

ifo Business Climate Eastern Germany Declines

Dresden, January 10, 2022 – Sentiment among companies in eastern Germany fell significantly in December. The ifo Business Climate Index for the entire regional economy continued to slide, falling to 96.0 points, down from 97.5 points in November. Participating companies reported a marked decline in their assessments of the current situation. At the same time, their expectations dropped somewhat compared to the previous month.

In eastern German *manufacturing*, the business climate brightened a little in December. The industrial companies surveyed assessed both their current business and their outlook as somewhat better than in November. However, it appears that the pessimistic take on the new year will persist for a while yet.

In the eastern German *service sector*, the ifo Business Climate Index fell appreciably in December. The service providers surveyed lowered their overall assessments of the current situation considerably, while they scaled back their expectations for the coming six months noticeably. Pessimism about the first half of 2022 is rising.

In eastern German *trade*, sentiment deteriorated significantly in December. The subindices for retail and wholesale revealed opposing trends for situation and expectations. While assessments of the current situation were somewhat brighter among wholesalers, among retailers it was the business expectations that rose marginally. Overall, however, the climate declined in both areas.

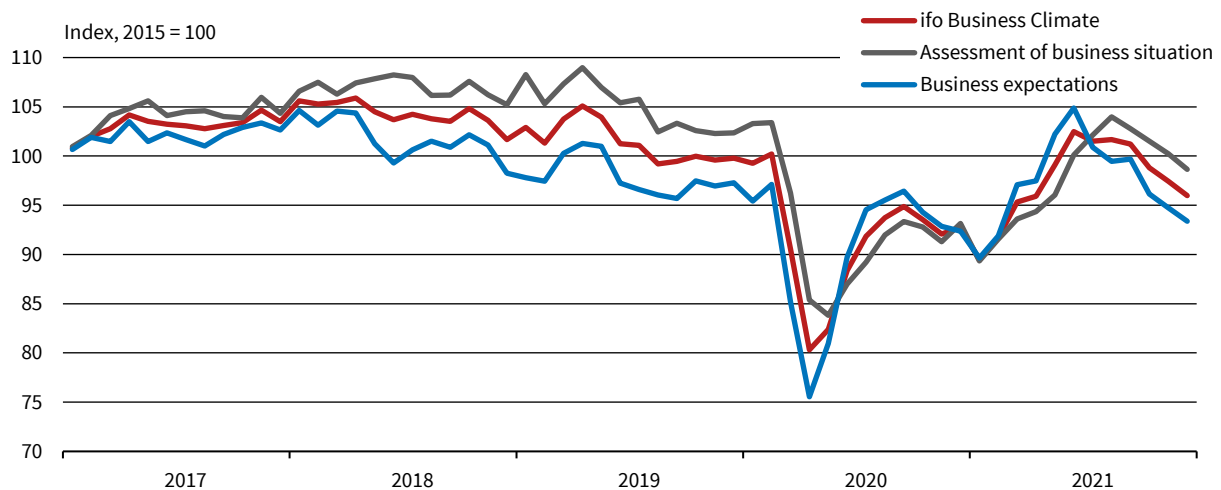
In eastern German *construction*, the business climate was a good deal cooler in December. The construction businesses surveyed rated their current business somewhat less positively as in the previous month. At the same time, their outlook for the coming months was noticeably more negative.

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ifo Business Climate Eastern Germany^a

Seasonally adjusted



^a Manufacturing, service sector, trade, and construction.
Source: ifo Business Survey, December 2021

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

	12/20	01/21	02/21	03/21	04/21	05/21	06/21	07/21	08/21	09/21	10/21	11/21	12/21
Climate	92.8	89.5	91.7	95.3	95.9	99.1	102.5	101.5	101.7	101.2	98.8	97.5	96.0
Situation	93.2	89.4	91.5	93.6	94.4	96.0	100.1	102.1	104.0	102.8	101.5	100.2	98.6
Expectations	92.4	89.6	91.9	97.1	97.5	102.2	104.9	100.9	99.4	99.7	96.2	94.8	93.4

