

ifo Business Climate Eastern Germany Falls

Dresden, January 9, 2024 – The ifo Business Climate Index Eastern Germany fell considerably in December. The barometer of business sentiment for the regional economy in eastern Germany dropped to 88.6 points, down from 90.6 points in the previous month. Among the companies surveyed, both their assessments of the current situation and their business expectations deteriorated substantially.

In eastern German *manufacturing*, the business climate cooled notably in December. The manufacturers surveyed reported that business was markedly less favorable than in the previous month, and their expectations for business in the months ahead were also far worse than they had been in November.

In the eastern German *service sector*, the Business Climate Index fell significantly in December. The service providers surveyed lowered both their assessments of the current situation and their business expectations sharply.

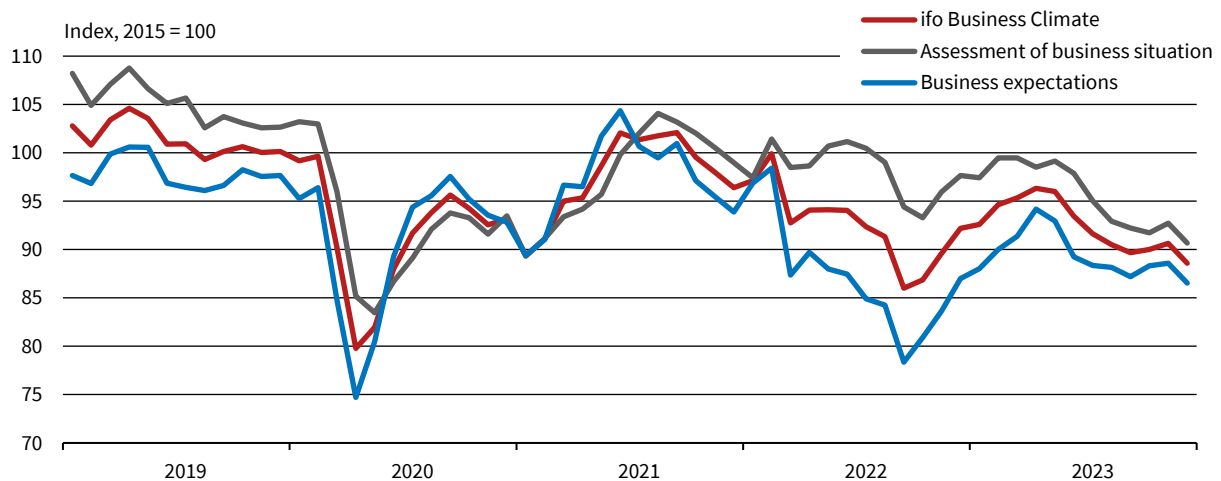
In eastern German *trade*, the Business Climate Index plummeted in December. While the trend in wholesale was drastically worse than in the previous month, sentiment among retailers deteriorated only slightly.

In eastern German *construction*, the business climate turned much cooler in December. The construction companies surveyed assessed their current business situation as somewhat worse than in November, and they were noticeably more pessimistic about their future business performance.

Joachim Ragnitz and Marcel Thum
Executive Directors, Dresden Branch of the ifo Institute

ifo Business Climate Eastern Germany^a

Seasonally adjusted



^a Manufacturing, service sector, trade, and construction
Source: ifo Business Survey, December 2023

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

	12/22	01/23	02/23	03/23	04/23	05/23	06/23	07/23	08/23	09/23	10/23	11/23	12/23
Climate	92.2	92.6	94.6	95.3	96.3	96.0	93.5	91.6	90.5	89.7	90.0	90.6	88.6
Situation	97.7	97.4	99.5	99.5	98.5	99.1	97.9	95.0	92.9	92.2	91.7	92.7	90.7
Expectations	87.0	88.0	90.0	91.4	94.2	92.9	89.3	88.3	88.2	87.2	88.3	88.6	86.5

