

ifo Business Climate Eastern Germany Plummets

Dresden, March 30, 2022 – Sentiment among companies in eastern Germany has worsened considerably since the outbreak of war in Ukraine. The ifo Business Climate Index for the entire regional economy plunged from 99.9 to 93.2 points. This drop was due mainly to the drastic decline in business expectations across all economic sectors. Assessments of the current situation also dipped, though not as massively as expectations.

In eastern German *manufacturing*, sentiment was much gloomier in March. The expectations among the manufacturing companies surveyed took a nosedive. The optimism that prevailed at the start of the year has evaporated, with the companies taking a largely pessimistic view of the future. Assessments of the current situation were also much bleaker.

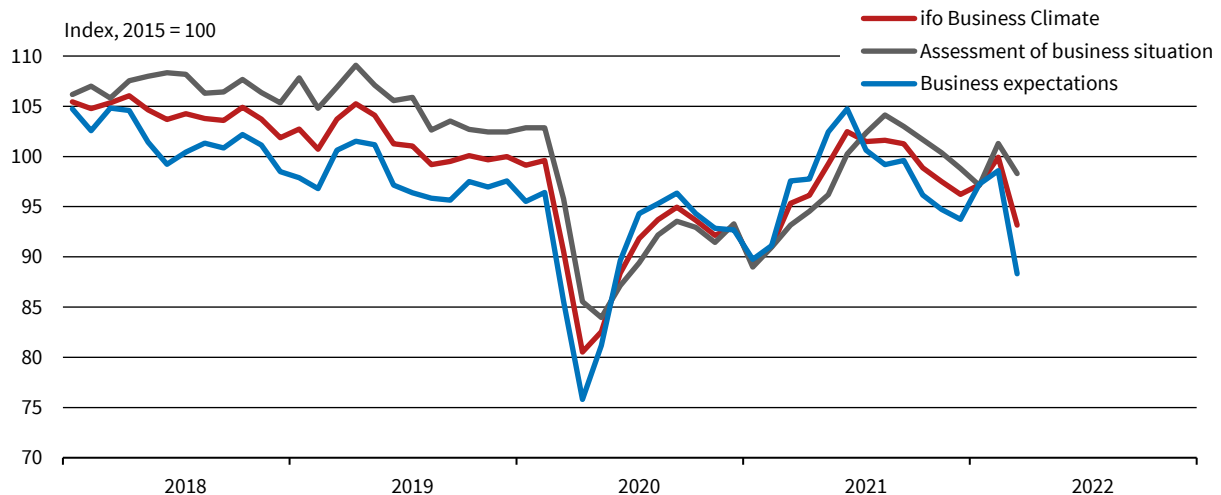
In March, the ifo Business Climate Index saw a clear dip in the eastern German *service sector*. Participants in the survey massively scaled back their business expectations and revised their assessments of the current situation sharply downward.

In eastern German *trade*, the barometer of business sentiment cooled as well. The wholesalers and retailers surveyed were once again more pessimistic about their business expectations. However, trading companies were noticeably more satisfied with their current business.

In eastern German *construction*, the Business Climate Index plummeted. The construction companies surveyed drastically lowered their expectations for the coming six months, while revising their assessments of the current situation significantly downward.

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ifo Business Climate Eastern Germany^a Seasonally adjusted



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

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

	03/21	04/21	05/21	06/21	07/21	08/21	09/21	10/21	11/21	12/21	01/22	02/22	03/22
Climate	95,3	96,1	99,3	102,5	101,5	101,6	101,3	98,9	97,5	96,2	97,2	99,9	93,2
Situation	93,2	94,5	96,2	100,2	102,3	104,1	103,0	101,7	100,4	98,8	97,1	101,3	98,3
Expectations	97,6	97,8	102,4	104,7	100,6	99,2	99,6	96,2	94,7	93,7	97,2	98,6	88,3

