

ifo Business Climate Eastern Germany: The Upward Trend Continues

Dresden, August 31, 2020 – Sentiment among eastern German companies continued to improve in August. The ifo Business Climate Index for the entire regional economy in eastern Germany climbed from 92.4 points to 94.6 points. This increase was mainly driven by the current business situation in August. At the same time, the companies surveyed raised their business expectations somewhat compared to the previous month. The picture was mixed across different sectors.

In eastern German *manufacturing*, the business climate improved only slightly in August. The industrial companies surveyed rated their current business as much better. However, their outlook for the future has taken a hit and is becoming pessimistic again.

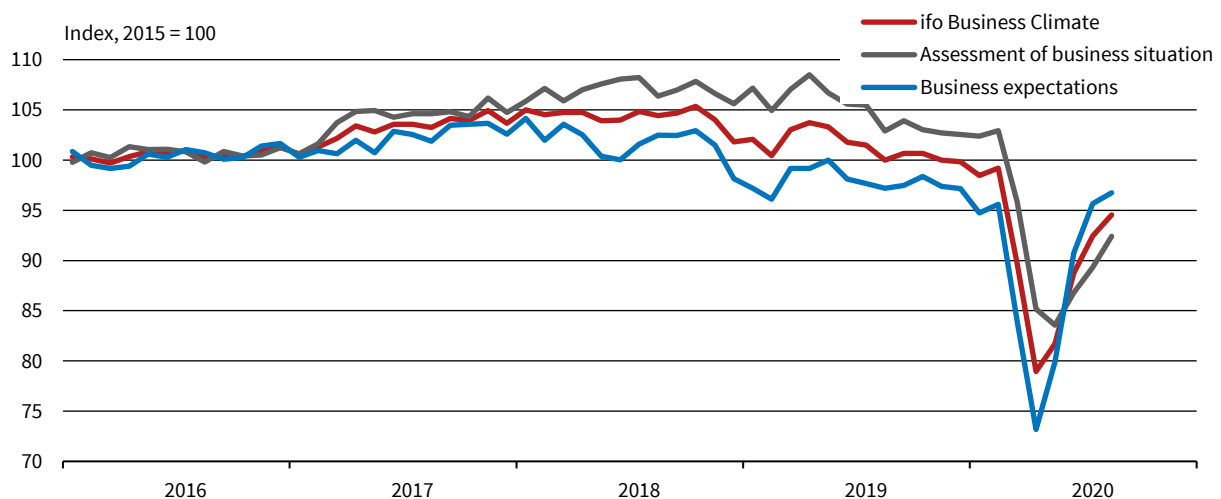
The recovery in the eastern German *service sector* is in full swing, with the ifo Business Climate Index continuing to surge. In August, the main reason for this was companies' rising assessments of their current situation. The outlook for the service providers surveyed was also more positive.

In eastern German *trade*, developments were divided. While the Business Climate Index and the two subindices fell slightly in retail, sentiment among the surveyed wholesale companies rose noticeably. The increase here was driven by expectations.

In eastern German *construction*, the business climate was decidedly cooler in August. While the construction companies surveyed raised their assessments of the current situation slightly, their business expectations took a nosedive.

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ifo Business Climate Eastern Germany^a Seasonally adjusted



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

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

	08/19	09/19	10/19	11/19	12/19	01/20	02/20	03/20	04/20	05/20	06/20	07/20	08/20
Climate	100.0	100.7	100.7	100.0	99.8	98.5	99.2	89.7	79.0	81.7	88.8	92.4	94.6
Situation	102.9	103.9	103.0	102.7	102.6	102.4	102.9	95.9	85.2	83.6	86.8	89.3	92.4
Expectations	97.2	97.5	98.4	97.4	97.2	94.7	95.6	84.0	73.2	79.9	90.8	95.7	96.7

