

ifo Business Climate Eastern Germany Rises Once More

Dresden, February 25, 2021 – Sentiment among companies in eastern Germany improved markedly in February. The ifo Business Climate Index for the entire regional economy rose to 90.4 points from 88.9 points in January. The survey participants' assessments of the current situation and their expectations alike were better than in January. Of the two, the improvement in their assessments of the current situation was more pronounced.

In eastern German *manufacturing*, the upward trend of last month continued and the business climate brightened significantly in February. Manufacturers assessed their current business as slightly better than in the previous month, and they raised their expectations for the next six months considerably.

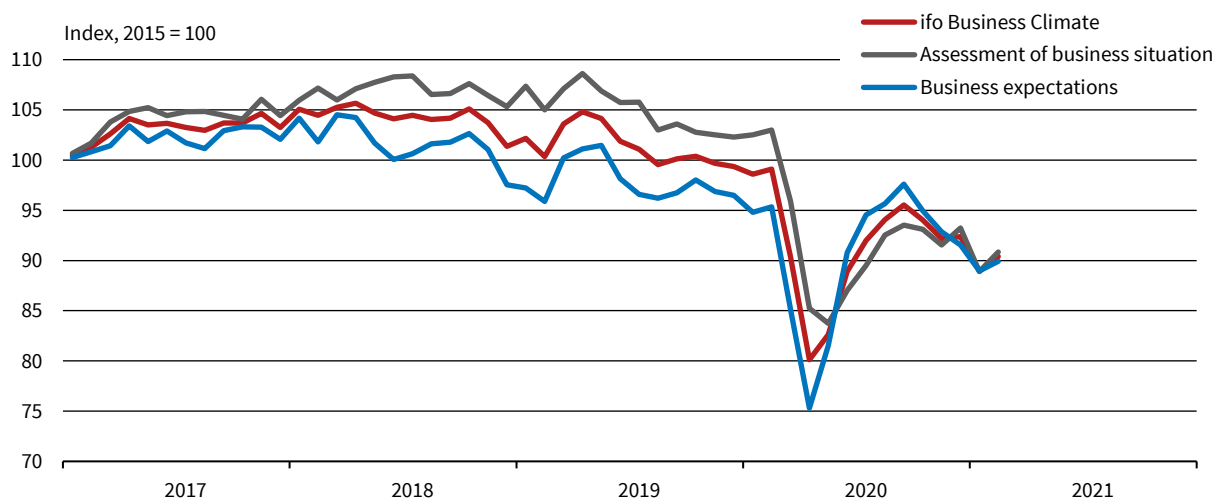
Following last month's slump, the ifo Business Climate Index recovered a little in the eastern German *service sector*. While assessments of the current situation were noticeably better in February, expectations rose slightly.

The mood in eastern German *trade* improved appreciably, with the business climate heading upward for both wholesale and retail trade. This was mainly attributable to decidedly better expectations; assessments of the current situation continued their slight downward trend.

In eastern German *construction*, the business climate brightened notably in February. The construction companies surveyed assessed both their current business and their outlook as perceptibly better than in the previous month.

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ifo Business Climate Eastern Germany^a Seasonally adjusted



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

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

	02/20	03/20	04/20	05/20	06/20	07/20	08/20	09/20	10/20	11/20	12/20	01/21	02/21
Climate	99.1	90.4	80.1	82.6	88.9	92.0	94.1	95.5	94.0	92.2	92.4	88.9	90.4
Situation	103.0	95.9	85.2	83.7	87.0	89.5	92.5	93.5	93.1	91.6	93.2	88.9	90.8
Expectations	95.4	85.1	75.3	81.5	90.8	94.5	95.7	97.6	95.0	92.8	91.6	89.0	89.9

