

ifo Business Climate in Eastern Germany Declines Sharply

Dresden, October 28, 2021 – Sentiment among companies in eastern Germany fell sharply in October. The ifo Business Climate Index for the entire regional economy fell to 98.6 points, down from 101.1 points in September. Participating companies reported a slight decline in their assessments of the current situation. At the same time, their expectations tumbled compared to the previous month. Meanwhile, companies are once again taking a pessimistic view of their future.

In eastern German *manufacturing*, the business climate cooled significantly again in October. The negative trend of recent months continues unabated. Industrial companies rated their current business much less positively and lowered their expectations noticeably for the coming months.

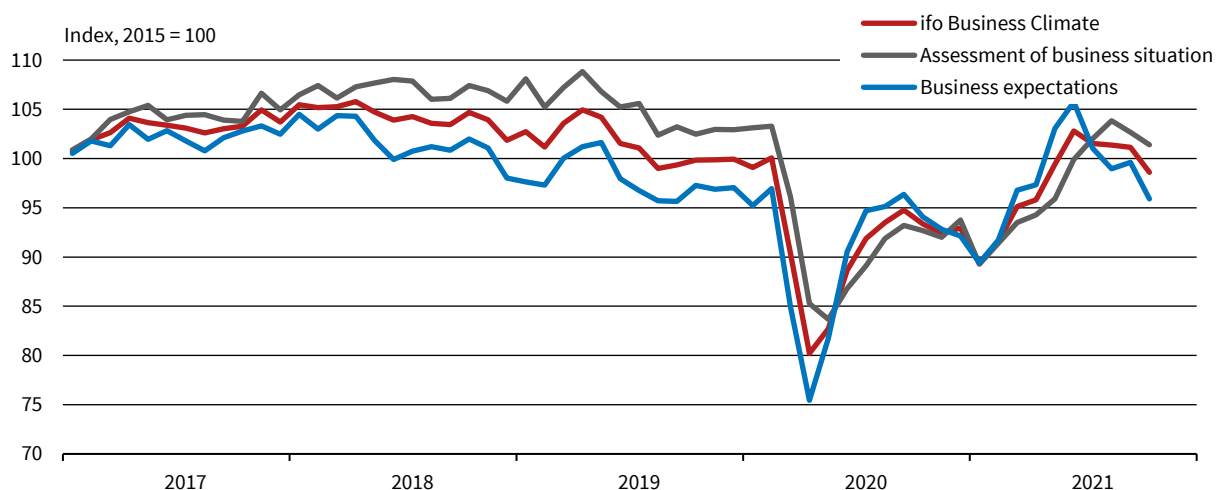
In the eastern German *service sector*, there was a massive plunge in sentiment in October. The service providers surveyed lowered their overall assessments of the current situation slightly, while their expectations for the coming months plummeted.

The ifo Business Climate Index in eastern German *trade* dropped somewhat in October. While both subindices took a downturn in retail, assessments of the current situation improved significantly in wholesale compared to the previous month.

In eastern German *construction*, the business climate was a touch cooler in October. 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, October 2021

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

	10/20	11/20	12/20	01/21	02/21	03/21	04/21	05/21	06/21	07/21	08/21	09/21	10/21
Climate	93.4	92.4	92.9	89.3	91.5	95.1	95.8	99.4	102.8	101.5	101.4	101.1	98.6
Situation	92.7	92.0	93.8	89.3	91.4	93.5	94.3	95.9	99.9	102.0	103.8	102.7	101.4
Expectations	94.1	92.8	92.1	89.4	91.7	96.8	97.3	103.1	105.7	101.1	99.0	99.6	95.9

