

ifo Business Climate Eastern Germany: Historic Slump – No End in Sight

Dresden, April 29, 2020 – The eastern German economy’s downward trend accelerated again in April 2020. The ifo Business Climate Index for the region’s economy as a whole plummeted from 89.6 to 78.9 points, which is in line with the strong slump across Germany as a whole. Eastern German survey participants’ assessments of the current situation and their business expectations plunged more drastically than ever before. The coronavirus crisis has hit all areas of the eastern German economy and is weighing more heavily on the mood of companies than the financial crisis did.

In eastern German *manufacturing*, sentiment has started to nosedive. The current business situation and business expectations plummeted in equal measure. In March, the rate of decline had still been slow.

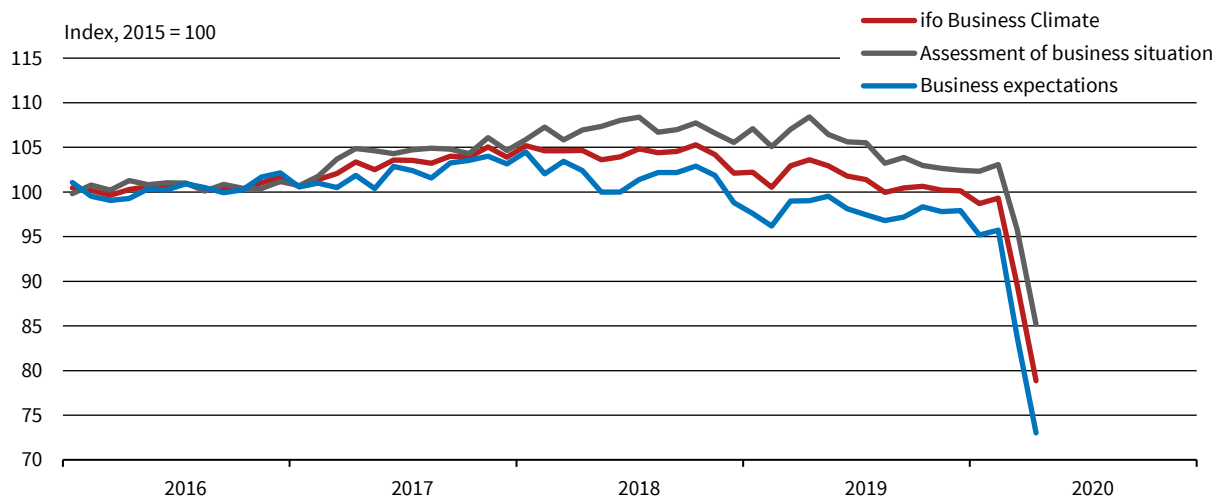
The ifo Business Climate Index continued its downward trend in the eastern German *services sector*. The fall in assessments of the current situation was greater than the slump in business expectations.

In eastern German *trade*, the deterioration in sentiment accelerated dramatically, driven primarily by the extreme collapse of the retail trade business situation compared with the previous month. At the same time, the outlook became even gloomier. In wholesale, both subindices continued to nosedive.

In eastern German *construction*, the business climate plunged dramatically compared with the previous month. This was mainly due to the business expectations. Assessments of the current situation also plummeted.

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ifo Business Climate Eastern Germany^a Seasonally adjusted



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

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

	04/19	05/19	06/19	07/19	08/19	09/19	10/19	11/19	12/19	01/20	02/20	03/20	04/20
Climate	103.6	102.9	101.8	101.4	100.0	100.5	100.6	100.2	100.1	98.7	99.3	89.6	78.9
Situation	108.4	106.5	105.6	105.5	103.2	103.9	103.0	102.7	102.4	102.3	103.1	95.8	85.2
Expectations	99.0	99.5	98.1	97.5	96.8	97.2	98.3	97.8	97.9	95.2	95.7	83.8	73.0

