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The Causal Effects of Trump's Reelection on Business Expectations of German Firms*

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Abstract

This paper studies the causal effects of the 2024 US presidential election on business expectations of German manufacturing firms. It exploits the variation in the timing of survey responses to identify shifts in expectations around the election. The probability of reporting negative expectations increases by 12 percentage points. The effect is driven by exporters, especially those exposed to the US economy. It is concentrated among firms that had not anticipated Trump's re-election, indicating rational expectation updating. Firms reduce planned investment expenditures. The results provide novel evidence that firms are attentive and quickly revise expectations in response to salient policy events.

JEL classification: D72, E32, E65

Keywords: election, survey expectation, export exposure, US president, rational inattention

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1 Introduction

Expectations play a central role in the decision-making of firms. Therefore, studying firm expectations is essential to understand macroeconomic dynamics. A growing literature examines the drivers of changes and heterogeneity in the economic expectations of firms (Coibion et al., 2018, 2020; Doovern et al., 2023), while other work shows how political leaders, policy events, and election results can influence economic outcomes (Marx et al., 2025) and economic expectations (Shelton, 2012; Boumans et al., 2024). However, so far, there is little evidence on how firms update expectations in response to policy events. Since firms' business decisions depend on their expectations (Coibion et al., 2020; Buchheim et al., 2022; Kumar et al., 2023), it is informative to learn how firms react to policy events because this reaction, through firms' behavioral responses, potentially influences subsequent macroeconomic dynamics.

We study how a major political event, the 2024 US presidential election, causally affected business expectations of firms in Germany. We hypothesize that Donald Trump's reelection worsened business expectations due to concerns about a change in US trade policy that could harm the German economy—particularly exporters—given Germany's large trade surplus with the US, which accounts for more than 10 percent of export demand for German goods. We find that the election significantly lowered expectations, particularly among exporters with direct exposure to the US economy.

We use survey-based business expectations from the ifo Business Survey from November 2024 to study the causal effect of the election result on firms' expectations. We exploited the variation in the timing of firms' staggered survey responses to identify causal effects. In particular, because we observe the exact time each response was submitted, we can compare expectations recorded before and after the election result was announced. A regression framework allows us to control for industry fixed effects and firm-level characteristics, including firms' exposure to the US economy. It is important to note that our identification strategy captures the immediate, short-term effect of the election announcement on business expectations. While we can causally identify this initial reaction within hours after the announcement of the election result, longer-term effects may differ as firms process additional information and other policy and economic news become available.

Our analysis shows that the announcement of the outcome of the 2024 US presidential election caused a decline in business expectations among German manufacturing (and service) firms. It increased the likelihood of reporting negative business expectations by 12 percentage points for all manufacturing firms, by 15 percentage points for exporters, and even more among firms with direct exposure to the US economy. In addition, there is tentative evidence that only firms that had not expected Donald Trump's reelection appear to have revised their expectations. Studying the mechanisms by which expectations are likely to be affected and the effect on business decisions, we find that fears of declining export demand seem to be the main driving force (though there is some indication of concerns of a broader economic slowdown) and that business uncertainty did not increase because of the election result. The decline in business expectations also translated into business decisions: firms downsized planned investment expenditures. Our results are robust with respect to the model specification and the choice of the particular expectation measure used.

We contribute to the growing literature on how firms form and update economic expectations. Recent studies analyze how firms form expectations about the economy and their industry or business, providing evidence for theoretical models of expectation formation that feature rational inattention (Angeletos

et al., 2020). Often, causal evidence is based on randomized control trials with information treatments embedded in firm-level expectation surveys (Coibion et al., 2018; Savignac et al., 2024). Other studies document time-series evidence (Coibion and Gorodnichenko, 2012; Enders et al., 2019; Andrade et al., 2022; Hack and Rostam-Afschar, 2024). Methodologically, our approach closely relates to recent studies that exploit the timing of survey responses to identify causal effects. Di Pace et al. (2025) study how firms’ price growth expectations react to monetary policy shocks using the timing of responses in the UK Decision Maker Panel survey. Yotzov et al. (2025) use data from the same survey to analyze how firms’ inflation expectations react to CPI inflation releases. Related papers study whether the expectations of firms are relevant for business decisions and outcomes (Coibion et al., 2020; Tanaka et al., 2020; Buchheim et al., 2022; Ropele et al., 2024). Our main contribution is to provide causal evidence—from a natural experiment—that business expectations respond rapidly to a salient election event in a foreign country. This shows that firms monitor relevant news closely and anticipate future policy changes. We are, to our knowledge, the first to examine how a major foreign election outcome transmits across borders to shape firms’ business expectations. This is different from evidence of expectation reactions to actual economic shocks, such as central bank decisions (Enders et al., 2019; Hack and Rostam-Afschar, 2024; Di Pace et al., 2025), technology shocks (Coibion and Gorodnichenko, 2012) and oil supply shocks (Hack and Rostam-Afschar, 2024), or new macroeconomic data (Yotzov et al., 2025).

Our paper also adds to the literature on the economic effects of election results, in particular to the papers that study their effects on economic expectations. There is evidence that electoral turnovers positively affect macroeconomic conditions (Marx et al., 2025) and that election results also influence more specific economic variables such as investment and uncertainty (Bloom et al., 2019), the quality of public services (Akhtari et al., 2022), and inequality (Beland, 2015). This suggests that attentive agents should revise expectations in response to election results, a claim supported by recent empirical evidence: Boumans et al. (2024) show that international macro analysts adjust their growth and trade expectations upward in response to the outcome of the US presidential election in 2019. Edwards et al. (2024) document a change in the growth expectations of US firms after a US presidential election. For private households, partisan bias is an additional behavioral factor that is very relevant to the effect of election results on their economic expectations (Gerber and Huber, 2009, 2010; Bachmann et al., 2021; Mian et al., 2023; Guirola, 2025). Our paper is the first to study the causal effect of a major US election on firm-level business expectations in another country. Due to the large firm sample and the broad scope of the survey, we can analyze the effect heterogeneity across the firm distribution and potential channels.

The remainder of the paper is organized as follows. In Section 2, we document the data we use. In Section 3, we briefly explain our methodological approach. In Section 4, we summarize the results of our empirical analysis. Section 5 concludes.

2 Data

Our main data come from the November 2024 wave of the ifo Business Survey (iBS). In addition, we use information from previous waves of the same survey.¹ The monthly iBS collects data on various business aspects from a panel of German firms. For approximately 98 percent of firms, a designated individual is responsible for consistently completing the questionnaire (Sauer and Wohlrabe, 2019). More than 80

¹The data used in this paper are not freely available but can be accessed at the ifo Institute Data Centre (EBDC). Sauer et al. (2023) provide more information.

percent of these respondents hold senior management positions, such as owner, CEO, or department head. This indicates that they have a comprehensive understanding of their company and can provide responses that accurately reflect their firm’s beliefs.