Source: ifo Business Survey

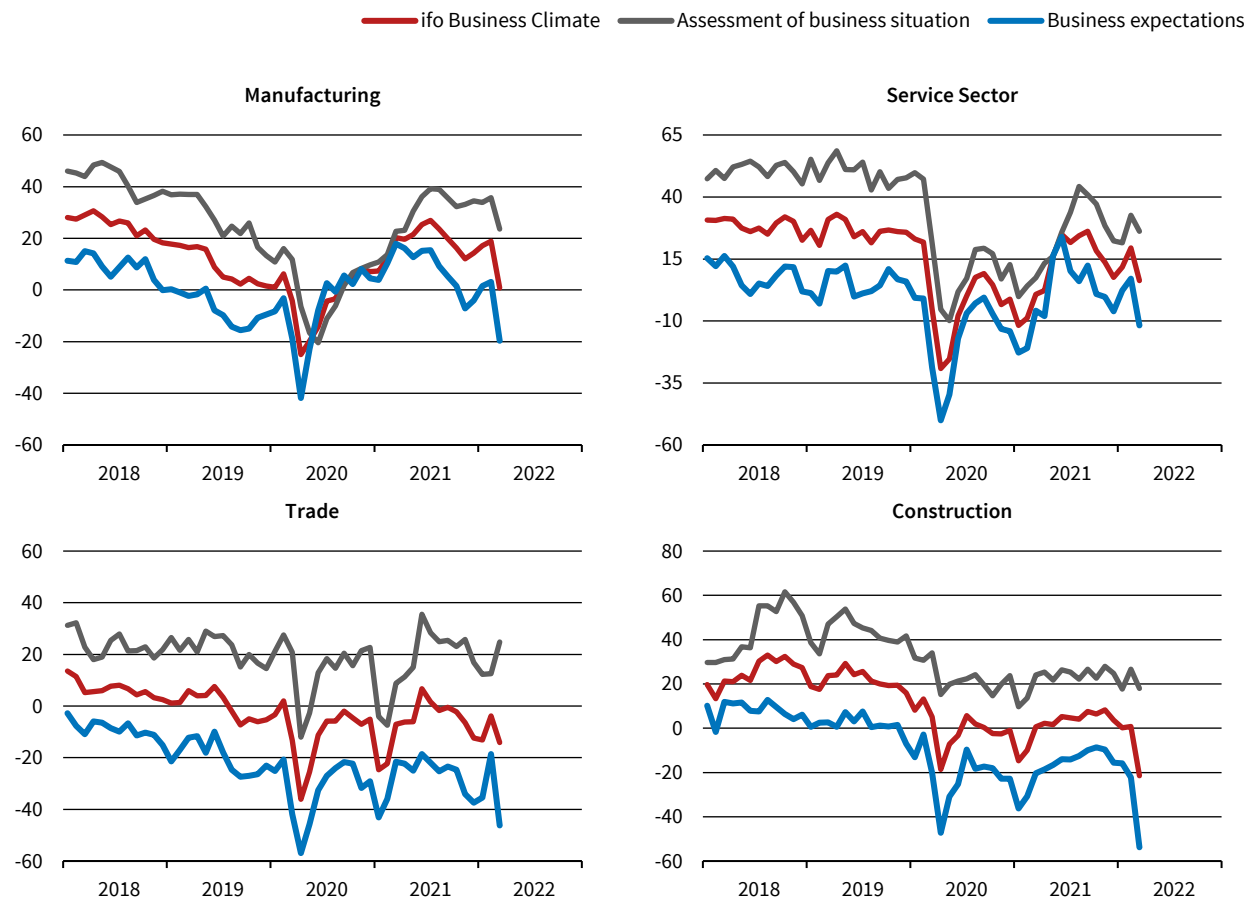
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Business Situation and Expectations Eastern Germany by Sector
Balances, seasonally adjusted



Source: ifo Business Survey, March 2022.

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ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

	03/21	04/21	05/21	06/21	07/21	08/21	09/21	10/21	11/21	12/21	01/22	02/22	03/22
Eastern Germany	5,7	7,4	14,2	21,0	18,9	19,2	18,5	13,3	10,4	7,6	9,6	15,6	1,0
Manufacturing	20,3	19,6	21,5	25,3	27,0	23,6	19,9	16,3	12,1	14,3	17,1	18,8	0,8
Service sector	0,7	2,3	16,3	24,9	21,7	24,3	26,2	18,3	13,6	7,6	11,7	19,5	6,3
Trade	-7,0	-6,2	-6,1	6,7	1,6	-1,8	-0,4	-2,3	-6,5	-12,3	-13,1	-3,8	-14,1
Construction	0,6	2,1	1,7	5,2	4,6	4,1	7,5	6,3	8,3	3,6	0,2	0,7	-21,5

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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