

ifo Business Climate in Eastern Germany Cools Dramatically

Dresden, September 29, 2022 – Sentiment among companies in eastern Germany deteriorated drastically in September. The ifo Business Climate Index for the entire regional economy fell to 85.2 points, down from 90.9 points in August. This is its lowest value since May 2020. A steep downward trend was apparent both in participating companies' assessments of the current situation and in their outlook.

In eastern German *manufacturing*, the ifo Business Climate Index saw a decidedly strong decline in September. The main reason for this was a sharp drop in expectations. These have fallen to their lowest level since the survey began. The current business situation was also assessed by the manufacturing companies surveyed as noticeably less good than in the previous month.

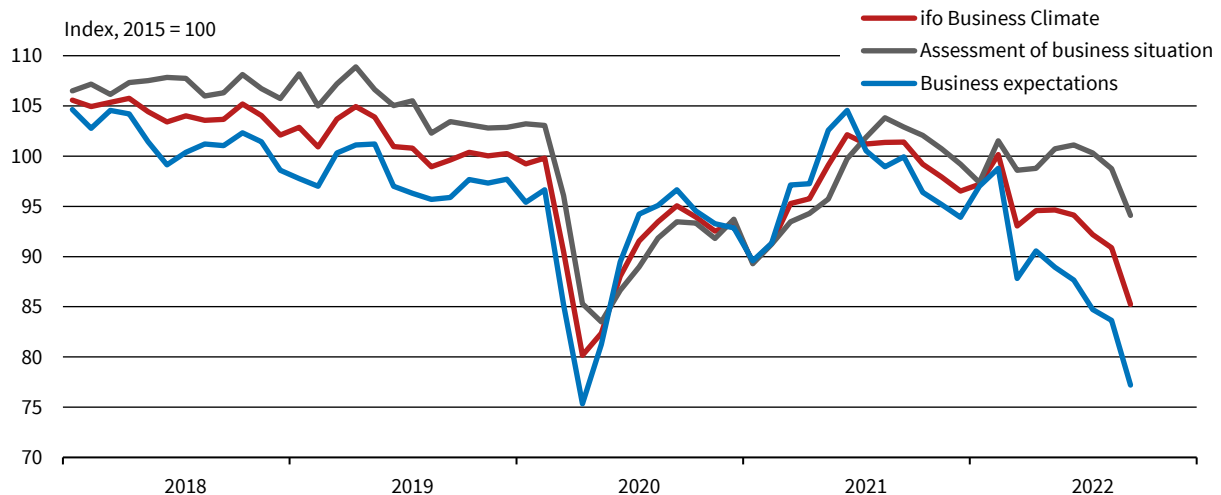
In the eastern German *service sector*, sentiment in September saw a drastic deterioration. Companies' assessments of the current situation and business expectations both plunged compared with the previous month.

In eastern German *trade*, the sentiment barometer plummeted in September. The trading businesses surveyed assessed both their current situation and their outlook as considerably worse than a month earlier. The outlook reached a record low. Sentiment among retailers deteriorated massively, while it declined only slightly among wholesalers.

In eastern German *construction*, the business climate turned a lot cooler in September. The construction companies surveyed revised their assessments of the situation slightly downward. However, their business expectations fell markedly.

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ifo Business Climate Eastern Germany^a
Seasonally adjusted



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

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

	09/21	10/21	11/21	12/21	01/22	02/22	03/22	04/22	05/22	06/22	07/22	08/22	09/22
Climate	101.4	99.2	97.9	96.5	97.2	100.1	93.1	94.6	94.6	94.1	92.2	90.9	85.2
Situation	102.9	102.1	100.7	99.2	97.4	101.5	98.6	98.8	100.7	101.1	100.3	98.8	94.1
Expectations	99.9	96.4	95.2	93.9	97.0	98.8	87.8	90.6	88.9	87.7	84.7	83.6	77.2

