

Ifo Business Climate for Eastern Germany

Results of the Ifo Business Survey for January 2012

Ifo Business Climate for Eastern Germany deteriorates

Contrary to the overall trend in Germany, the Ifo Business Climate Index for trade and industry in Eastern Germany fell significantly in January. A decisive factor in this decrease was the less favourable assessment of their current business situation by Eastern German firms compared to last month. Survey participants also remain pessimistic about their six-month business outlook.

After improving briefly at the end of last year, the business climate in Eastern German *manufacturing* deteriorated in January. Survey participants from Eastern Germany assessed both their current business situation and their business outlook as less favourable than previously. Meanwhile, exporters expect significantly weaker impulses from international business. Staff planning was also more negative than in December. Capacity utilization of machines and equipment is slightly below last autumn's figure, but remains above both last year's figure and the long-term average.

The climate indicator for Eastern German *wholesaling* fell. Although the current business situation is still assessed very favourably in a longer-term context, evaluations have recently deteriorated significantly. East German wholesalers are considerably more pessimistic about the development of their business than previously. The same can be said of Eastern German *retailing*, which also saw its business climate deteriorate clearly. For the first time since November 2010 the retailers surveyed assessed their overall current business situation as poor. They also expressed greater pessimism about future business than last month.

In a departure from the trends described above, the business climate index for *construction* in Eastern Germany rose in January. While Eastern German construction firms see their current business situation as significantly poorer, survey responses indicate far greater confidence in future business development than in the previous month.

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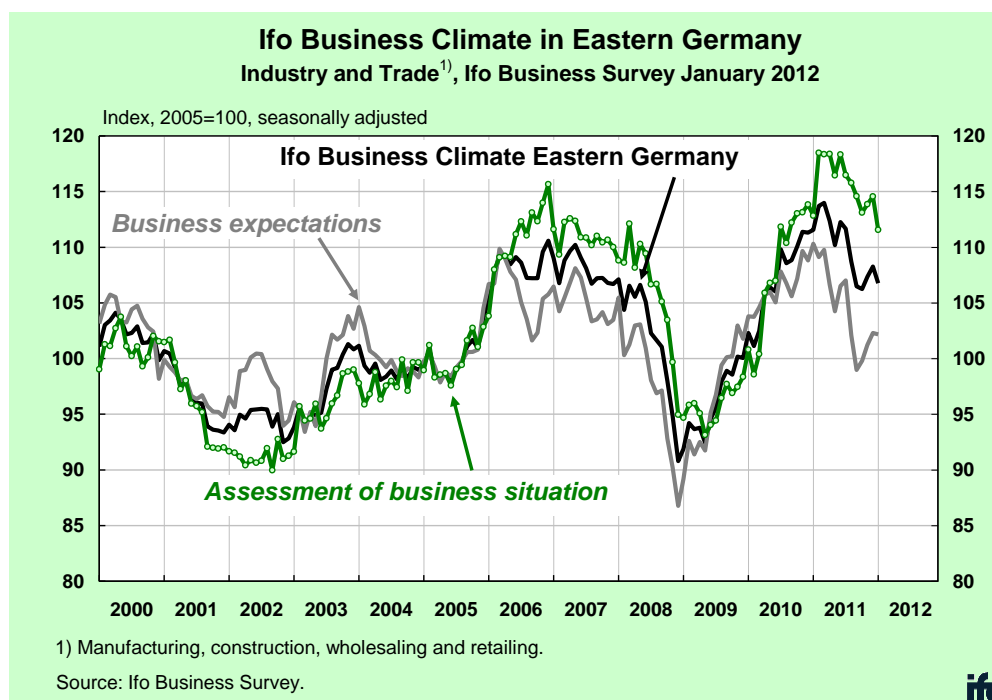
Directors of the Dresden Branch of the Ifo Institute for Economic Research

