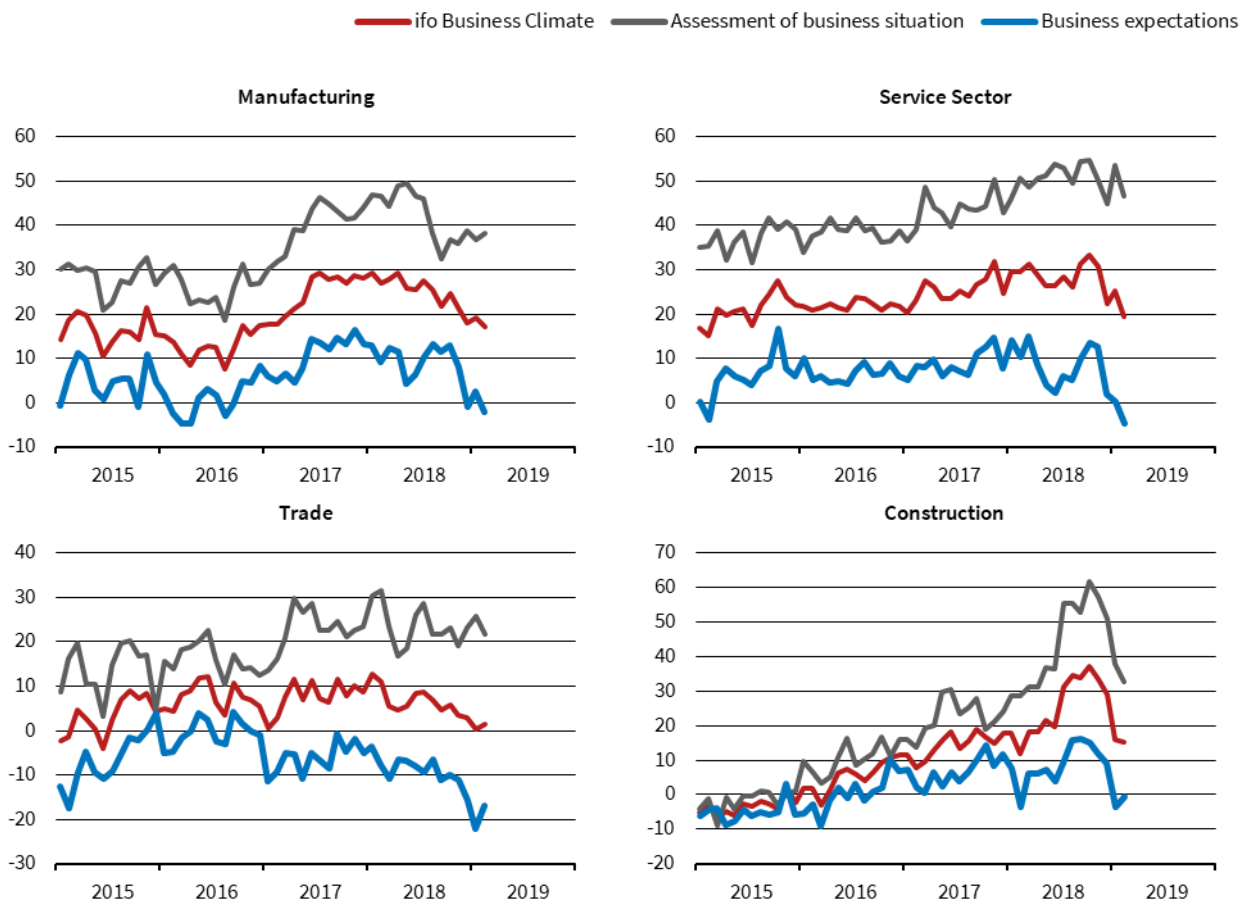
<sup>a</sup> Manufacturing, service sector, trade and construction.  
Source: ifo Business Survey, February 2019.

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

	02/18	03/18	04/18	05/18	06/18	07/18	08/18	09/18	10/18	11/18	12/18	01/19	02/19
<b>Climate</b>	104.5	105.0	104.5	103.7	103.9	104.7	104.2	104.6	105.8	104.3	101.9	102.1	100.2
<b>Situation</b>	107.0	106.6	107.1	107.4	108.2	108.4	106.6	106.7	107.8	106.3	105.3	107.3	104.4
<b>Expectations</b>	101.9	103.3	102.0	100.1	99.8	101.1	101.9	102.6	103.9	102.3	98.5	97.1	96.1

Source: ifo Business Survey

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



Source: ifo Business Survey, February 2019.

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**ifo Business Climate Eastern Germany** (Balances, seasonally adjusted)

	02/18	03/18	04/18	05/18	06/18	07/18	08/18	09/18	10/18	11/18	12/18	01/19	02/19
<b>Eastern Germany</b>	25.4	26.5	25.6	23.8	24.3	25.9	24.8	25.8	28.3	25.1	19.8	20.3	16.1
Manufacturing	27.1	27.8	29.4	25.8	25.6	27.5	25.4	21.8	24.6	21.5	18.1	19.1	17.1
Service Sector	29.6	31.2	28.7	26.4	26.5	28.3	26.2	31.3	33.2	30.6	22.3	25.4	19.5
Trade	11.0	5.6	4.7	5.4	8.4	8.6	6.9	4.6	5.9	3.4	2.8	0.3	1.4
Construction	12.0	18.3	18.3	21.5	19.6	31.1	34.6	33.8	37.3	33.6	29.1	16.1	15.4

Source: ifo Business Survey

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The ifo Business Climate Eastern Germany is based on ca. 1700 monthly survey responses from firms in manufacturing, construction, wholesaling and retailing. The firms are asked to give their assessments of the **current business situation** and their expectations for the next six months. They can characterise their situation as “good”, “satisfactory” or “poor” and their business **expectations** for the next six months as “more favourable”, “unchanged” or “more unfavourable”. The **balance value** of the current business situation is the difference of the percentages of the responses “good” and “poor”; the balance value of the expectations is the difference of the percentages of the responses “more favourable” and “more unfavourable”. The **business climate** is a transformed mean of the balances of the business situation and the expectations. For the purpose of calculating the **index values**, the transformed balances are all normalised to the average of the year 2015.



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