ifo INSTITUTE
Dresden Branch

ifo Business Climate Index Eastern Germany Falls Further

Dresden, November 29, 2021 – Sentiment among companies in eastern Germany deteriorated noticeably in November. The ifo Business Climate Index for the entire regional economy continued to slide, falling to 97.4 points, down from 98.7 points in October. 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 cooled significantly again in November. The negative trend of recent months continues unabated. Industrial companies rated their current business a little less positively and lowered their expectations drastically for the coming months. Pessimism is spreading in manufacturing.
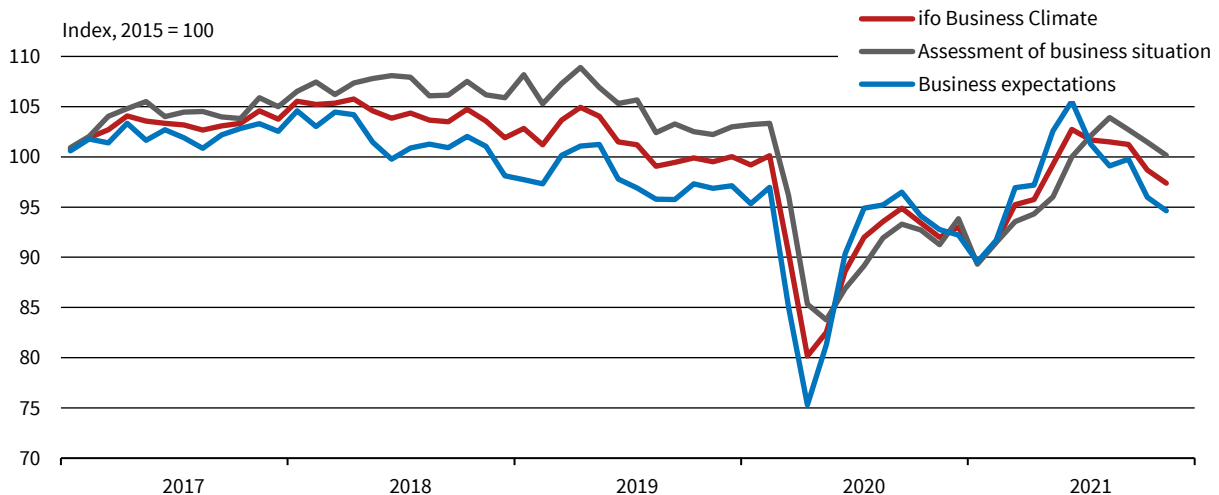
In the eastern German *service sector*, sentiment plunged in November. The service providers surveyed lowered their overall assessments of the current situation considerably, while they scaled back their expectations for the coming six months somewhat. Pessimism is spreading in this sector as well.

The ifo Business Climate Index in eastern German *trade* plummeted in November. While the subindices for retail showed opposing trends, with positive assessments of the current situation and a negative outlook, in wholesale all indices pointed downward.

In eastern German *construction,* the business climate turned a little brighter in November. The construction companies surveyed assessed their current business as much better than in the previous month, while their outlook for the coming months trended sideways.

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ifo Business Climate Eastern Germany[a]
Seasonally adjusted

Index, 2015 = 100

Legend: ifo Business Climate / Assessment of business situation / Business expectations

[a] Manufacturing, service sector, trade, and construction.
Source: ifo Business Survey, November 2021