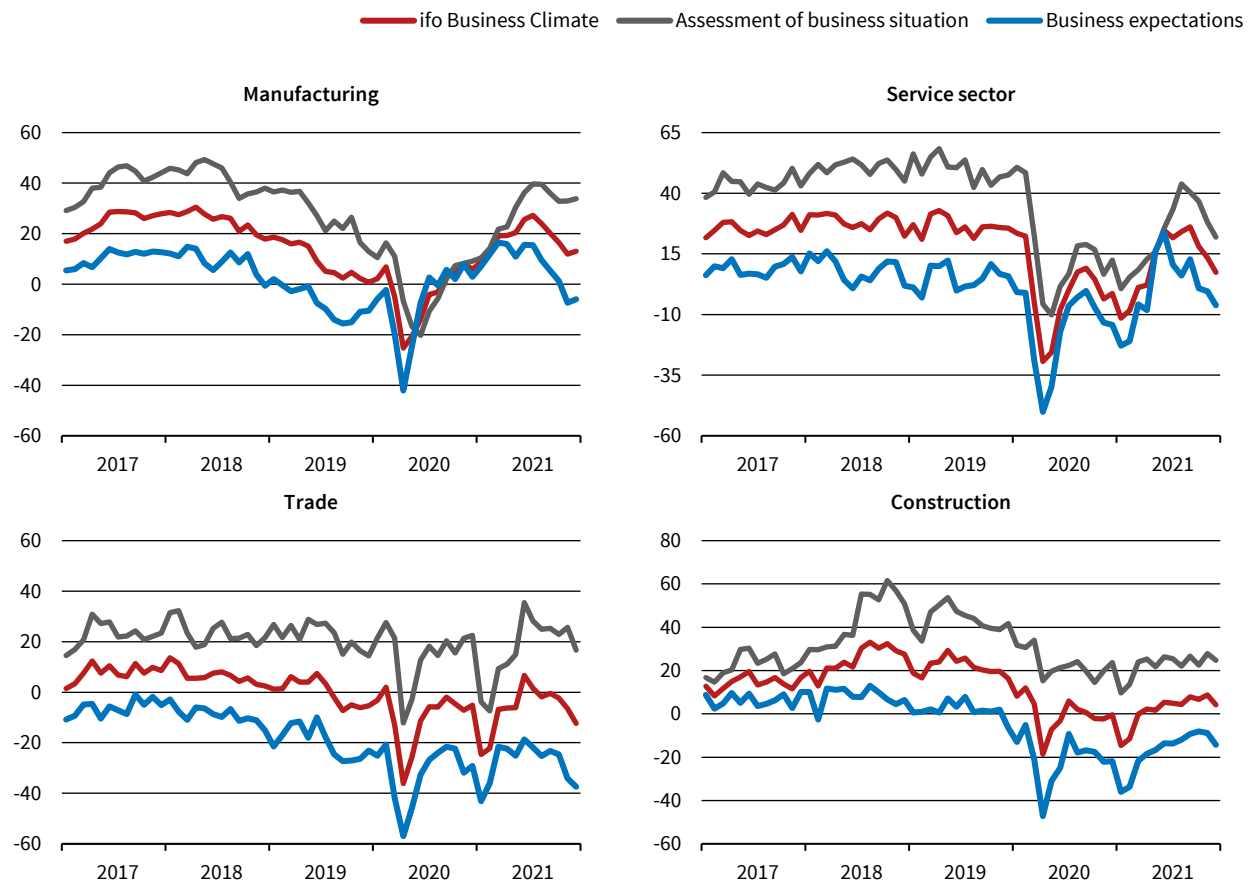
Source: ifo Business Survey

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



Source: ifo Business Survey, December 2021

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ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

	12/20	01/21	02/21	03/21	04/21	05/21	06/21	07/21	08/21	09/21	10/21	11/21	12/21
Eastern Germany	0.1	-6.9	-2.1	5.7	6.9	13.8	21.1	19.0	19.4	18.4	13.1	10.2	7.1
Manufacturing	6.0	8.7	13.0	19.1	19.3	20.4	25.6	27.2	24.0	20.1	16.5	11.9	13.0
Service sector	-1.3	-11.4	-8.3	1.2	2.1	16.1	24.7	21.7	24.2	26.2	18.1	13.4	7.4
Trade	-5.2	-24.6	-22.3	-6.8	-6.3	-6.1	6.7	1.6	-1.8	-0.5	-2.3	-6.6	-12.4
Construction	-0.4	-14.6	-11.5	-0.2	2.2	1.6	5.4	4.9	4.4	7.9	6.7	8.7	4.3

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.



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.