Our main analysis focuses on firms in the manufacturing sector for two main reasons. First, they are more likely to be affected by foreign developments than firms in other sectors. Second, we have survey information about firms’ U.S. exposure and their export shares only for manufacturing firms but not for firms from other sectors.² The main analysis is based on 1,922 online responses (that account for 92 percent of the total manufacturing sample) since the exact time of the response is not available for responses returned on paper. Among the firms in our sample, about 3/4 are exporters (1,519), while only 384 firms indicated that they do not export.³

The main outcome variable is business expectations for the year 2025.⁴ The November 2024 iBS wave asked firms to assess their business outlook for the coming calendar year compared to the current one. The question measures expectations on a trichotomous scale that we code as 1 (‘less favorable’), 2 (‘about the same’), and 3 (‘more favorable’). We use two alternative measures of business expectations for robustness checks. Both refer to an expectation horizon of six months and are included in every wave of the iBS. The first alternative uses the same trichotomous scale as our baseline measure. The second alternative is based on a visual analog scale (VAS) ranging from 0 to 100, where 0 represents a very pessimistic and 100 a very optimistic outlook, making this a quasi-continuous measure of expectations. We prefer our baseline measure over the alternatives because the expectation horizon is longer and thus more likely to capture the medium-term effects of policy changes in the US that could impact German firms.

We also measure firms’ exposure to the US economy based on responses to survey questions about the relevance of the US as a destination for exports and a source of imports that were part of the iBS in the September 2024 wave. Firms were asked to indicate how important the US is for their business operations in these two dimensions using a four-point ordinal scale: ‘very important’, ‘rather important’, ‘rather unimportant’ and ‘very unimportant’, with the additional option of reporting no trade activity with the US. We define a firm as having any exposure if it reports any export *or* import relationship with the US and as having any strong exposure if it reports that either exports to or imports from the US are at least ‘rather important’. In addition, we construct analogous classifications that focus on export and import exposure separately.

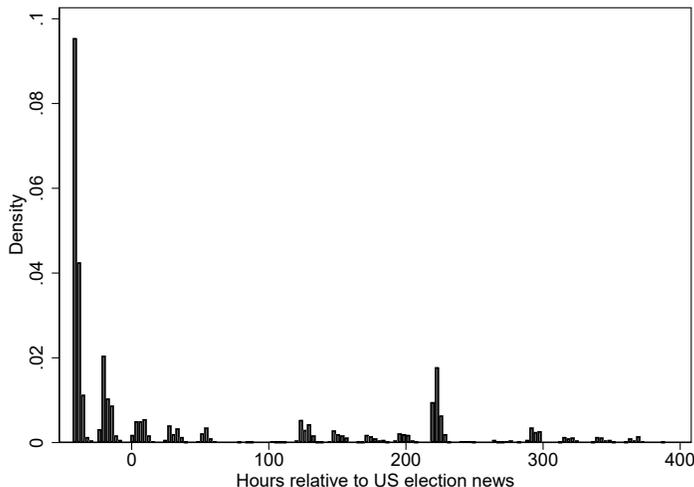
An important feature of the survey for our identification strategy is that it contains a time stamp for those firms that answer the questionnaire online. This allows us to analyze how much before or after a particular political event a firm has submitted its answers. For our study, two events are relevant: The main event is the announcement of the outcome of the US presidential election 2024, which we date on November 6, 2024, 6:00 a.m. (CET). At this time, the New York Times’s election forecasting “needle” predicted a Trump win with a likelihood of more than 90 percent and also prediction markets indicated the eventual election outcome with great certainty (Polymarket: 97 percent, Kalshi: 95 percent, Predictit: 94 percent). For a robustness check, we use the announcement of the breakup of the government coalition in Germany, which we date on 9:15 p.m. (CET) on the same day when the press statement of then chancellor Olaf Scholz started, in which he revealed the dismissal of the minister of finance leading to the breakup

²We present some results for firms from the service sector and the trade sector in Section 4.5.

³The exporter status is based on responses to a question about export expectations in our main survey wave, and not all companies responded to this question.

⁴See the appendix for the wording of the survey questions.

Figure 1: Timing of Survey Responses in November 2024



Notes: The graph shows a histogram of the timing of survey responses in November 2024. The horizontal axis shows the deviation from November 6, 6:00 a.m. (CET) in hours. The bin width is one hour.

of the coalition government.

Figure 1 shows the temporal distribution of the survey responses in November 2024, which started on Monday November 4. It shows that although our treatment day, November 6, lies at the beginning of the survey period, more than half of the survey responses are from before that date. 1,141 responses (59 percent) were recorded on November 4 and 5, while 781 responses were submitted on November 6 or later. The online survey was closed on November 22. The clustering of responses at the beginning of the survey period is not an unusual pattern. Across all waves since January 2020, on average, 58 percent of online responses have been submitted during the first two workdays.

3 Methodology

We identify the causal effect of the election result on the expectations of the firms by comparing the survey responses returned before the event with those returned after the event in a regression framework. We date the announcement of the outcome of the US presidential election 2024 on November 6, 2024, 6:00 a.m. (CET). We assume that the expectations of firms can be described by the following equation:

$$BusExp_{ikt} = \lambda_k + \gamma_1 \mathbb{1}(t \geq Nov6) + \gamma_2 (t - Nov6) + \gamma_3 (t - Nov6) \times \mathbb{1}(t \geq Nov6) + \beta X_i + \varepsilon_{ikt}, \quad (1)$$

where $BusExp_{ikt}$ denotes the business expectation for firm i from industry k returned at time t (measured in hours), λ_k is an industry fixed effect, $\mathbb{1}(t \geq Nov6)$ is an indicator function that equals 1 for responses filed after November 6, 6:00 a.m. and 0 otherwise, X_i is a vector of control variables with information about firm i , and ε_{ikt} represents an error term. The term $t - Nov6$ measures how many hours before (negative values) or after (positive values) the cutoff time an expectation was submitted.

Since we observe expectations only as an ordinal variable with three discrete outcomes, we choose the ordered logit model as our baseline. We estimate this model using the maximum likelihood estimator.

We report the average treatment effects of the announcement of the election result on the probability of reporting either of the three outcomes for business expectations, calculated at $(t - Nov6) = 0$.

All standard errors presented are clustered at the industry level, with 13 clusters, to account for potential within-industry correlation in error terms.

