

ifo Business Climate Eastern Germany Jumps Upward

Dresden, February 25, 2022 – Sentiment among companies in eastern Germany continued improve in February. The ifo Business Climate Index for the entire regional economy jumped to 100.5 points, up from 97.1 points in January. Survey participants reported a strong improvement in their assessments of the situation. At the same time, they raised their expectations considerably compared to the previous month. This positive development was driven primarily by trade and the service sector, which seem to see light at the end of the tunnel. However, the survey was completed before the Ukraine crisis came to a head.

In eastern German *manufacturing*, the business climate brightened somewhat in February. The manufacturing companies surveyed assessed their current business as a little better than in the previous month, At the same time, their expectations improved slightly.

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

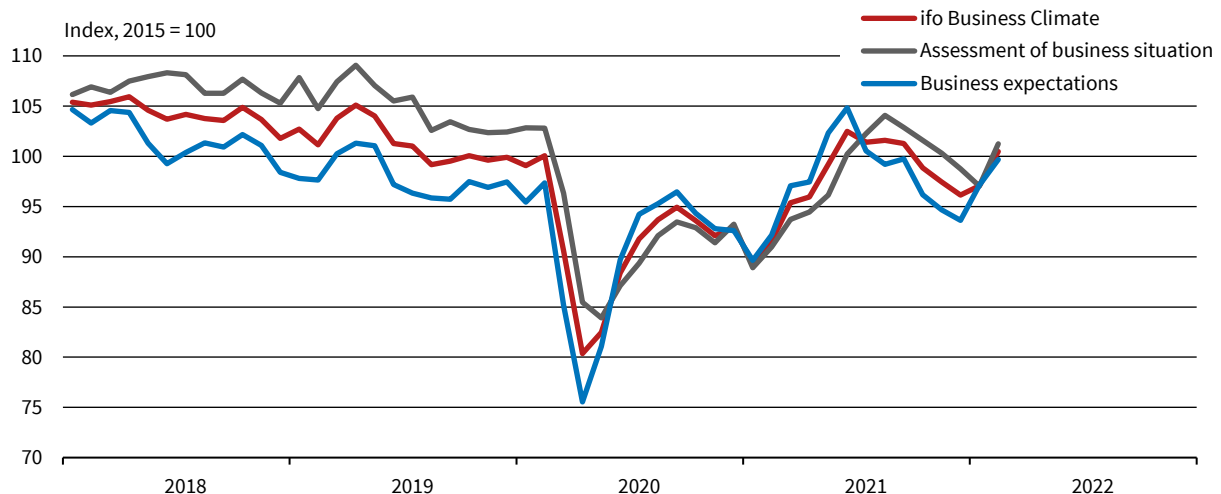
Sentiment in eastern Germany's *trade* was much improved in February. The main reason for this was a huge improvement in business expectations across both retail and wholesale. However, retailers lowered their assessments of the current business situation slightly.

In eastern German *construction*, the business climate was somewhat cooler in February. The construction companies surveyed assessed their current business as much better than in the previous month. At the same time, their outlook for the coming months was drastically more negative.

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ifo Business Climate Eastern Germany^a

Seasonally adjusted



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

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

| | 02/21 | 03/21 | 04/21 | 05/21 | 06/21 | 07/21 | 08/21 | 09/21 | 10/21 | 11/21 | 12/21 | 01/22 | 02/22 |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Climate | 91.6 | 95.4 | 95.9 | 99.2 | 102.5 | 101.4 | 101.6 | 101.3 | 98.9 | 97.5 | 96.2 | 97.1 | 100.5 |
| Situation | 91.0 | 93.7 | 94.5 | 96.1 | 100.2 | 102.3 | 104.1 | 102.9 | 101.6 | 100.3 | 98.7 | 97.0 | 101.3 |
| Expectations | 92.2 | 97.1 | 97.5 | 102.3 | 104.8 | 100.5 | 99.2 | 99.7 | 96.2 | 94.7 | 93.6 | 97.1 | 99.7 |