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

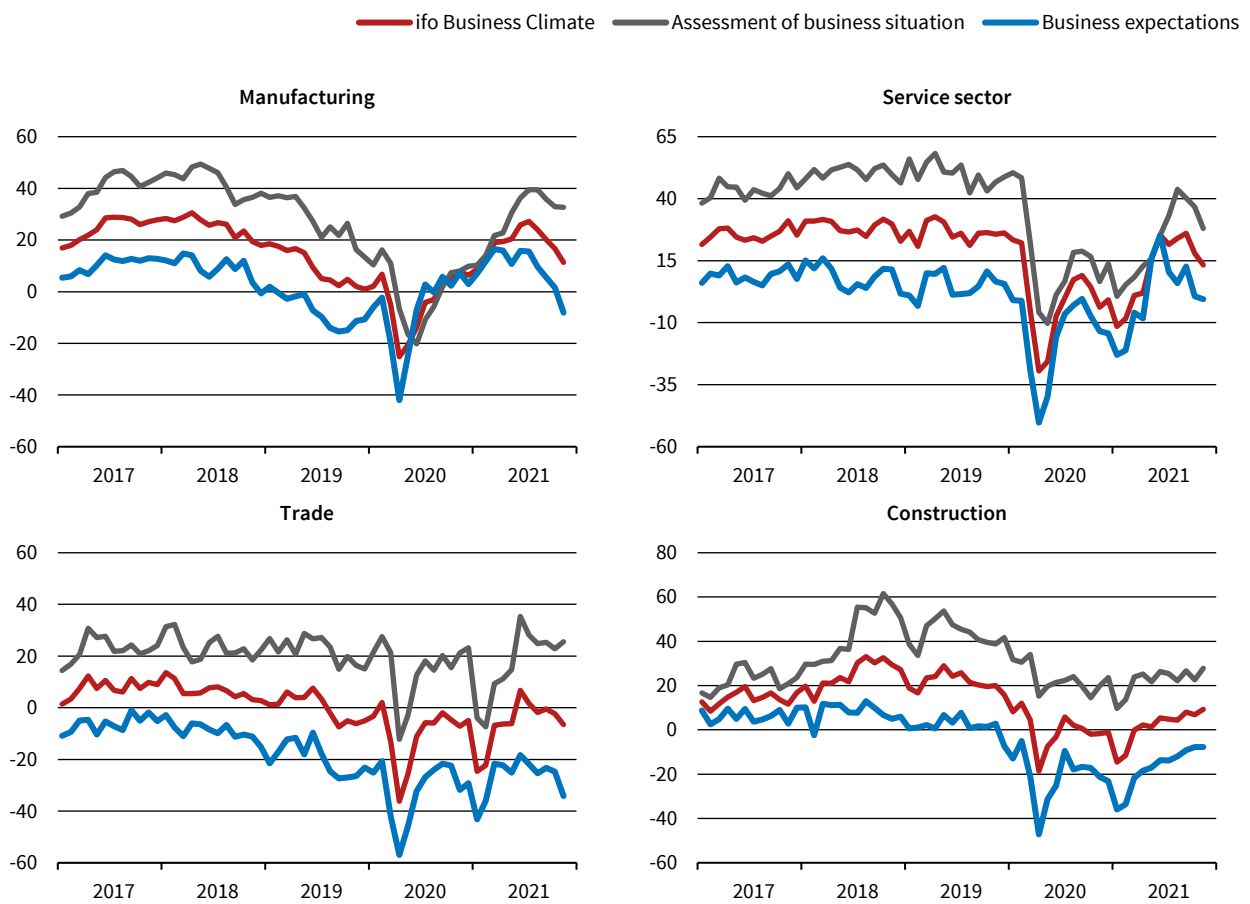|	11/20	12/20	01/21	02/21	03/21	04/21	05/21	06/21	07/21	08/21	09/21	10/21	11/21
Climate	92.0	93.0	89.4	91.6	95.2	95.8	99.2	102.7	101.7	101.5	101.2	98.7	97.4
Situation	91.3	93.8	89.3	91.5	93.6	94.3	96.0	100.0	102.1	103.9	102.7	101.5	100.2
Expectations	92.7	92.2	89.5	91.7	96.9	97.2	102.6	105.5	101.3	99.1	99.8	96.0	94.6

Source: ifo Business Survey

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For long time series in Excel format, please see www.ifo.de/en/umfragen/time-series.

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

ifo Business Climate ▬▬ Assessment of business situation ▬▬ Business expectations

Manufacturing

Service sector

Trade

Construction

Source: ifo Business Survey, November 2021

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ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

	11/20	12/20	01/21	02/21	03/21	04/21	05/21	06/21	07/21	08/21	09/21	10/21	11/21
Eastern Germany	−1.5	0.7	−7.1	−2.4	5.5	6.6	14.1	21.6	19.3	18.9	18.4	12.9	10.0
Manufacturing	7.6	6.3	8.6	12.9	19.1	19.4	20.4	25.8	27.2	24.0	20.1	16.6	11.3
Service sector	−3.7	−0.8	−11.5	−8.4	1.0	2.0	15.9	25.3	21.6	24.1	26.1	17.9	13.3
Trade	−7.1	−4.9	−24.6	−22.3	−6.8	−6.3	−6.2	6.8	1.6	−1.8	−0.5	−2.4	−6.6
Construction	−1.7	−1.1	−14.5	−11.5	−0.1	2.2	1.4	5.4	4.9	4.4	8.0	6.9	9.3

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.

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