

ifo Business Climate in Eastern Germany Declines Significantly

Dresden, July 29, 2021 – Sentiment among companies in eastern Germany cooled significantly in July. The ifo Business Climate Index for the entire regional economy fell to 101.4 points, down from 102.6 points in June. Compared to the previous month, companies' assessments of the current situation jumped even as their expectations plummeted.

In eastern German *manufacturing*, the business climate brightened noticeably in July. Manufacturers assessed both their current business and their expectations as better than in the previous month.

The ifo Business Climate Index saw a clear dip in the eastern German *service sector* in July. The service providers surveyed raised their overall assessments of the current situation substantially compared to the previous month, but at the same time, their expectations tumbled.

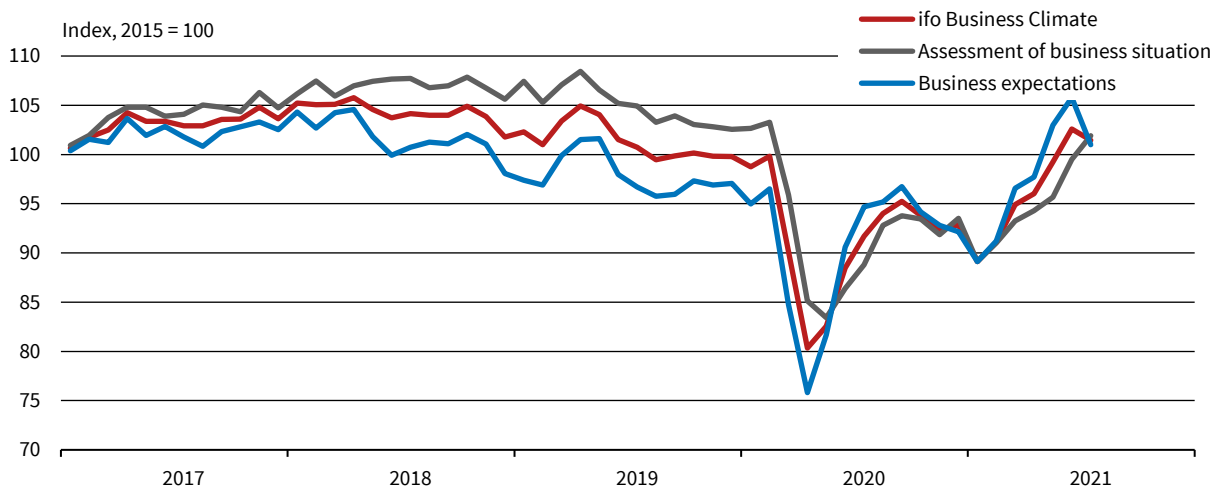
The mood in eastern German *trade* worsened tangibly in July: in retail it was mainly current business that was rated less favorably, while in wholesale it was expectations that fell exceedingly sharply.

In eastern German *construction*, the business climate was a touch cooler in July. The construction businesses surveyed rated their current business somewhat less positively, and lowered their expectations a little compared to the previous month.

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ifo Business Climate Eastern Germany^a

Seasonally adjusted



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

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

	07/20	08/20	09/20	10/20	11/20	12/20	01/21	02/21	03/21	04/21	05/21	06/21	07/21
Climate	91.7	94.0	95.2	93.8	92.3	92.8	89.1	91.1	94.9	96.0	99.2	102.6	101.4
Situation	88.8	92.8	93.8	93.4	91.8	93.5	89.1	91.0	93.3	94.3	95.6	99.5	101.9
Expectations	94.7	95.2	96.7	94.1	92.8	92.2	89.1	91.2	96.6	97.7	103.0	105.8	101.0

