

ifo Business Climate Eastern Germany: Expectations Improved

Dresden, January 28, 2022 – Sentiment among companies in eastern Germany improved slightly in January. The downward trend that has persisted since last summer appears to have halted for the time being. The ifo Business Climate Index for the entire regional economy rose to 97.0 points, up from 96.1 points in December. Participating companies reported a marked decline in their assessments of the current situation. At the same time, they raised their expectations substantially compared to the previous month. This development was driven by manufacturing and the service sector.

In eastern German *manufacturing*, the business climate brightened noticeably in January. The companies surveyed were somewhat less positive in their assessments of the current business situation than they had been in December. However, their expectations were much improved.

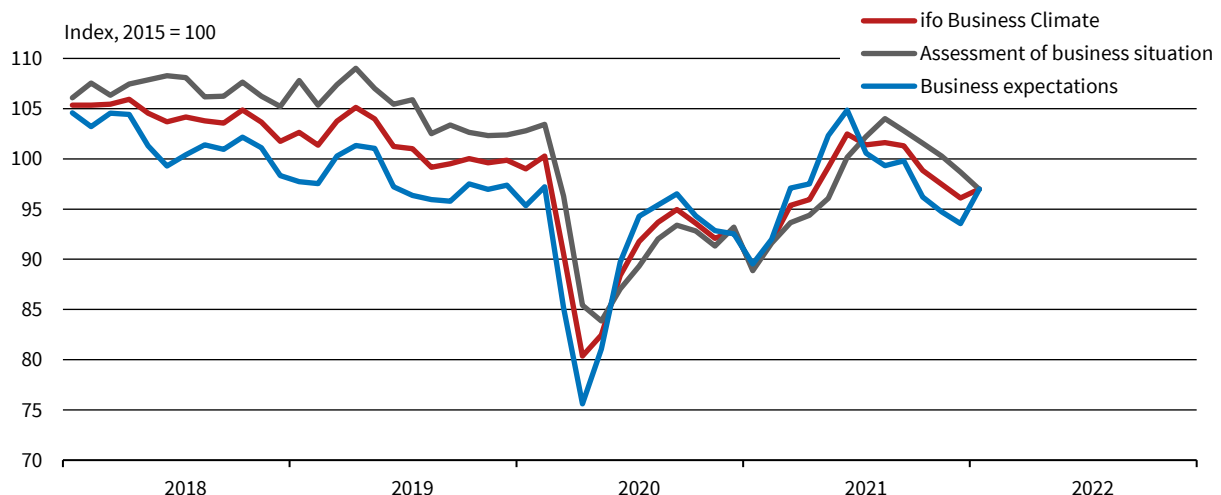
The ifo Business Climate Index climbed appreciably in the eastern German *service sector* in January. The service providers surveyed lowered their assessments of the current situation a little, while they revised their expectations for the coming six months substantially upward.

In eastern German *trade*, sentiment deteriorated slightly in January. The main reason for this was the perceptible decline in assessments of the current situation across both retail and wholesale. There was, however, a marginal improvement in business expectations.

In eastern German *construction*, the business climate was a good deal cooler in January. The construction businesses surveyed rated their current business considerably less positively than in the previous month, but they raised their expectations for the next few months somewhat.

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ifo Business Climate Eastern Germany^a Seasonally adjusted



^a Manufacturing, service sector, trade, and construction.
Source: ifo Business Survey, January 2022

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

	01/21	02/21	03/21	04/21	05/21	06/21	07/21	08/21	09/21	10/21	11/21	12/21	01/22
Climate	89.2	91.8	95.4	95.9	99.2	102.5	101.4	101.6	101.3	98.8	97.5	96.1	97.0
Situation	88.9	91.6	93.7	94.4	96.1	100.2	102.2	104.0	102.8	101.5	100.3	98.7	97.0
Expectations	89.5	92.0	97.1	97.5	102.3	104.9	100.6	99.3	99.8	96.2	94.7	93.6	97.0