Source: ifo Business Survey

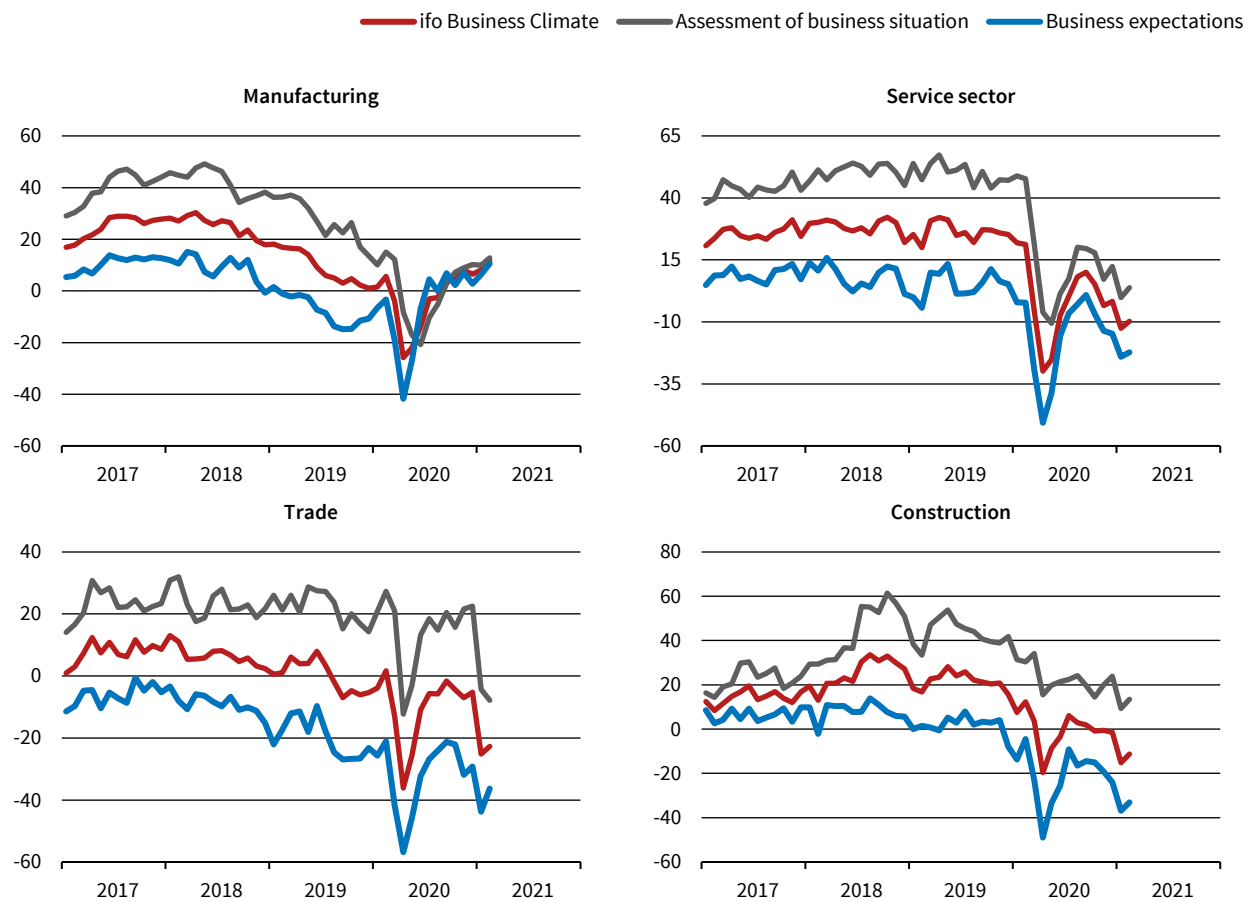
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The ifo Institute's Dresden Branch is partly financed by tax revenues on the basis of the budget approved by the members of Saxony's state parliament.

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



Source: ifo Business Survey, February 2021

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ifo Business Climate Eastern Germany (Balances, seasonally adjusted)

	02/20	03/20	04/20	05/20	06/20	07/20	08/20	09/20	10/20	11/20	12/20	01/21	02/21
Eastern Germany	13.8	-5.0	-27.1	-21.7	-8.2	-1.5	3.0	6.1	2.9	-1.1	-0.7	-8.1	-5.0
Manufacturing	5.7	-4.1	-25.8	-22.0	-13.9	-3.0	-2.5	4.8	4.8	8.0	6.5	8.1	11.7
Service sector	21.3	-5.5	-29.8	-25.2	-7.4	0.4	8.3	10.0	5.2	-3.4	-1.7	-12.5	-9.7
Trade	1.7	-13.0	-36.2	-25.6	-10.9	-5.6	-5.7	-1.7	-4.4	-7.0	-5.2	-25.2	-22.7
Construction	12.2	3.6	-19.6	-8.6	-3.5	6.1	2.9	1.9	-0.8	-0.6	-1.5	-15.2	-11.3

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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