

## ifo Business Climate Eastern Germany: A Glimmer of Hope, but No More

Dresden, May 28, 2020 – In May 2020, the first glimmer of hope appeared for the eastern German economy. The ifo Business Climate Index for the entire regional economy in eastern Germany again headed upward, rising from 78.9 to 81.4 points. While assessments of the current situation by the eastern German survey participants continued to decline significantly compared to the previous month, there was a strong improvement in their business expectations for the next three months. However, these remain in negative territory.

In eastern German *manufacturing*, sentiment climbed significantly in May. Although the business situation continued to plummet, survey participants raised their business expectations substantially. However, industrial companies are still far from optimistic.

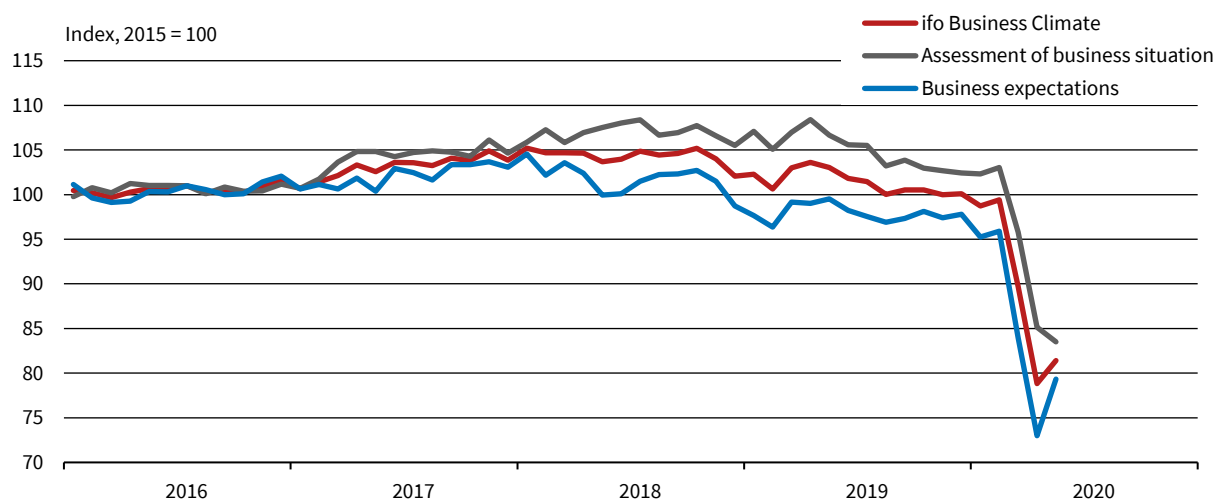
The situation in eastern Germany's *service sector* was similar to that of the manufacturing sector. Sentiment rose, driven by a hugely improved outlook, but estimates of the current situation continued to point downward.

In eastern German *trade*, the recovery progressed more quickly. Its business climate revived considerably, with the sub-indices for wholesale and retail trade both on their way up.

The business climate in eastern German *construction* also brightened noticeably. This was mainly due to the major improvement in business expectations; assessments of the situation also improved.

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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, May 2020

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

	05/19	06/19	07/19	08/19	09/19	10/19	11/19	12/19	01/20	02/20	03/20	04/20	05/20
<b>Climate</b>	103.0	101.8	101.5	100.0	100.5	100.5	100.0	100.1	98.7	99.4	89.7	78.8	81.4
<b>Situation</b>	106.7	105.6	105.5	103.2	103.9	103.0	102.7	102.4	102.3	103.0	95.8	85.1	83.5
<b>Expectations</b>	99.5	98.2	97.6	96.9	97.3	98.1	97.4	97.8	95.2	95.9	84.0	73.0	79.3

