

ifo Business Climate East Germany Fell

Dresden, January 28, 2021 – Sentiment among companies in eastern Germany cooled off noticeably in January. The ifo Business Climate Index for the entire regional economy fell from 92.4 to 88.7 points. The survey participants' assessments of the current situation and their expectations alike deteriorated significantly compared to December.

In eastern German *manufacturing*, the business climate brightened slightly in January. Manufacturers assessed their current business as just as good as in the previous month, and they raised their outlook for the coming six months somewhat.

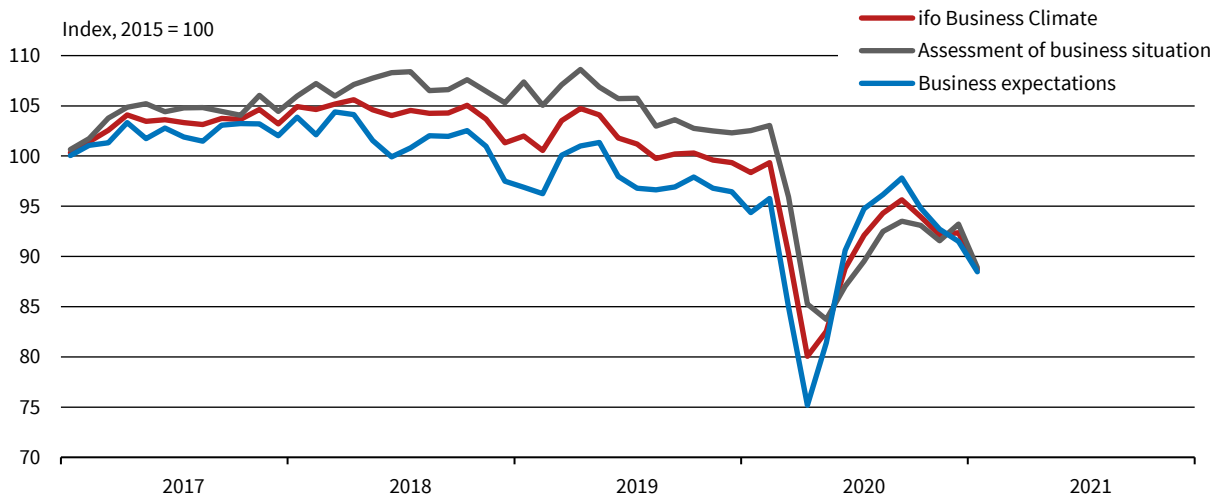
The ifo Business Climate Index took a major dip in the eastern German *service sector*. Assessments of the current situation and business expectations both saw a steep decline.

In eastern German *trade*, sentiment plummeted. This was particularly noticeable in the assessments of the current situation. In wholesale, survey participants' assessments and expectations were more positive than in retail.

The mood in eastern Germany's *construction industry* clouded over heavily in January. The businesses surveyed adjusted their assessments of the current situation and their expectations massively downward.

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ifo Business Climate Eastern Germany^a Seasonally adjusted



^a Manufacturing, service sector, trade, and construction.
Source: ifo Business Survey, January 2021

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

	01/20	02/20	03/20	04/20	05/20	06/20	07/20	08/20	09/20	10/20	11/20	12/20	01/21
Climate	98.4	99.3	90.3	80.1	82.6	88.8	92.1	94.3	95.6	94.0	92.1	92.4	88.7
Situation	102.5	103.1	95.9	85.2	83.7	87.0	89.5	92.5	93.5	93.1	91.5	93.2	88.9
Expectations	94.4	95.8	85.0	75.2	81.4	90.6	94.7	96.2	97.8	94.8	92.7	91.5	88.5