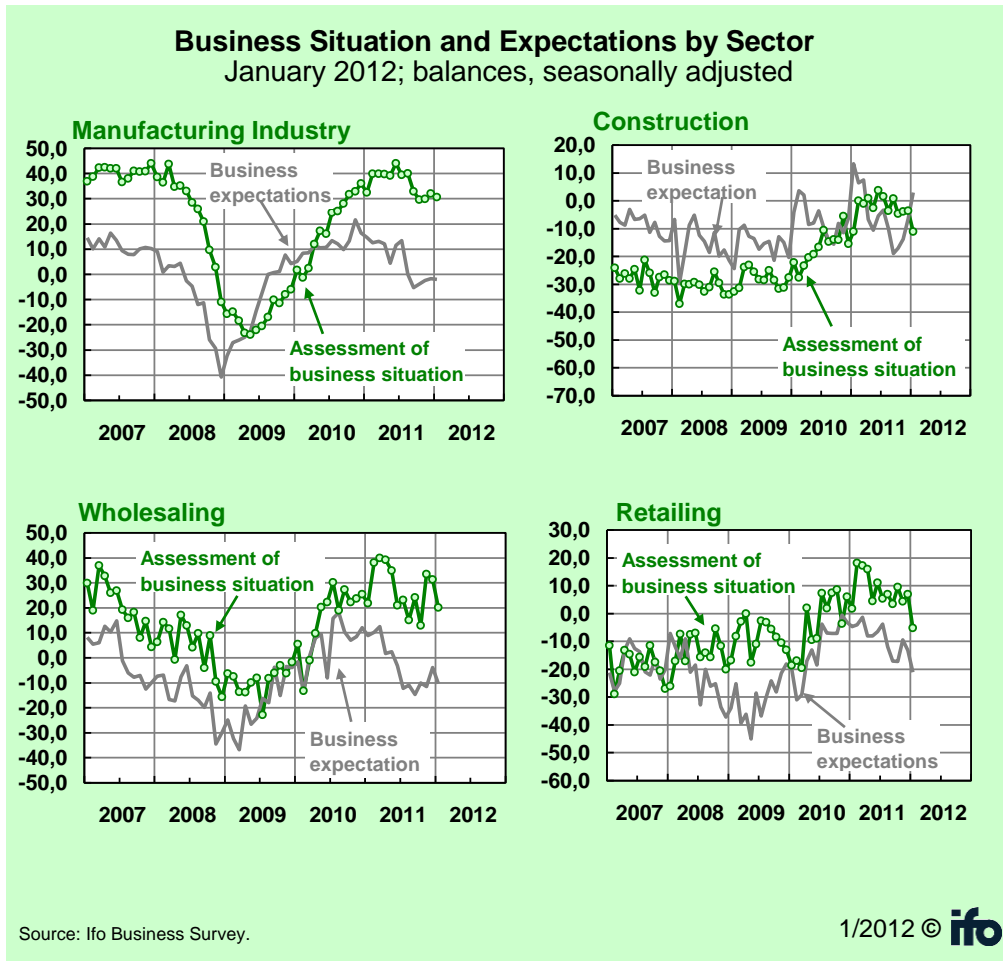
Ifo Business Climate Eastern Germany (Index, 2005 = 100, seasonally adjusted)

Month/Year	1/11	2/11	3/11	4/11	5/11	6/11	7/11	8/11	9/11	10/11	11/11	12/11	1/12
Climate	111.6	113.7	114.0	112.4	110.2	112.3	111.7	108.7	106.5	106.2	107.4	108.3	106.8
Situation	112.8	118.5	118.4	118.4	116.5	118.3	116.5	115.8	114.6	113.1	113.9	114.6	111.6
Expectations	110.3	109.1	109.8	106.6	104.2	106.5	107.0	102.1	99.0	99.8	101.2	102.3	102.2

Source: Ifo Business Survey

For long time-series in Excel format consult www.ifo.de/langereihen.





Ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

Month/Year	1/11	2/11	3/11	4/11	5/11	6/11	7/11	8/11	9/11	10/11	11/11	12/11	1/12
Trade and Industry	13.1	17.2	17.7	14.6	10.5	14.5	13.3	7.7	3.4	3.0	5.1	6.8	4.0
Manufacturing	23.4	25.8	26.1	25.5	21.1	27.2	26.1	19.2	13.0	12.2	13.1	14.5	13.7
Construction	0.7	3.2	3.2	-2.9	-6.6	-0.8	-0.9	-6.8	-9.3	-10.9	-8.9	-5.0	-4.1
Wholesaling	15.3	23.7	25.7	19.7	18.1	8.5	4.7	1.7	3.8	1.1	9.8	12.9	4.3
Retailing	-1.5	6.8	7.8	3.6	-1.9	2.0	0.7	-2.7	-7.1	-4.3	-2.7	-3.3	-13.3

Source: Ifo Business Survey.

Explanatory note: The Ifo Business Climate in Eastern Germany is based on ca. 1.200 monthly survey responses of 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 calculating the index values the transformed balances are all normalized to the average of the year 2000.