Source: ifo Business Survey

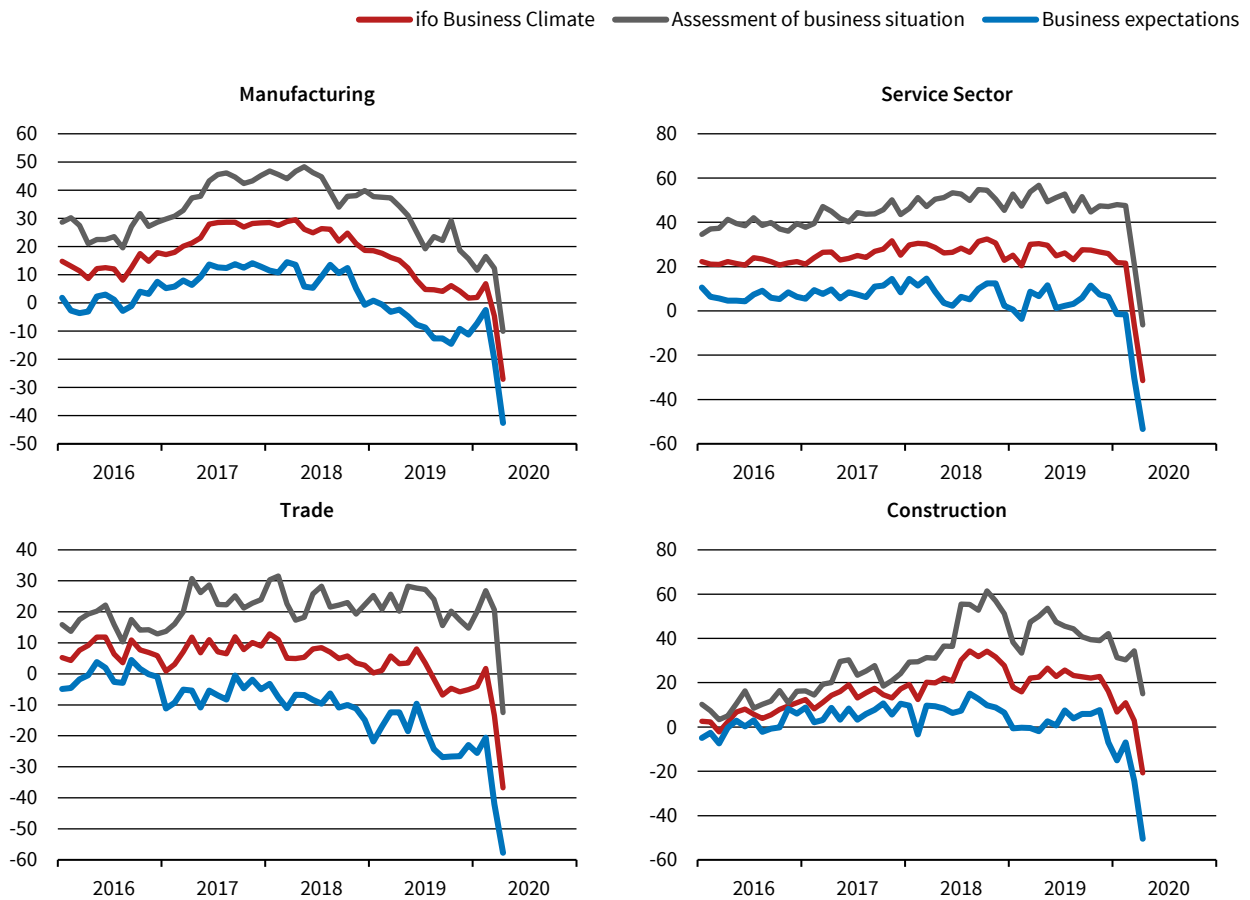
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Business Situation and Expectations in Eastern Germany by Sector
Balances, seasonally adjusted



Source: ifo Business Survey, April 2020

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ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

	04/19	05/19	06/19	07/19	08/19	09/19	10/19	11/19	12/19	01/20	02/20	03/20	04/20
Eastern Germany	23.6	22.1	19.7	18.8	15.7	16.8	17.1	16.2	16.1	13.0	14.3	-6.7	-29.8
Manufacturing	15.2	12.4	8.1	4.7	4.7	4.0	6.1	4.2	1.7	1.9	6.8	-4.6	-27.1
Service sector	30.3	29.7	24.9	26.2	23.2	27.7	27.5	26.6	25.9	21.9	21.6	-6.3	-31.4
Trade	3.3	3.5	8.0	3.5	-1.6	-6.8	-4.7	-5.8	-5.0	-4.1	1.7	-13.4	-36.7
Construction	22.5	26.6	22.8	25.7	23.2	22.7	22.1	22.8	16.2	6.8	10.9	2.9	-20.7

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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