Source: ifo Business Survey

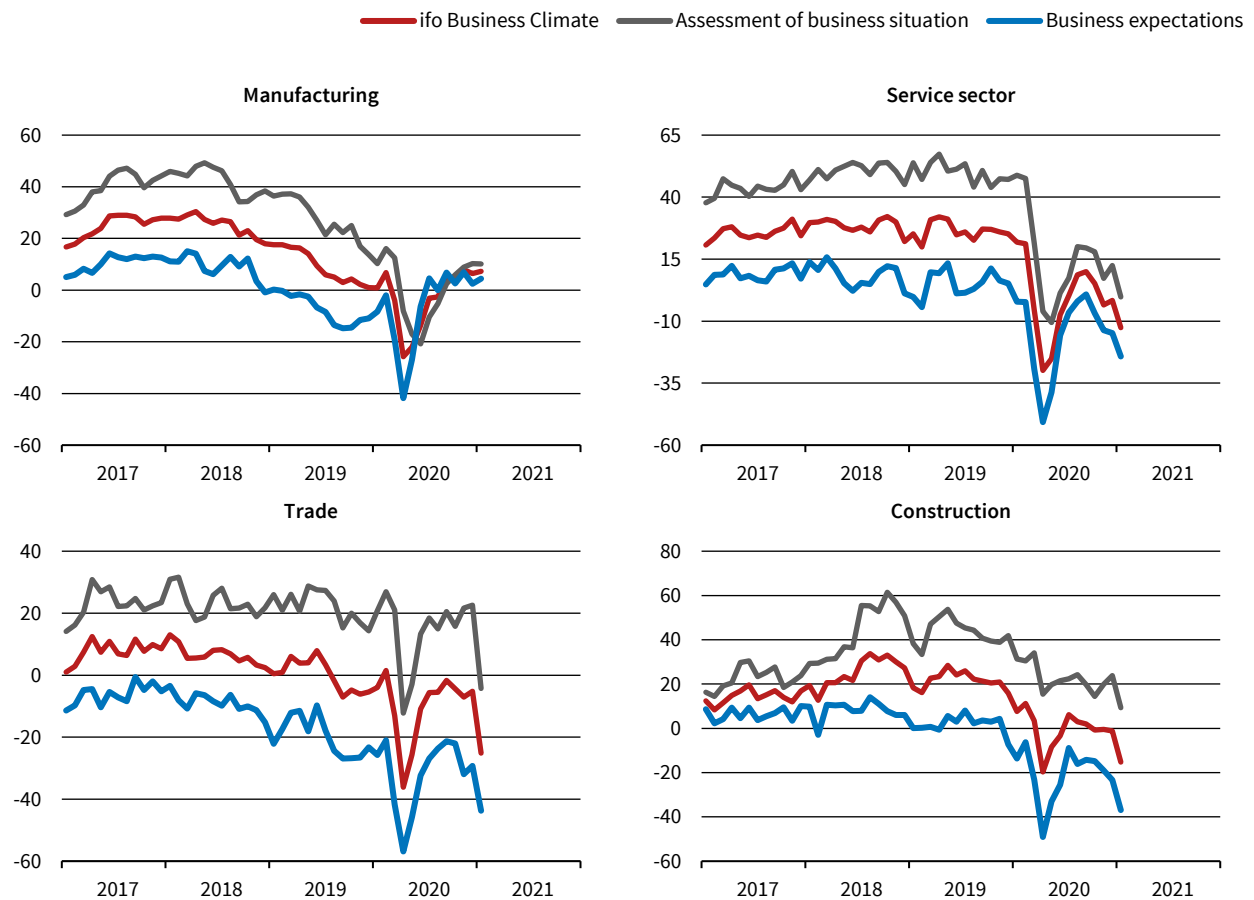
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The ifo Institute's Dresden Branch is partly financed by tax revenues on the basis of the budget approved by the members of Saxony's state parliament.

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



Source: ifo Business Survey, January 2021

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ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

	01/20	02/20	03/20	04/20	05/20	06/20	07/20	08/20	09/20	10/20	11/20	12/20	01/21
Eastern Germany	12.2	14.3	-5.2	-27.3	-21.9	-8.4	-1.3	3.5	6.3	2.7	-1.2	-0.7	-8.6
Manufacturing	0.8	6.8	-4.0	-25.8	-22.0	-13.7	-3.1	-2.6	4.7	4.2	7.9	6.4	7.3
Service sector	21.9	21.2	-5.6	-29.9	-25.2	-7.4	0.3	8.7	10.0	5.2	-3.5	-1.7	-12.6
Trade	-3.9	1.5	-13.1	-36.1	-25.6	-10.9	-5.6	-5.5	-1.7	-4.4	-7.0	-5.2	-25.2
Construction	7.6	11.3	3.5	-19.7	-8.4	-3.4	6.2	3.1	2.0	-0.7	-0.5	-1.1	-15.2

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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