Source: ifo Business Survey

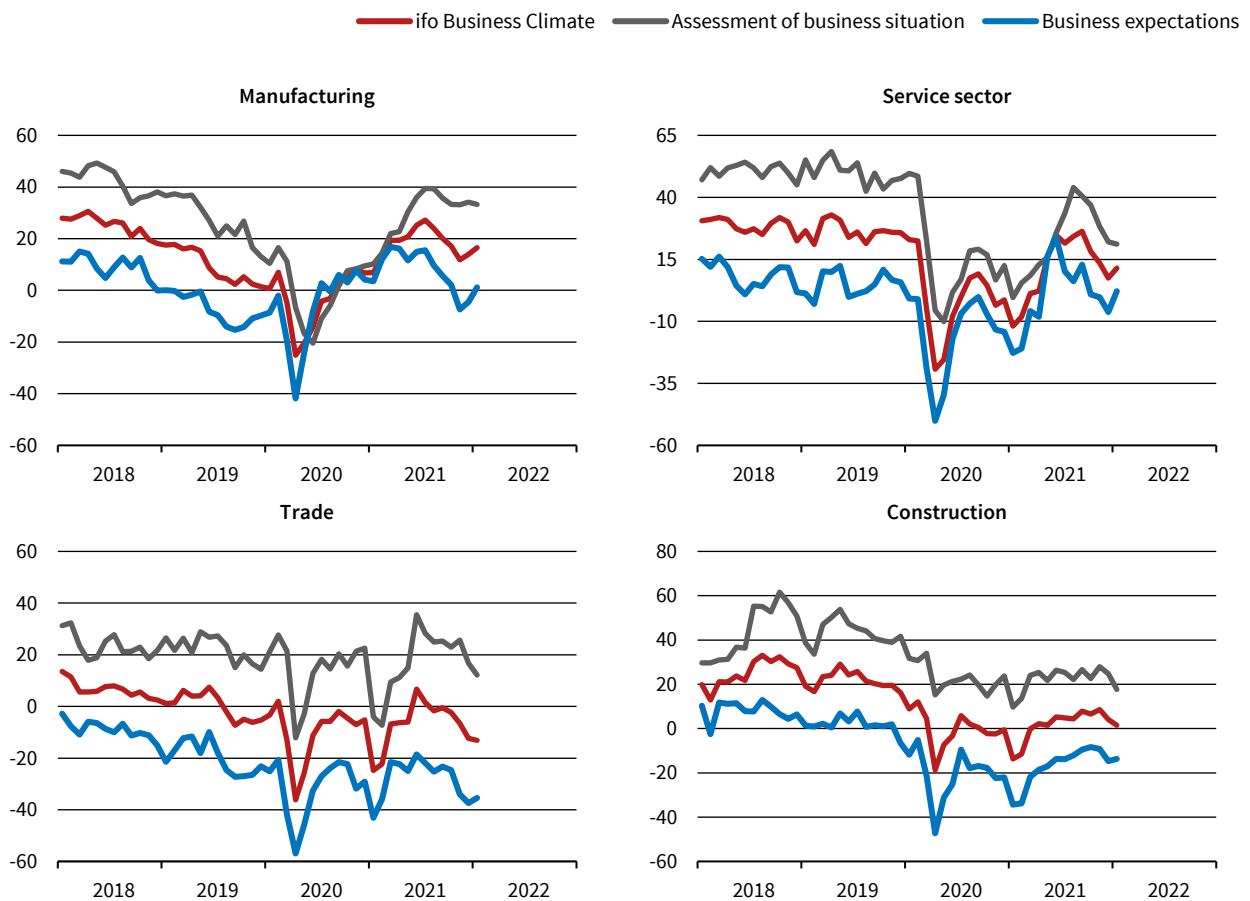
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Business Situation and Expectations in Eastern Germany by Sector
Balances, seasonally adjusted



Source: ifo Business Survey, January 2022

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ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

	01/21	02/21	03/21	04/21	05/21	06/21	07/21	08/21	09/21	10/21	11/21	12/21	01/22
Eastern Germany	-7.6	-2.0	5.7	7.0	13.9	21.1	18.7	19.3	18.5	13.2	10.3	7.3	9.2
Manufacturing	6.8	13.2	19.4	19.4	20.8	25.2	27.2	23.9	20.2	17.2	11.9	14.0	16.6
Service sector	-11.9	-8.2	1.2	2.1	16.1	24.8	21.5	24.3	26.3	18.1	13.5	7.5	11.5
Trade	-24.7	-22.2	-6.7	-6.3	-6.1	6.7	1.6	-1.8	-0.4	-2.3	-6.5	-12.4	-13.2
Construction	-13.6	-11.6	-0.2	2.1	1.5	5.3	4.8	4.3	7.8	6.6	8.6	4.1	1.4

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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