Source: ifo Business Survey

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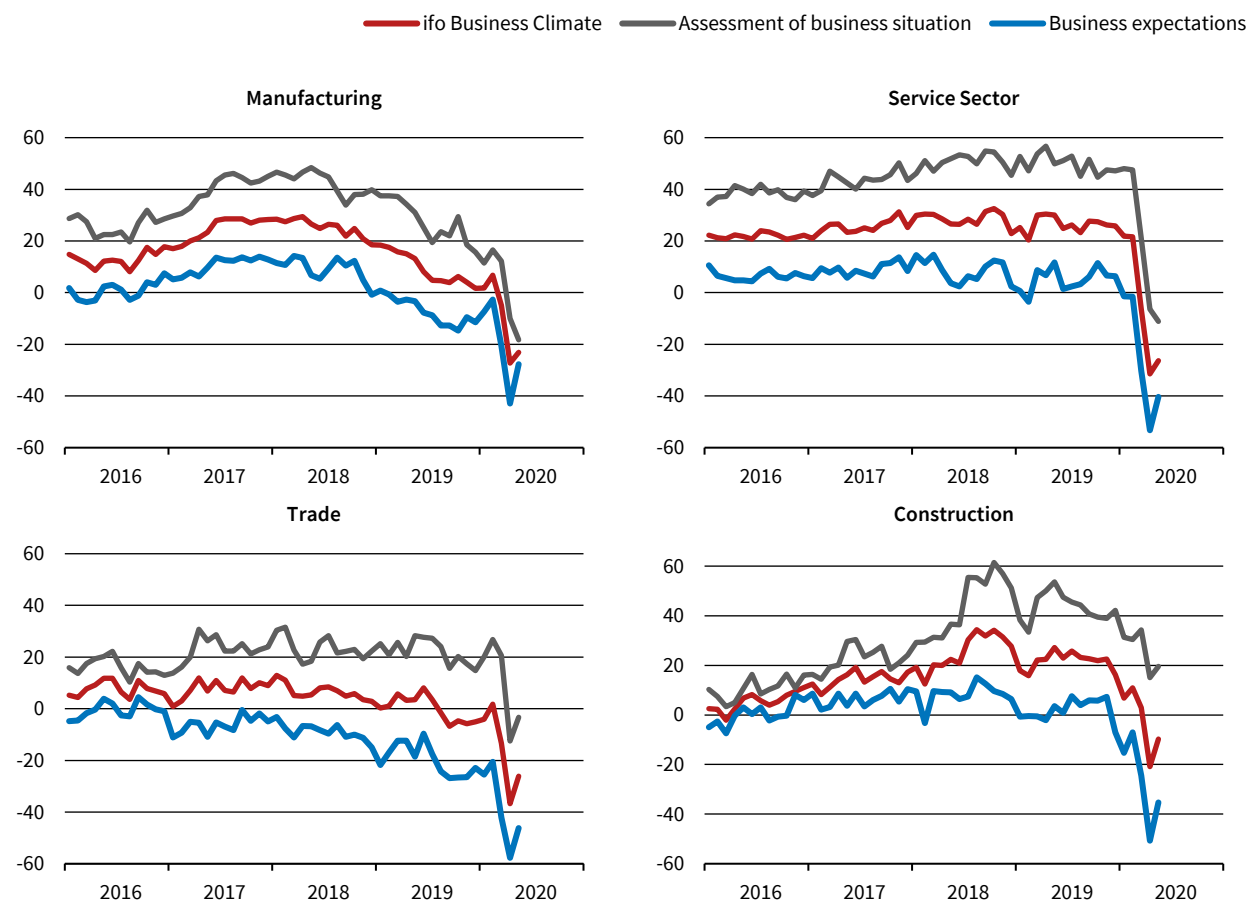
For long time series in Excel format, please see [www.ifo.de/en/umfragen/time-series](http://www.ifo.de/en/umfragen/time-series).



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, May 2020

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

	05/19	06/19	07/19	08/19	09/19	10/19	11/19	12/19	01/20	02/20	03/20	04/20	05/20
<b>Eastern Germany</b>	22.3	19.7	18.9	15.8	16.9	16.9	15.8	16.0	13.0	14.5	-6.5	-29.9	-24.4
Manufacturing	13.2	8.1	4.8	4.7	3.9	6.2	4.1	1.6	1.8	6.7	-4.9	-27.3	-23.1
Service sector	30.0	24.9	26.2	23.2	27.7	27.5	26.2	25.9	21.9	21.6	-6.3	-31.4	-26.3
Trade	3.5	8.0	3.5	-1.6	-6.8	-4.7	-5.8	-5.0	-4.1	1.7	-13.4	-36.7	-26.1
Construction	27.2	22.9	25.7	23.2	22.6	21.9	22.6	16.1	6.7	10.9	2.8	-20.8	-9.8

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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