Source: ifo Business Survey

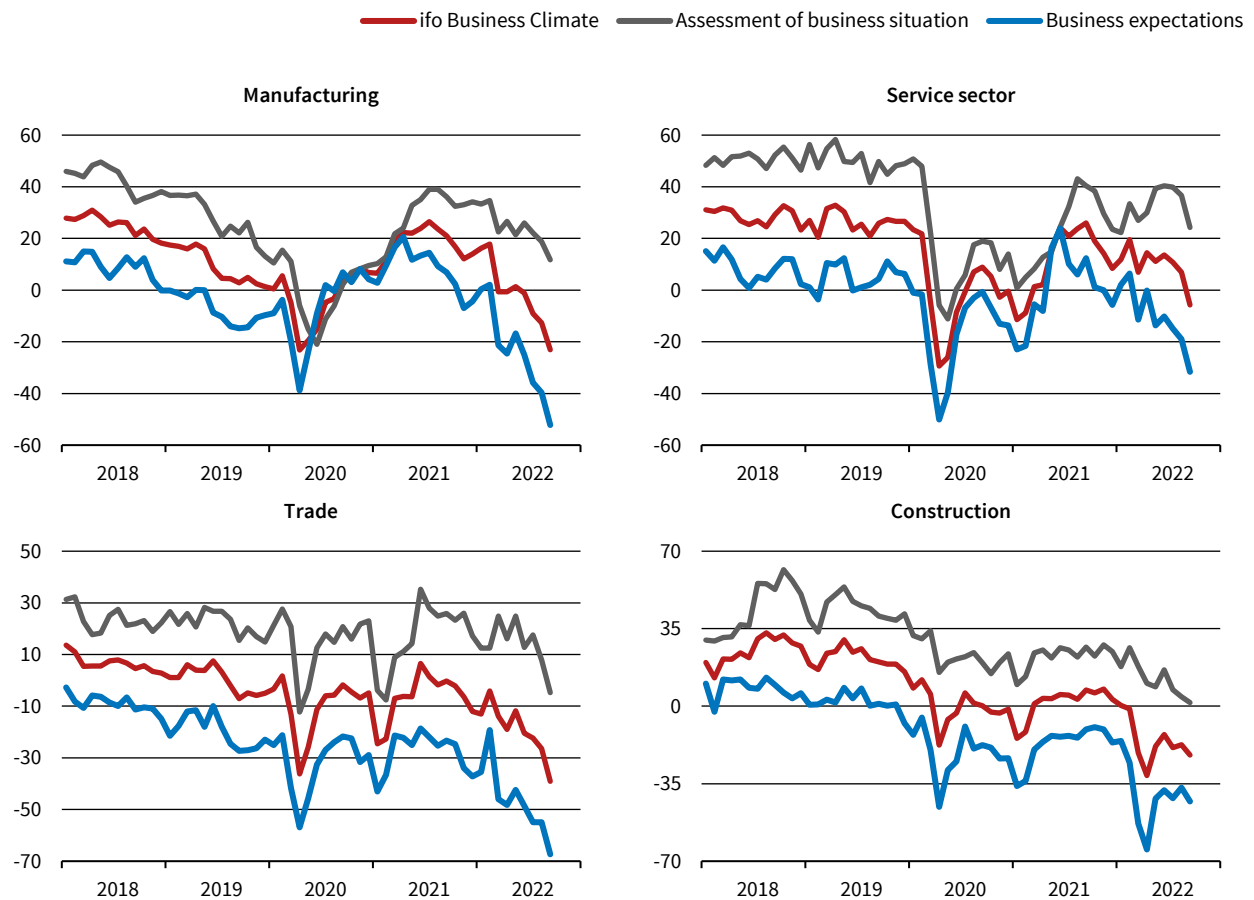
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The ifo Institute's Dresden Branch is partly financed by tax revenues on the basis of the budget approved by the members of Saxony's state parliament.

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



Source: ifo Business Survey, September 2022

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ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

	09/21	10/21	11/21	12/21	01/22	02/22	03/22	04/22	05/22	06/22	07/22	08/22	09/22
Eastern Germany	18.8	14.0	11.3	8.2	9.7	16.1	0.8	4.0	4.2	3.1	-1.1	-3.9	-16.1
Manufacturing	21.0	16.9	12.1	14.0	16.2	17.8	-0.6	-0.6	1.4	-1.2	-9.0	-12.7	-23.1
Service sector	26.0	18.9	14.2	8.4	11.9	19.5	6.9	14.4	11.2	13.6	10.7	7.0	-5.7
Trade	-0.3	-2.2	-6.3	-12.0	-13.0	-4.1	-14.0	-19.0	-11.8	-20.5	-22.3	-26.4	-39.1
Construction	7.3	5.9	7.7	3.1	0.4	-1.3	-21.0	-31.3	-18.2	-12.8	-18.7	-17.4	-22.1

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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