Source: ifo Business Survey

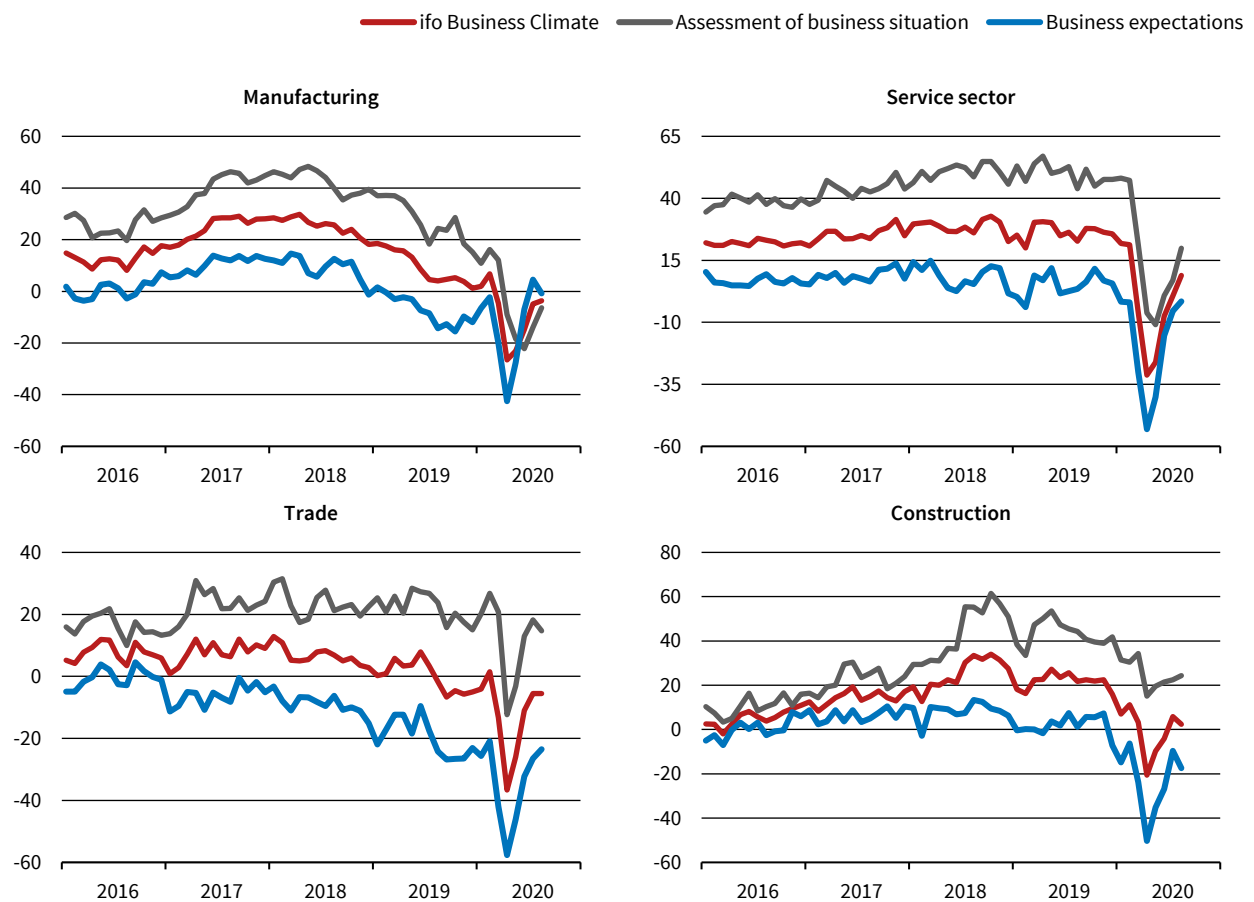
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Business Situation and Expectations in Eastern Germany by Sector
Balances, seasonally adjusted



Source: ifo Business Survey, August 2020

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ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

	08/19	09/19	10/19	11/19	12/19	01/20	02/20	03/20	04/20	05/20	06/20	07/20	08/20
Eastern Germany	15.8	17.2	17.2	15.8	15.4	12.5	14.1	-6.4	-29.6	-23.7	-8.5	-0.5	4.0
Manufacturing	4.1	4.7	5.3	3.8	1.2	2.0	6.7	-4.6	-26.5	-23.0	-14.8	-4.9	-3.6
Service sector	22.7	27.9	27.7	26.3	25.7	21.8	21.3	-6.1	-31.3	-26.1	-7.5	0.7	8.9
Trade	-1.7	-6.7	-4.6	-5.7	-5.0	-4.1	1.5	-13.3	-36.6	-26.0	-11.0	-5.6	-5.5
Construction	21.7	22.5	21.8	22.5	16.0	7.0	11.3	3.2	-20.6	-9.8	-4.2	5.8	2.4

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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