4 Results

4.1 Potential Self-Selection

Since the questionnaire is sent out to all companies on the same day, the timing of the survey response is not randomized between firms through the survey design. Thus, there might be self selection of particular types of firms into the subsamples of early and late responders. In that regard, our data differ from those used in Boumans et al. (2024) and Edwards et al. (2024), who study data from randomized pre- and post-election samples.

To address self-selection concerns, Table 1 presents the balance statistics for the variables used in our analysis. For our purposes, the comparison of the second and third columns is the most important. There are only two notable differences in means. First, small firms were more likely to respond to the survey before November 6. Second, firms that responded before November 6 reported slightly higher business uncertainty. Importantly, there are no significant differences in terms of industry composition, US exposure, or how likely a firm had thought a reelection of Donald Trump would be.

Pearson’s chi-square test confirms that the distribution of firms across industries does not differ significantly between respondents before and after the election (p-value: 0.227).

When regressing a binary indicator of whether a firm responded before November 6 on a set of firm-level characteristics, we only find a small significant correlation with firm size (Table 2). Including indicators of US exposure reveals that the corresponding regression coefficients are not significantly different from zero. In contrast, when we include an indicator of whether a firm had also responded very early in the previous survey wave as an additional regressor, the corresponding coefficient turns out to be highly significant and large. Looking further back, we observe that during each wave since October 2023, on average, roughly 75 percent of firms that answered early (during the first two business days) were firms that answered early in our main wave from November 2024. We believe that it is reassuring that many firms retained their usual response timing during the election month.

Overall, there are no substantial imbalances in terms of the composition of the two subsamples, in particular not with respect to US exposure and industry classification, and we are not concerned that selection into the pre- and post-election samples is a problem in our data.

Table 1: Descriptive Statistics for Different Subsamples

	Full Sample	PreNov6	PostNov6 6:00am	PostNov6 9:15pm	Exporter	NonExp
Bus. Expectations for 2025	1.773	1.771	1.775	1.783	1.801	1.664
Bus. Expectations (VAS)	40.105	39.433	41.088	41.113	40.706	37.830
Bus. Expectations trich.	1.706	1.690	1.729	1.743	1.724	1.638
Bus. Uncertainty (VAS)	70.836	71.774	69.454*	69.320*	71.138	69.310
US exposure						
None	0.362	0.368	0.353	0.346	0.255	0.811
Any	0.307	0.312	0.300	0.302	0.347	0.138
Strong	0.331	0.321	0.348	0.353	0.398	0.051
US exposure: exports						
None	0.422	0.429	0.411	0.404	0.306	0.909
Any	0.280	0.288	0.269	0.271	0.333	0.061
Strong	0.298	0.283	0.322	0.326	0.362	0.030
US exposure: imports						
None	0.539	0.553	0.515	0.511	0.465	0.845
Any	0.380	0.369	0.398	0.398	0.440	0.131
Strong	0.081	0.077	0.087	0.091	0.095	0.024
Probability Trump win	47.134	46.865	47.579	47.196	47.109	47.185
log(Employment)	4.548	4.435	4.714*	4.741*	4.754	3.745
Industries						
Food and Beverage	0.041	0.038	0.046	0.048	0.025	0.102
Textiles and Clothing	0.030	0.029	0.032	0.031	0.035	0.013
Wood and Paper	0.106	0.105	0.106	0.101	0.091	0.164
Chemical Industry	0.065	0.057	0.076	0.077	0.076	0.023
Pharmaceutical Industry	0.008	0.007	0.010	0.009	0.010	0.003
Rubber and Plastics	0.122	0.131	0.110	0.112	0.122	0.122
Metal Industry	0.184	0.202	0.159	0.158	0.164	0.258
Computer, Electronic and Optical Products	0.068	0.066	0.072	0.074	0.070	0.065
Electrical Equipment	0.084	0.077	0.095	0.101	0.088	0.070
Mechanical Engineering	0.207	0.205	0.210	0.202	0.234	0.099
Automobile	0.034	0.030	0.041	0.040	0.039	0.016
Furniture	0.031	0.035	0.026	0.027	0.030	0.036
Industry Other	0.019	0.019	0.018	0.019	0.016	0.029
Observations	1922	1141	781	672	1519	384

Notes: The full sample refers to all participants of the iBS wave from November 2024 that filled out the online questionnaire and provided information about our main outcome variable as well as the firms' industry. All information is elicited from that wave with few exceptions: The measures of firms' US exposure and the perceived likelihood of a reelection of Trump ('Probability Trump win') were elicited in the iBS wave from September 2024. We define a firm as having any exposure if it reports any export *or* import relationship with the US and as having any strong exposure if it reports that either exports to or imports from the US are at least 'rather important'. We analogously construct the classifications that focus on export and import exposures separately. * denotes statistically significant differences at the 5% level compared to the pre-November-6 period.

Table 2: Timing of Survey Responses

	(1)	(2)	(3)	(4)	(5)
Log(Employment)	-0.033*** (0.008)	-0.032*** (0.009)	-0.023*** (0.009)	-0.024*** (0.009)	-0.024*** (0.009)
Expectations for 2025	0.026 (0.019)	0.028 (0.019)	0.034* (0.019)	0.034* (0.019)	0.034* (0.019)
State of business (appraisal)	-0.028 (0.019)	-0.022 (0.019)	-0.025 (0.019)	-0.026 (0.020)	-0.026 (0.019)
Uncertainty VAS	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)
Probability Trump Win	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)
Early Response in October			0.233*** (0.026)	0.232*** (0.026)	0.232*** (0.026)
Some US Exposure				-0.004 (0.028)	
Strong US Exposure					0.005 (0.029)
Constant	0.768*** (0.092)	0.736*** (0.138)	0.568*** (0.142)	0.738*** (0.182)	0.737*** (0.182)
Industry fixed effects	×	✓	✓	✓	✓
N	1481	1481	1337	1336	1336
R^2	0.015	0.025	0.080	0.080	0.080

Notes: The table shows estimates from a linear regression model. Dependent variable is a binary indicator that is 1 if a firm responded before November 6 and 0 otherwise. Standard errors in parentheses are clustered at the industry level. ‘Early Response in October’ is a dummy variable that equals 1 if a firm returned the questionnaire during the first two business days of the survey period in October 2024 and 0 otherwise. ‘Probability Trump win’ is the expectation of firms of the likelihood of a reelection of Donald Trump elicited in the September 2024 wave. All other variables are based on information from the November 2024 wave. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