Source: ifo Business Survey

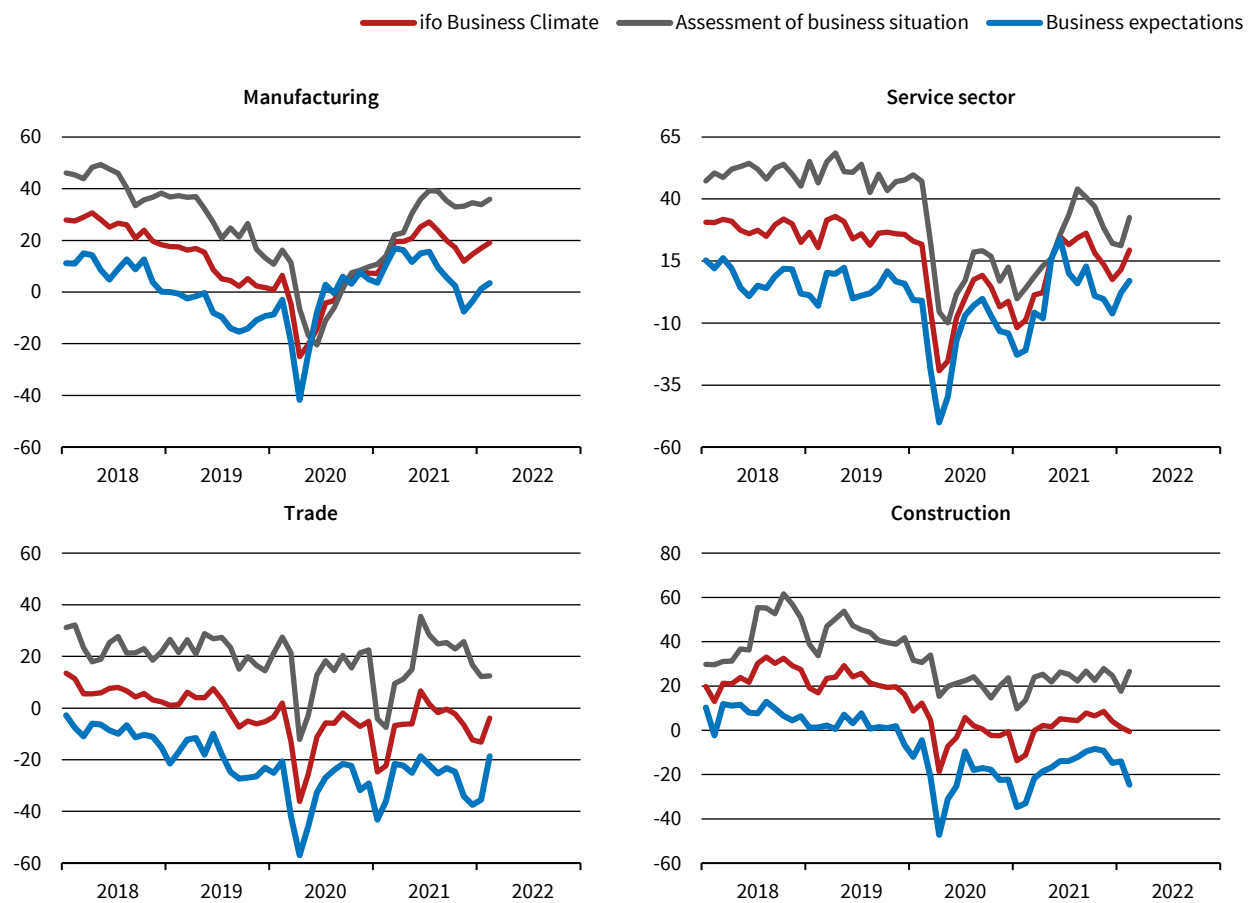
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The ifo Institute's Dresden Branch is partly financed by tax revenues on the basis of the budget approved by the members of Saxony's state parliament.

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



Source: ifo Business Survey, February 2022

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ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

| | 02/21 | 03/21 | 04/21 | 05/21 | 06/21 | 07/21 | 08/21 | 09/21 | 10/21 | 11/21 | 12/21 | 01/22 | 02/22 |
|------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Eastern Germany | -2.5 | 5.8 | 7.0 | 14.0 | 21.1 | 18.8 | 19.2 | 18.5 | 13.3 | 10.3 | 7.4 | 9.4 | 16.7 |
| Manufacturing | 12.3 | 19.6 | 19.6 | 20.8 | 25.3 | 27.1 | 23.8 | 20.0 | 17.2 | 11.9 | 14.6 | 16.9 | 19.1 |
| Service sector | -8.9 | 1.3 | 2.2 | 16.2 | 24.8 | 21.6 | 24.3 | 26.3 | 18.2 | 13.5 | 7.5 | 11.5 | 19.4 |
| Trade | -22.3 | -6.7 | -6.3 | -6.1 | 6.7 | 1.6 | -1.8 | -0.4 | -2.3 | -6.5 | -12.4 | -13.1 | -3.8 |
| Construction | -11.1 | -0.2 | 2.2 | 1.6 | 5.2 | 4.7 | 4.3 | 7.8 | 6.5 | 8.5 | 4.0 | 1.2 | -0.6 |

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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