Source: ifo Business Survey

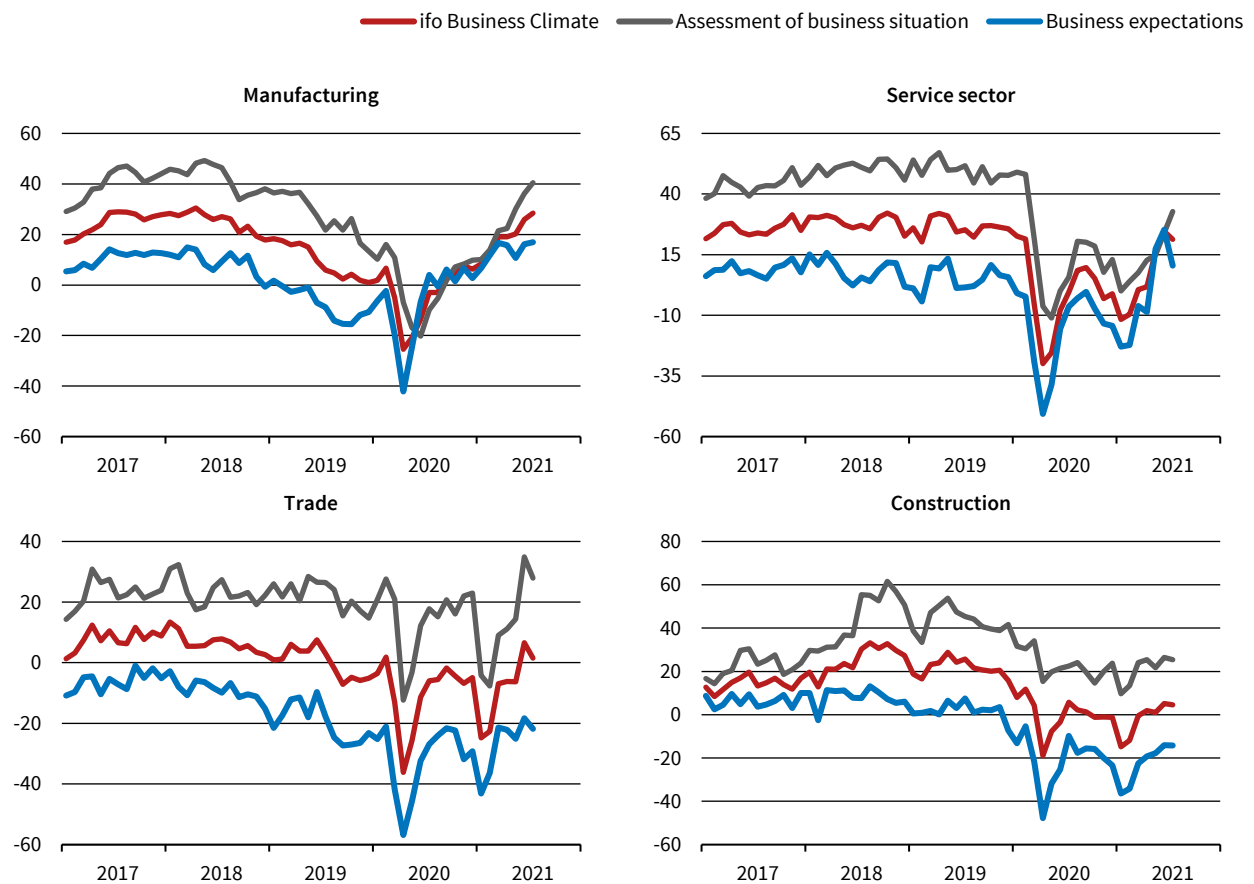
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The ifo Institute's Dresden Branch is partly financed by tax revenues on the basis of the budget approved by the members of Saxony's state parliament.

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



Source: ifo Business Survey, July 2021

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ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

	07/20	08/20	09/20	10/20	11/20	12/20	01/21	02/21	03/21	04/21	05/21	06/21	07/21
Eastern Germany	-2.2	2.8	5.5	2.4	-0.8	0.3	-7.7	-3.4	4.7	7.1	14.1	21.3	18.9
Manufacturing	-3.0	-2.9	4.0	4.3	7.5	6.3	8.4	12.8	19.0	19.1	20.2	25.9	28.4
Service sector	-0.5	8.5	9.6	5.3	-3.1	-1.1	-11.7	-9.6	0.6	1.8	16.1	24.7	21.4
Trade	-5.9	-5.6	-1.8	-4.4	-6.8	-5.0	-24.8	-22.6	-6.9	-6.2	-6.3	6.6	1.5
Construction	5.7	2.2	1.3	-1.2	-1.1	-1.2	-14.8	-11.9	-0.5	1.9	1.0	5.2	4.6

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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