4.2 Baseline Results

Our baseline results indicate that the news about Donald Trump’s election victory shifted the business expectations of German firms downward. The first column of Table 3 shows that the announcement of the election result, on average, increased the probability that firms reported negative business expectations for the year 2025 by 12.3 percentage points, while it made it less likely that firms responded with ‘about the same’ or ‘more favorable’. These estimates reflect firms’ immediate reaction to the election news—a causal effect we can identify precisely because of the timing of survey responses within hours of the announcement. The effect is sizable. Two comparisons: First, the historical average monthly (absolute) change of the proportion of firms with negative outlook is 2.4 percentage points. Second, the share of manufacturing firms that reported negative business expectations (based on an alternative measure with a six-month horizon) increased by approximately 44 percentage points at the beginning of the pandemic between February 2020 and April 2020 and by 28 percentage points between February 2022 and March 2022, following the start of the Russian war against Ukraine. The effects of the election result remain unchanged once we include controls in the regression model. Thus, German firms became more pessimistic

Table 3: Effect of US Presidential Election Result on Business Expectations—Baseline Results

	Full Smpl	Full Smpl	Small	Medium	Large	Exporter	Non-Exp
Less favorable	0.123** (0.058)	0.116* (0.062)	0.071 (0.112)	0.101 (0.069)	0.169 (0.105)	0.147** (0.067)	-0.025 (0.102)
About the same	-0.044*** (0.015)	-0.042*** (0.016)	-0.031 (0.044)	-0.029 (0.019)	-0.055 (0.038)	-0.049*** (0.016)	0.011 (0.047)
More favorable	-0.079 (0.049)	-0.074 (0.048)	-0.040 (0.070)	-0.072 (0.052)	-0.114 (0.098)	-0.097* (0.058)	0.014 (0.056)
Controls	×	✓	✓	✓	✓	✓	✓
<i>N</i>	1922	1922	671	768	481	1519	384

Notes: The table reports estimated average treatment effects for the ordered logit model based on equation (1). The estimation sample consists of the online responses from the iBS wave in November 2024. Business expectations for the year 2025 are the dependent variable, measured on a trichotomous scale ('less favorable'/'about the same'/'more favorable' coded as 1/2/3). The estimates are the average treatment effects of the announcement of the election result on the probability of reporting either answer option of the business expectation question, computed at $(t - Nov6) = 0$. Standard errors in parentheses are clustered at the industry level. Controls include industry fixed effects, the (log) number of employees, and linear pre- and post-event trends. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

after learning about the election result, in contrast to US firms that, according to Edwards et al. (2024), became more optimistic in response to Donald Trump's reelection.

The effect is stronger for large firms than for small firms (third to fifth column). The point estimates of the average treatment effects on the outcome probabilities are about twice as large for large firms as for small firms. This is in contrast to Edwards et al. (2024), who find that in the US the expectations of small firms changed more than those of large firms. However, the differences between our estimates for the three categories of firm size are not statistically significant because standard errors increase considerably due to reduced sample sizes. The last two columns show that the effect is driven exclusively by exporters, while firms that do not export did not adjust their business expectations after learning about the outcome of the election. This finding aligns with the evidence in Boumans et al. (2024), who find significant effects of the outcome of the 2020 US presidential election on the expectations of macro analysts for international trade.

Next, we study whether exposure to the US economy rather than general export dependency drives the strength of the effect. The results in Table 4 indicate that this is indeed the case. The first column replicates the results for all exporters. The second column reveals that the outcome of the US election had no effect on firms if they have no exposure to the US at all. The next two columns show that the news about Donald Trump's victory had significant effects on business expectations of those firms that have an exposure to the US (either via exports or via imports of intermediate goods). The effect is stronger for those firms that have a strong exposure: the effect on the likelihood of reporting 'less favorable' is almost 10 percentage points higher for them compared to firms with only moderate US exposure. Finally, we distinguish between export and import exposures. The estimates in the last four columns indicate that business expectations declined for both types of firms, with larger effects for firms that have a strong exposure of either type. We do not want to overemphasize the estimate for firms with strong import exposure given the small number of observations and the fact that there are even fewer firms that face import exposure but not, at the same time, export exposure.

Table 4: Effect of US Presidential Election Result on Business Expectations by Different Exposure

	Exporter	No USEx	Any USEx	Any USEx(s)	Exp USEx	Exp USEx(s)	Imp USEx	Imp USEx(s)	Imp USEx	Imp USEx(s)
Less favorable	0.147** (0.067)	-0.044 (0.072)	0.199*** (0.072)	0.283*** (0.068)	0.204*** (0.070)	0.270*** (0.072)	0.232*** (0.054)	0.477*** (0.128)	0.232*** (0.054)	0.477*** (0.128)
About the same	-0.049*** (0.016)	0.024 (0.041)	-0.040 (0.026)	-0.068* (0.038)	-0.051* (0.028)	-0.077** (0.034)	-0.052* (0.028)	0.022 (0.121)	-0.052* (0.028)	0.022 (0.121)
More favorable	-0.097* (0.058)	0.019 (0.032)	-0.159** (0.074)	-0.215** (0.087)	-0.153** (0.065)	-0.194** (0.089)	-0.180*** (0.061)	-0.499** (0.208)	-0.180*** (0.061)	-0.499** (0.208)
Controls	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<i>N</i>	1519	571	1008	523	912	470	723	127	723	127

Notes: The table reports estimated average treatment effects for the ordered logit model based on equation (1). Estimation samples are subsets of the online responses of the iBS wave in November 2024. Business expectations for the year 2025 are the dependent variable, measured on a trichotomous scale ('less favorable'/'about the same'/'more favorable' coded as 1/2/3). Estimates are the average treatment effects of the announcement of the election result on the probability of reporting either answer option of the business expectation question, computed at ($t - Nov6$) = 0. Information about the exposure of firms to the US economy comes from the iBS wave in September 2024. Exposure is measured on a scale from 1 to 5. 1 means no exposure. We define strong exposure ('(s)') as values of 4 or 5. Standard errors in parentheses are clustered at the industry level. Controls include industry fixed effects, the (log) number of employees, and linear pre- and post-event trends. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table 5: Effect of US Presidential Election Result on Business Expectations by Different Pre-Election Expectations

	Full Sample	P(Trump) < .5	P(Trump) ≤ .4	P(Trump) ≥ .6
Less favorable	0.116* (0.062)	0.159 (0.098)	0.153 (0.136)	0.019 (0.159)
About the same	-0.042*** (0.016)	-0.024 (0.018)	-0.037 (0.026)	-0.010 (0.090)
More favorable	-0.074 (0.048)	-0.136 (0.104)	-0.117 (0.126)	-0.008 (0.069)
Controls	✓	✓	✓	✓
<i>N</i>	1922	739	395	183

