ifo Business Climate Eastern Germany: Sentiment Improves Again

Dresden, November 29, 2022 – Sentiment among companies in eastern Germany improved markedly in November. The ifo Business Climate Index for the entire regional economy rose to 89.3 points, up from 86.3 points in October. The companies surveyed raised their overall assessments of the current situation perceptibly. Their outlook for the next six months improved appreciably.

In eastern German *manufacturing*, the business climate was marginally gloomier in November. This was largely due to a clear drop in current business. The manufacturing companies surveyed raised their expectations for the next six months somewhat.
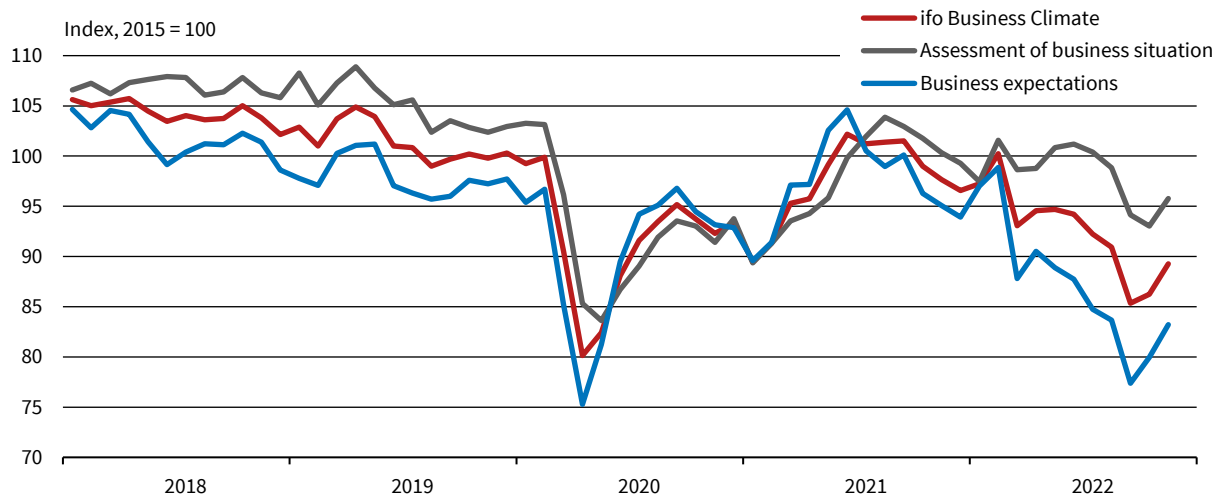
In the eastern German *service sector*, sentiment improved significantly in November. The service companies surveyed are no longer so pessimistic. Assessments of the current situation and business expectations both improved substantially.

In eastern German *trade*, the barometer of business sentiment rose slightly in November. While the businesses surveyed assessed their current business as worse than in the previous month, they raised their expectations for the next six months considerably.

In eastern German *construction,* the business climate turned noticeably brighter in November. Assessments of the current situation and business expectations saw a major increase among the companies surveyed.

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ifo Business Climate Eastern Germany[a]
Seasonally adjusted

[a] Manufacturing, service sector, trade, and construction.
Source: ifo Business Survey, November 2022