Source: ifo Business Survey

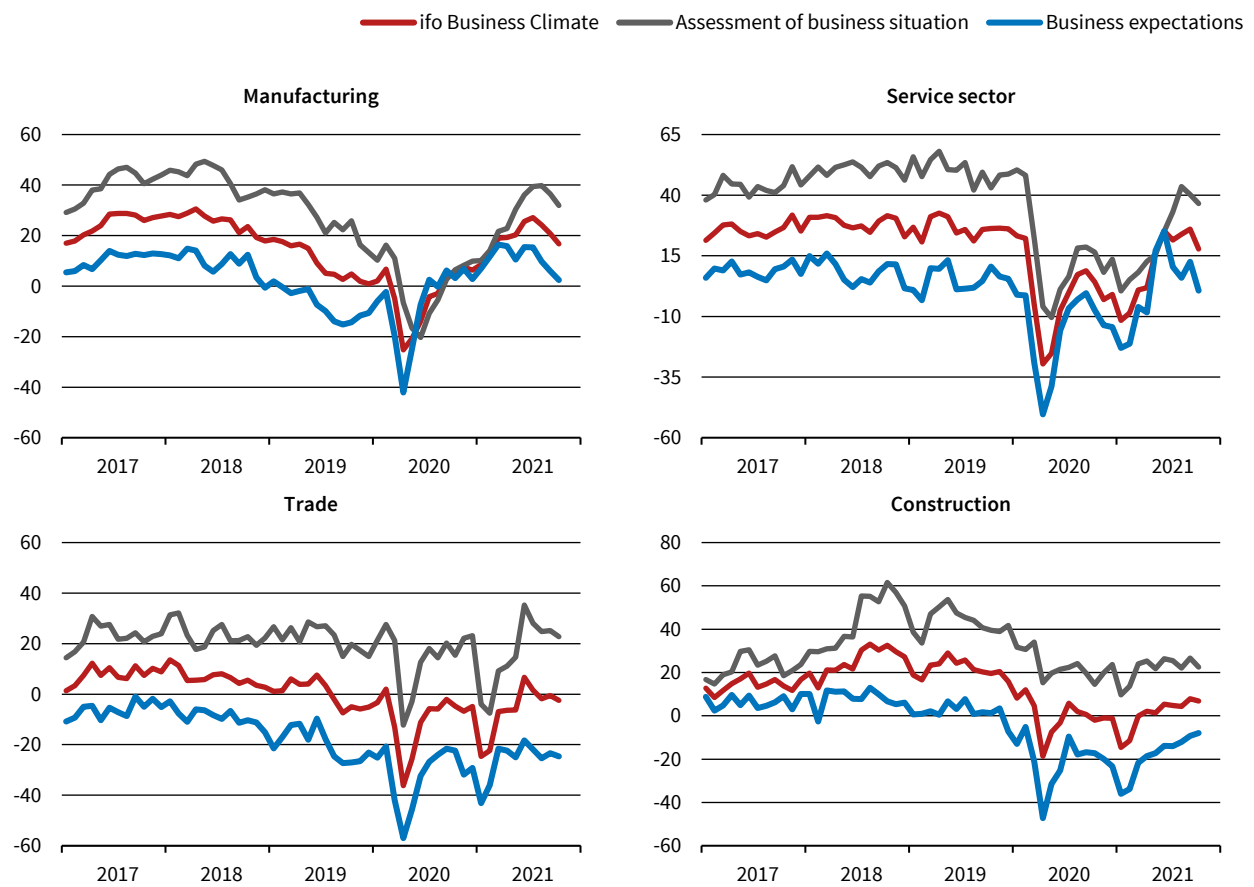
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The ifo Institute's Dresden Branch is partly financed by tax revenues on the basis of the budget approved by the members of Saxony's state parliament.

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



Source: ifo Business Survey, October 2021

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ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

	10/20	11/20	12/20	01/21	02/21	03/21	04/21	05/21	06/21	07/21	08/21	09/21	10/21
Eastern Germany	1.5	-0.7	0.5	-7.3	-2.5	5.2	6.7	14.5	21.7	19.1	18.7	18.2	12.8
Manufacturing	4.8	7.5	6.3	8.5	12.9	19.1	19.3	20.2	25.6	27.1	24.2	20.7	16.7
Service sector	4.2	-3.0	-0.9	-11.6	-8.5	0.9	1.9	16.4	25.1	21.4	23.9	25.9	17.8
Trade	-4.7	-6.8	-4.9	-24.7	-22.4	-6.9	-6.3	-6.2	6.7	1.6	-1.9	-0.5	-2.4
Construction	-2.0	-1.0	-1.2	-14.6	-11.5	-0.2	2.2	1.3	5.3	4.8	4.3	7.9	6.8

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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