Notes: The table reports estimated average treatment effects for the ordered logit model based on equation (1). Estimation samples are subsets of the online responses from the iBS wave in November 2024. Business expectations for the year 2025 are the dependent variable, measured on a trichotomous scale ('less favorable'/'about the same'/'more favorable' coded as 1/2/3). Estimates are the average treatment effects of the announcement of the election result on the probability of reporting either answer option of the business expectation question, computed at $(t - Nov6) = 0$. 'P(Trump)' represents the probabilistic expectation for a Trump victory in the 2024 presidential election elicited in the iBS wave in September 2024. Standard errors in parentheses are clustered at the industry level. Controls include industry fixed effects, the (log) number of employees, and linear pre- and post-event trends. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

News is news only if it is new, i.e., if it deviates from priors. Hence, the effect should be stronger for those firms that did not expect that Donald Trump would succeed in becoming US president again. To study whether this is indeed the case, we use information from the iBS wave from September 2024 that elicited what probability firms attached to his reelection. Table 5 replicates our full sample results in the first column and shows in the next columns how the effect size varies conditionally on the firms' expectations for the election result. Point estimates indicate that indeed only those firms shifted their business expectations downward in response to the election result that had previously estimated the success probability for Donald Trump to be below 40 or 50 percent.⁵ In contrast, the expectations of firms that had estimated a victory probability of above 60 percent did not change their expectations in response to the election result. Again, the differences are not statistically significant due to the increase in standard errors. Still, these findings suggest that changes in business expectations are caused by rational updating of priors rather than simply being sentiment-driven.

Consistent with this interpretation, firms' assessments of their current business situation—which are predetermined and therefore unlikely to react to the election outcome within hours—remain broadly unchanged (Table 6). Only small firms and exporters show slight indications of a more negative assessment, while no systematic effect emerges overall.

4.3 Robustness Checks

We implement several robustness checks. Tables with detailed regression results for these robustness checks can be found in the appendix.

⁵We chose the different subsamples as follows: 50 percent is the median, 40 percent is the 0.25-quantile, 60 percent is the 0.75-quantile. Figure A.1 in the appendix shows the full distribution of the underlying probabilistic expectations.

Table 6: Effect of US Presidential Election Result on Business Assessment

	Full Sample	Full Sample	Small	Medium	Large	Exporter	Non-Exp
Bad	0.078 (0.058)	0.068 (0.054)	0.199** (0.099)	-0.025 (0.070)	0.018 (0.078)	0.076* (0.044)	0.074 (0.139)
Normal	-0.037 (0.027)	-0.033 (0.025)	-0.073*** (0.023)	0.011 (0.032)	-0.011 (0.049)	-0.040* (0.022)	-0.018 (0.031)
Good	-0.041 (0.031)	-0.036 (0.029)	-0.126 (0.085)	0.014 (0.038)	-0.007 (0.030)	-0.036 (0.022)	-0.056 (0.111)
Controls	×	✓	✓	✓	✓	✓	✓
<i>N</i>	1966	1966	681	776	507	1548	396

Notes: The table reports estimated average treatment effects for an ordered logit model analogous to equation (1). The estimation sample consists of the online responses from the iBS wave in November 2024. Dependent variable is business assessment, measured on a trichotomous scale ('bad'/'normal'/'good' coded as 1/2/3). The estimates are the average treatment effects of the announcement of the election result on the probability of reporting either answer option of the business expectation question, computed at $(t - Nov6) = 0$. Standard errors in parentheses are clustered at the industry level. Controls include industry fixed effects, the (log) number of employees, and linear pre- and post-event trends. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Linear regression model. Although our dependent variable is discrete and measured on an ordinal scale, we estimate a linear regression model instead of the ordered logit model. The results in Table B.1 confirm our findings: the effect of the announcement of the election result is negative, stronger for large firms than for small firms, and stronger for exporters than for non-exporting firms. The effect is significant in the full sample when we do not include controls and for the sample of exporters. The estimate is large in economic terms: the coefficient of around -0.2 (for the full sample) equals 0.31 standard deviations of business expectations in our main survey wave and is about a third of the average decline in business expectations in the manufacturing industry (with a six-months horizon) of 0.56 points at the beginning of the pandemic between February 2020 and April 2020.

RDD. We use a regression discontinuity design (RDD) to check what effect size estimates we obtain if we narrow the focus to only those firms that responded very closely before or after the cutoff point on November 6, 6:00 a.m. (CET). This is similar in spirit to Di Pace et al. (2025), who implement a small estimation window around treatment dates, too. For the RDD setup, we use a linear regression model. The estimated effect sizes range from -0.40 to -0.79 depending on whether we include controls and/or quadratic trends (Table B.2). They are even a little larger than our full-sample estimates from the linear regression robustness check, suggesting that our full-wave results are conservative estimates of the effects.

Ordered logit model with weighted observations. Similar in spirit to the RDD regression, we implement a variant of our baseline model estimation, for which we weigh each observation by the inverse of the (log) time difference to our main event date. The estimates in Table B.3 are very similar to our results in Table 3, with only marginal differences in point estimates and significance levels.

Binary logit model. To see whether results hold in a simplified model, we construct a binary outcome variable that takes on the value 0 if a firm answered our baseline business expectation question with 'less favorable' and the value 1 if it answered with either 'about the same' or 'more favorable'. The results confirm all our baseline results: The announcement of the election result significantly increased the likelihood that firms report a negative business outlook for the year 2025, the effect is strong and

significant only for large firms, and it is driven exclusively by exporters (Table B.4). The effect sizes are very similar to our baseline results for all (sub)samples.

Alternative expectation measures. Instead of our preferred baseline business expectations with a long expectation horizon, we use two alternative measures as dependent variables that capture business expectations for the next six months. One is measured on the same trichotomous scale as our baseline measure; the other is measured on a scale from 0 (very pessimistic) to 100 (very optimistic). We estimate a linear regression model for the second measure. The results confirm that expectations are significantly changed by the announcement of the election result (Tables B.5 and B.6). The estimates are very similar in size for the alternative measured on the same scale. Estimates for the quasi-continuous measure confirm that results are driven exclusively by exporters. The tentative differences in effect strengths between different firm sizes are not confirmed for the two alternative expectation measures with shorter horizon.