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

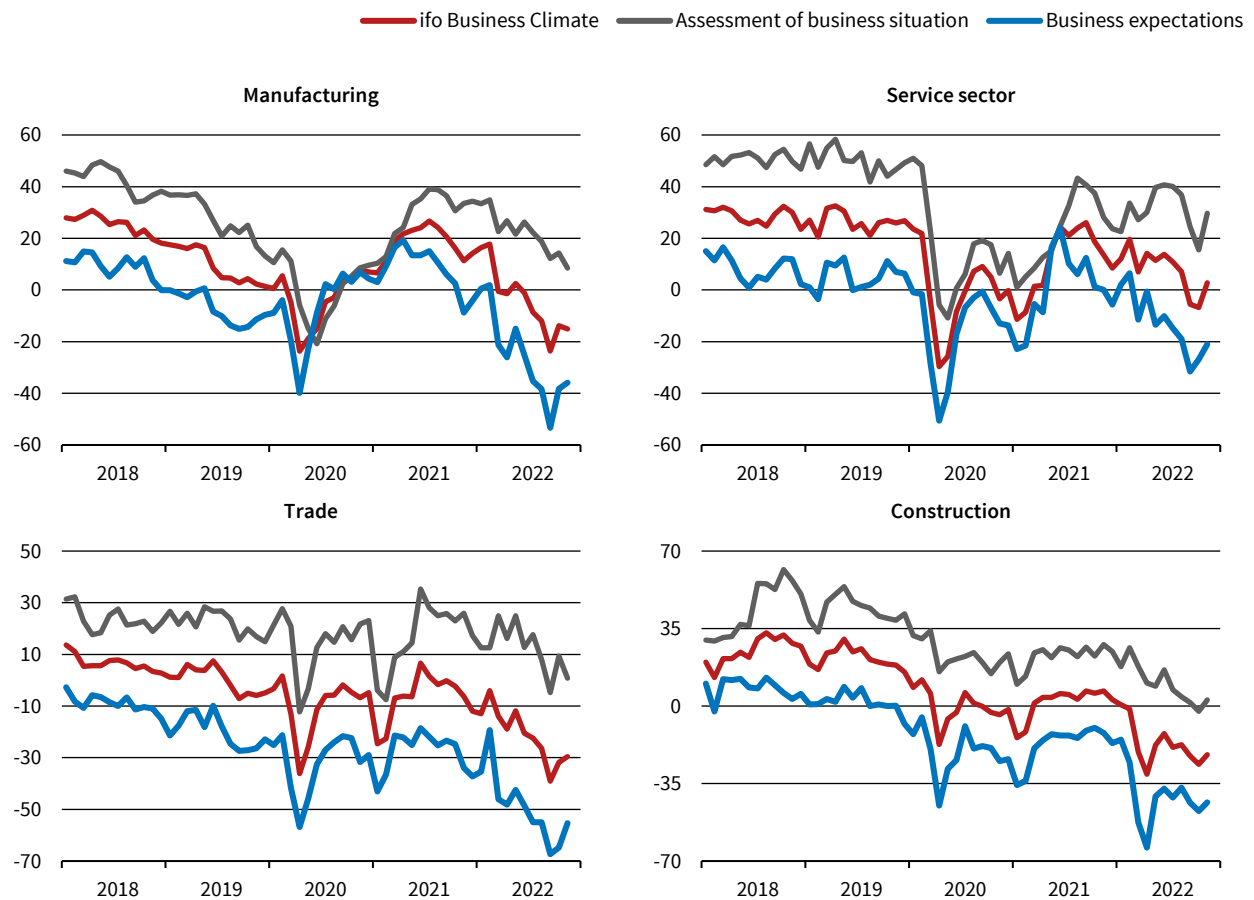|	11/21	12/21	01/22	02/22	03/22	04/22	05/22	06/22	07/22	08/22	09/22	10/22	11/22
Climate	97.7	96.6	97.2	100.2	93.1	94.5	94.7	94.2	92.2	90.9	85.4	86.3	89.3
Situation	100.3	99.3	97.5	101.6	98.7	98.8	100.8	101.2	100.4	98.8	94.2	93.0	95.8
Expectations	95.1	93.9	97.0	98.9	87.8	90.5	88.9	87.7	84.7	83.7	77.4	80.0	83.2

Source: ifo Business Survey

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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.

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 2022

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ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

	11/21	12/21	01/22	02/22	03/22	04/22	05/22	06/22	07/22	08/22	09/22	10/22	11/22
Eastern Germany	10.7	8.3	9.8	16.2	0.8	4.0	4.3	3.3	−1.0	−3.8	−15.8	−13.9	−7.4
Manufacturing	11.3	14.2	16.4	17.7	−0.5	−1.4	2.6	−1.1	−8.7	−11.9	−23.6	−13.8	−15.1
Service sector	13.6	8.5	12.1	19.6	7.0	14.2	11.4	13.8	10.9	7.1	−5.6	−6.8	2.8
Trade	−6.3	−12.0	−13.0	−4.1	−13.9	−19.0	−11.8	−20.5	−22.3	−26.3	−39.1	−31.8	−29.6
Construction	6.8	2.8	0.6	−1.2	−20.7	−30.8	−17.6	−12.4	−18.6	−17.5	−22.5	−26.3	−21.9

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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