Source: ifo Business Survey

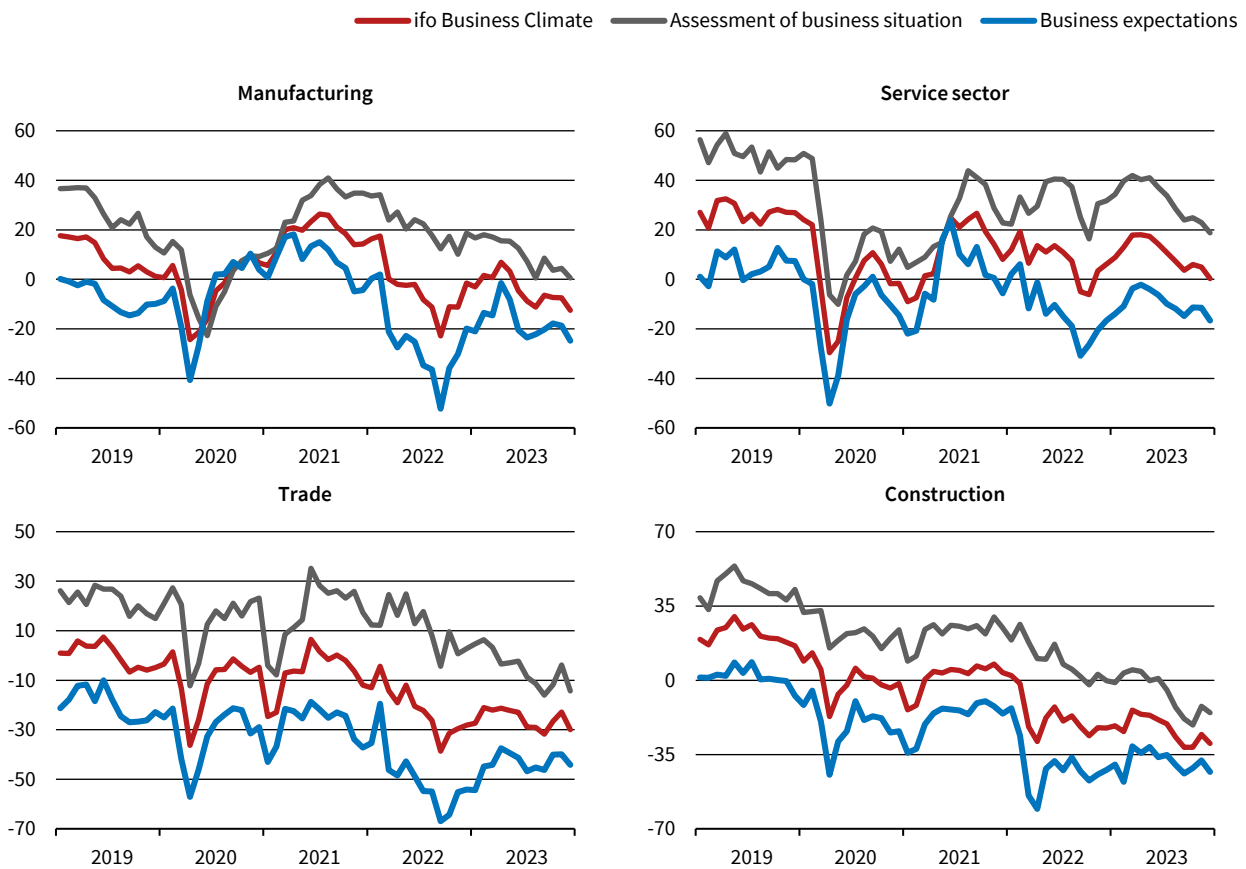
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The ifo Institute's Dresden Branch is partly financed by tax revenues on the basis of the budget approved by the members of Saxony's state parliament.

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



Source: ifo Business Survey, December 2023

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ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

	12/22	01/23	02/23	03/23	04/23	05/23	06/23	07/23	08/23	09/23	10/23	11/23	12/23
Eastern Germany	-1.1	-0.2	4.2	5.7	7.8	7.1	1.7	-2.3	-4.7	-6.5	-5.8	-4.5	-8.9
Manufacturing	-1.6	-3.1	1.6	0.6	6.8	3.3	-4.7	-8.7	-11.2	-6.4	-7.3	-7.5	-12.6
Service sector	6.2	8.8	13.0	17.9	18.0	17.4	14.3	10.8	7.3	3.6	6.0	5.0	0.3
Trade	-28.1	-27.4	-21.0	-22.1	-21.3	-22.1	-23.0	-28.9	-29.1	-31.8	-26.6	-22.8	-29.9
Construction	-22.5	-21.5	-24.1	-14.0	-16.0	-16.5	-18.6	-20.6	-26.8	-31.6	-31.5	-25.5	-29.8

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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