Potentially confounding policy event. We test whether the results are (partly) driven by the breakup of the government coalition in Germany that was announced on the same day in the evening rather than by the US election. To this end, we reestimate our baseline ordered logit models with a new ‘treatment time’ that we set to November 6, 9:15 p.m. (CET). The results indicate that there are no significant effects of this second policy event on November 6 on our baseline measure of business expectations (Table B.7). Although the average marginal treatment effects have the same signs as those in Table 3 for all the samples considered, the estimates are much smaller and not significantly different from zero. Thus, we conclude that it was rather the news about the US election than the breakup of the government in Germany that significantly shifted expectations.

Placebo test. We rerun our baseline regression with data from the previous wave. Because expectations for the calendar year 2025 are not available in that wave, we use business expectations for the next six months (measured on the trichotomous scale) as the dependent variable. The results, shown in Table B.9, do not indicate a similar effect when comparing the responses of the firms that responded during the first two business days of the October survey period with those of the firms that responded later. All point estimates are very small and, without exception, not significantly different from zero.

4.4 Channels and Effects on Business Decisions

While we cannot exactly pin down the relative importance of different potential channels for the effect of the US election shock on business expectations in Germany, we proceed by discussing some potential mechanisms. In particular, we study the impact of the announcement of the election result on production expectations, export expectations, and price expectations, on business uncertainty, as well as on hiring and investment plans. The first five variables are elicited every month as part of the standard iBS; investment plans are elicited every November. Except for uncertainty, all variables are measured on the same trichotomous scale as our baseline outcome variable. Business uncertainty is measured at a quasi-continuous scale from 0 to 100. The relevant horizon is three months for the first four variables, six months for uncertainty, and investment plans refer to the next calendar year.

The estimates in Table 7 show that production and export expectations decrease significantly, with effect sizes comparable to or slightly larger than those reported for general business expectations in Table 3. The effects on production expectations are more pronounced among exporters, suggesting that Donald Trump’s reelection raised short-term concerns about future trade policy and fears of a

reduction in foreign demand.⁶ This narrative is supported by the fact that exporters reduced their export expectations considerably. The effects on the likelihood of reporting pessimistic production expectations (19 percentage points) and export expectations (15 percentage points) are sizable. For comparison: The share of manufacturing firms that report pessimistic production and export expectations increased by 40 and 44 percentage points, respectively, between February and April 2020 in response to the beginning of the pandemic. Expectations of product price changes are unaffected, indicating that there are no immediate revisions of inflation/input cost expectations.⁷

The uncertainty channel is another potential mechanism how the election result could have affected business expectations (Bloom, 2009). However, we find no evidence of effects of the announcement of the election result on the business uncertainty of firms. The point estimates are small and not significantly different from 0 (Table 8). There are two potential explanations for this. First, it is not clear whether changes in macroeconomic uncertainty (such as about future trade policy) translate into changes in uncertainty at the microeconomic level (Kumar et al., 2023). Second, constant business uncertainty could potentially be the net effect of two opposing forces. On the one hand, the fact that the election was decided and not disputed by any of the parties should lead to a reduction in uncertainty. On the other hand, Donald Trump’s erratic policy track record is likely to lead to higher uncertainty. In general, business uncertainty does not appear to have played a mediator role in the causal effect of the election result on business expectations in Germany on November 6, 2024.⁸

The estimates in Table 9 are informative about the impact on business decisions. They relate to the firms’ demand for the two input factors capital and labor and show to what extent firms changed their plans for adjusting these input factors in response to the election result. Regarding investment, firms became significantly more likely to respond that they plan to reduce investment in 2025. The effect is more pronounced for non-exporting firms, suggesting that the election result triggered expectations of a medium-term economic slowdown also among firms not directly exposed to the US economy or, more generally, to international trade. The effects on hiring plans are smaller and mostly not significantly different from 0. This might be due to the rather short horizon of three months. There is one exception: Firms that do not export became more likely to report that they plan to reduce employment. Again, this could be seen as tentative evidence that these firms expect the election result to trigger a broader economic slowdown in Germany that is not limited to a decline in foreign demand.

Given the significant effects on the investment and employment plans of non-exporting firms, we check in an additional robustness test whether these results might be driven by the breakup of the German government rather than by the U.S. election outcome. The estimates in Table B.10 show that this is not the case. In the case of investment plans, the estimated effects are small and statistically insignificant. In the case of employment plans, we find a marginally significant increase in the probability of reporting a planned reduction in staff for the full sample and a lower likelihood of planning employment increases for non-exporting firms (matched by a similar-sized increase of the probability of planning no change in employment levels). However, these estimates do not align with those in Table 9 that correspond to the effects of the U.S. election. Therefore, we conclude that our estimates of the U.S. election effects on firms’

⁶Those concerns proved to be accurate by his very erratic and anti-trade policy with respect to tariffs in spring 2025.

⁷Alternatively, it could be that the expectation horizon of three months is just too short to expect an impact given existing price rigidities.

⁸Looking at other waves of the iBS, we observe an increase in business uncertainty in the manufacturing sector during the run-up towards the election and a steep increase in April 2025 when firms were confronted with erratic and anti-trade tariff policy by the Trump administration.

business plans are not systematically confounded by the domestic political event in Germany.

Table 7: Effect of US Presidential Election Result on Expectations of Production, Prices, and Exports

	Production			Prices			Exports
	Full Sample	Exporter	Non-Exp	Full Sample	Exporter	Non-Exp	Exporter
Decrease	0.186*** (0.041)	0.200*** (0.050)	0.144** (0.067)	-0.014 (0.038)	-0.056 (0.036)	0.074 (0.059)	0.149** (0.060)
About the same	-0.074*** (0.015)	-0.095*** (0.022)	-0.017 (0.029)	-0.003 (0.007)	-0.002 (0.010)	0.091 (0.104)	-0.051*** (0.015)
Increase	-0.094*** (0.027)	-0.095*** (0.032)	-0.083 (0.052)	0.018 (0.045)	0.057* (0.030)	-0.166 (0.158)	-0.099* (0.053)
Controls	✓	✓	✓	✓	✓	✓	✓
N	1963	1549	396	1952	1538	395	1558

Notes: The table reports estimated average treatment effects for ordered logit models analogous to equation (1). The estimation sample consists of the online responses from the iBS wave in November 2024. Dependent variables are production, price and export expectations, measured on a trichotomous scale ('decrease'/'about the same'/'increase' coded as 1/2/3). Estimates are the average treatment effects of the announcement of the election result on the probability of reporting either answer option of the expectation under consideration, computed at $(t - Nov6) = 0$. Standard errors in parentheses are clustered at the industry level. Controls include industry fixed effects, the (log) number of employees, and pre- and post-event trends. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table 8: Effect of US Presidential Election Result on Business Uncertainty

	Full Sample	Full Sample	Small	Medium	Large	Exporter	Non-Exp
Post US election (γ_1)	-0.137 (2.454)	-0.002 (2.521)	-6.129 (3.782)	4.008 (5.639)	1.674 (5.955)	0.902 (3.197)	-6.904 (7.023)
hrs to US election (γ_2)	-0.052 (0.052)	-0.050 (0.052)	0.172 (0.105)	-0.278* (0.129)	-0.000 (0.151)	-0.077 (0.063)	0.108 (0.239)
Post US elec. \times hrs to US election (γ_3)	0.049 (0.052)	0.047 (0.052)	-0.171 (0.114)	0.278* (0.128)	-0.015 (0.148)	0.071 (0.064)	-0.094 (0.252)
Controls	\times	✓	✓	✓	✓	✓	✓
N	1943	1943	674	768	499	1532	390

Notes: The table reports estimates from a linear regression model analogous to equation (1). The estimation sample consists of the online responses from the iBS wave in November 2024. Dependent variable is business uncertainty, measured on a scale from 0 to 100. Standard errors in parentheses are clustered at the industry level. Controls include industry fixed effects and the (log) number of employees. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

4.5 Effects on Other Sectors

Although our main analysis focuses on manufacturing firms, it is instructive to examine whether an election effect on expectations is visible for firms from other sectors, too. To do so, we re-estimate our baseline specification for firms from the trade and service sector, respectively, and for the full sample of all firms.

For the economy as a whole, we find a statistically and economically significant decline in business expectations (Table 10). The probability of reporting a less favorable outlook increases by around ten percentage points, while the shares of firms with worse outlooks decrease correspondingly. Looking at the specific sectors, it is interesting to see that for service firms the deterioration in expectations is of

Table 9: Effect of US Presidential Election Result on Investment and Employment Plans

	Investment			Employment		
	Full Sample	Exporter	Non-Exp	Full Sample	Exporter	Non-Exp
Decrease	0.140*	0.131	0.158**	0.054	0.024	0.132**
	(0.077)	(0.095)	(0.072)	(0.043)	(0.044)	(0.058)
About the same	-0.016**	-0.025**	0.033	-0.033	-0.017	0.015
	(0.008)	(0.013)	(0.045)	(0.026)	(0.030)	(0.065)
Increase	-0.124	-0.106	-0.191*	-0.021	-0.007	-0.147
	(0.079)	(0.084)	(0.108)	(0.017)	(0.013)	(0.113)
Controls	✓	✓	✓	✓	✓	✓
<i>N</i>	1667	1315	337	1958	1546	394

Notes: The table reports estimated average treatment effects for ordered logit models analogous to equation (1). The estimation sample consists of the online responses from the iBS wave in November 2024. Dependent variables are investment plans for 2025 and employment plans for the next three months, both measured on a tri-chotomous scale ('decrease'/'about the same'/'increase' coded as 1/2/3). Estimates are the average treatment effects of the announcement of the election result on the probability of reporting either answer option of the expectation under consideration, computed at $(t - Nov6) = 0$. Standard errors in parentheses are clustered at the industry level. Controls include industry fixed effects, the (log) number of employees, and pre and post-event trends. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

similar size as in the manufacturing sector. Thus, the news of Donald Trump's reelection also dampened expectations of firms not directly exposed to the US economy (the export share of services offered by the firms included in the survey is very small). This indicates potentially concerns about the new administration's effects on the broader macroeconomic environment. By contrast, the results for firms in the trade sector show no economically relevant response of expectations.

Taken together, the sectoral evidence confirms that the U.S. election result affected manufacturing and service firms, while the retail and wholesale sectors were not affected. This pattern is consistent with an export-demand channel complemented by broader sentiment spillovers to service activities that are closely linked to industrial production such as, for instance, transport and logistics. Note again that we refrain from any deeper analysis of effect heterogeneity within the service and trade sector due to the lack of survey information on firms' exposure to the U.S. economy and on their previous expectations of the election outcome.

5 Conclusion

Our analysis provides causal evidence that the announcement of the 2024 US presidential election result led to a short-term decline in business expectations among German manufacturing firms. The effect is large, increasing the likelihood of reporting negative business expectations by 12 percentage points for all firms and even more strongly for exporters. The effects are most pronounced for firms with direct exposure to the US economy. In addition, we present evidence that only those firms reacted in response to the news about the reelection of Donald Trump, which had estimated his chances for victory to be unlikely prior to the election. The effects are robust with respect to the model specifications and the choice of the particular expectation measure used. Regarding the effect on business decisions, we find that learning about the election result led firms to downsize their investment spending plans. Due to our

Table 10: Effect of US Presidential Election Result on Business Expectations in Different Sectors

	Full Sample	Manufacturing	Trade	Service
Less favorable	0.097*** (0.031)	0.116* (0.062)	-0.012 (0.009)	0.130*** (0.031)
About the same	-0.043*** (0.011)	-0.042*** (0.016)	0.007 (0.009)	-0.056*** (0.011)
More favorable	-0.053*** (0.020)	-0.074 (0.048)	0.005*** (0.000)	-0.074*** (0.024)
Controls	✓	✓	✓	✓
<i>N</i>	5214	1922	1154	2138

Notes: The table reports estimated average treatment effects for the ordered logit model based on equation (1). The estimation sample consists of the online responses from the iBS wave in November 2024. Business expectations for the year 2025 are the dependent variable, measured on a trichotomous scale ('less favorable'/'about the same'/'more favorable' coded as 1/2/3). The estimates are the average treatment effects of the announcement of the election result on the probability of reporting either answer option of the business expectation question, computed at $(t - Nov6) = 0$. Standard errors in parentheses are clustered at the industry level. Controls include industry fixed effects, the (log) number of employees, and linear pre- and post-event trends. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

identification setup, we cannot speak to causal longer-term effects of the election outcome on business expectations in Germany.

In one of the robustness checks, we confirm that the decline in business expectations is indeed driven by the announcement of the US election result rather than the government breakup in Germany that was announced later on the same day. We think that this finding is plausible for two reasons. First, the German economy, in particular the manufacturing sector, is very export dependent (in 2024 the exports-to-GDP ratio was above 40 percent) and we confirm that our results are driven by exporters. Second, the outcome of the US election implied a very radical policy change with great certainty, while there was great uncertainty immediately after the breakup of the German federal government about when early new elections would take place and which parties would form the new government afterwards.

While other studies have shown that firms react to policy shocks when they occur (Coibion and Gorodnichenko, 2012; Enders et al., 2019; Hack and Rostam-Afschar, 2024; Di Pace et al., 2025), our analysis shows that firms are attentive to election results and immediately adjust their business expectations in anticipation of future policy changes. The fact that primarily those firms adjust their expectations that are likely to be affected (exporters, especially with exposure to the US economy) and that business assessment is largely unaffected suggests that the expectation updating follows rational motives rather than being sentiment-driven like the partisan swings observed in the case of private households' expectations around elections. With regard to models of expectation formation with rational inattention, our results add to the growing evidence that firms are attentive, on average, and adjust their expectations in response to relevant news, at least to very salient news such as the one studied in this paper.

Although having established a causal impact of policy events on expectations and business plans of firms is interesting and relevant in itself, because it contributes to a better understanding of the expectation formation process of firms, it would also be informative to study the impact on subsequent

business outcomes (as in Tanaka et al. (2020), who study the effect of macroeconomic expectations of firms on their subsequent business performance). So going forward, an interesting research project would be to track how persistent expectation changes are and how firm outcomes—such as profits, productivity, or turnover—of those firms that shifted their expectations in response to the election result differ from those that did not react. We refrain from doing so in this paper because it would be hard to establish truly causal evidence given our data.

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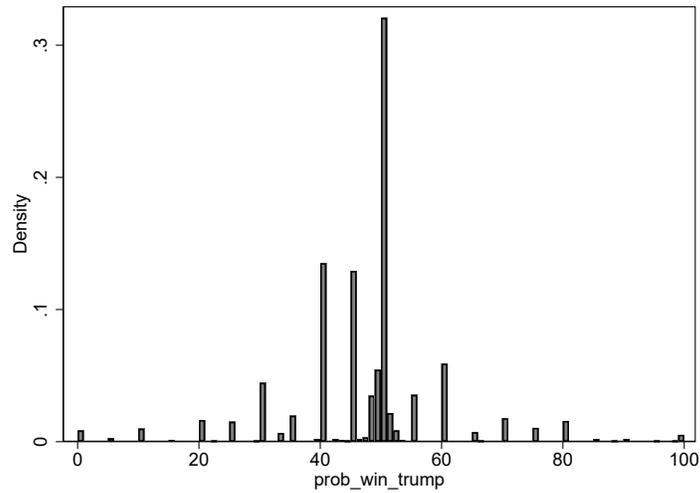
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Appendix

Appendix A. Data

Figure A.1: Histogram Probability of a Trump Win



Notes: The graph shows a histogram of the probability of Trump win stated by the firms in September 2024.

Appendix B. Robustness Checks

Table B.1: Effect of US Presidential Election Result on Business Expectations—Linear Regression

	Full Smpl	Full Smpl	Small	Medium	Large	Exporter	Non-Exp
Post US election (γ_1)	-0.207*	-0.190	-0.093	-0.181	-0.292	-0.246*	0.064
	(0.109)	(0.112)	(0.193)	(0.117)	(0.210)	(0.128)	(0.164)
hrs to US election (γ_2)	0.005	0.004	0.002	0.006**	0.004	0.005	0.003
	(0.003)	(0.003)	(0.006)	(0.002)	(0.006)	(0.003)	(0.004)
Post US election \times hrs to US election γ_3	-0.004	-0.004	-0.002	-0.006**	-0.004	-0.004	-0.004
	(0.003)	(0.003)	(0.005)	(0.002)	(0.006)	(0.003)	(0.004)
Controls	\times	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark
N	1922	1922	671	768	481	1519	384

Notes: The table reports estimates from the linear regression shown in equation (1). Dependent variable is business expectations for the year 2025, measured on a trichotomous scale ('less favorable'/'about the same'/'more favorable' coded as 1/2/3). Standard errors in parentheses are clustered at the industry level. Controls include industry fixed effects and the (log) number of employees. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table B.2: Effect of US Presidential Election Result on Business Expectations—RDD Approach

	Full sample	Full sample	Full sample	Full sample
Post US election	-0.420*	-0.753**	-0.402*	-0.793***
	(0.247)	(0.324)	(0.229)	(0.289)
Controls	\times	\times	\checkmark	\checkmark
Trend	linear	quadratic	linear	quadratic
Bandwidth	28.638	25.205	27.579	25.176
Eff. nobs	264 / 110	264 / 110	264 / 125	264 / 110

Notes: This table shows estimates from a regression discontinuity design approach that uses November 6, 2024, 6:00 a.m. (CET) as the cutt-off point. Dependent variable is business expectations for the year 2025, measured on a trichotomous scale ('less favorable'/'about the same'/'more favorable' coded as 1/2/3). Standard errors in parentheses are clustered at the industry level. A MSE-optimal bandwidth selection is used. Controls include industry fixed effects and the (log) number of employees. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table B.3: Effect of US Presidential Election Result on Business Expectations—Ordered Logit with Weighted Observations

	Full Smpl	Full Smpl	Small	Medium	Large	Exporter	Non-Exp
Less Favorable	0.125** (0.059)	0.120* (0.063)	0.089 (0.101)	0.110 (0.071)	0.166 (0.110)	0.143** (0.071)	0.048 (0.100)
About the same	-0.045*** (0.015)	-0.043*** (0.017)	-0.038 (0.038)	-0.032 (0.021)	-0.056* (0.030)	-0.048*** (0.016)	-0.021 (0.045)
More Favorable	-0.080* (0.048)	-0.077 (0.047)	-0.051 (0.065)	-0.078 (0.053)	-0.110 (0.101)	-0.095 (0.060)	-0.026 (0.055)
Controls	×	✓	✓	✓	✓	✓	✓
<i>N</i>	1922	1922	671	768	481	1519	384

Notes: The table reports estimated average treatment effects for the ordered logit model based on equation (1). The estimation sample consists of the online responses from the iBS wave in November 2024. Observations are weighted by the inverse (log) distance from our main event date. Business expectations for the year 2025 are the dependent variable, measured on a trichotomous scale ('less favorable'/'about the same'/'more favorable' coded as 1/2/3). The estimates are the average treatment effects of the announcement of the election result on the probability of reporting either answer option of the business expectation question, computed at $(t - Nov6) = 0$. Standard errors in parentheses are clustered at the industry level. Controls include industry fixed effects, the (log) number of employees, and linear pre- and post-event trends. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table B.4: Effect of US Presidential Election Result on Business Expectations—Binary Logit Model

	Full Smpl	Full Smpl	Small	Medium	Large	Exporter	Non-Exp
Less Favorable	0.113** (0.056)	0.102* (0.058)	0.122 (0.113)	0.016 (0.090)	0.182** (0.083)	0.135** (0.069)	-0.060 (0.093)
Controls	×	✓	✓	✓	✓	✓	✓
Observations	1922	1922	671	768	472	1519	383

Notes: The table reports estimated average treatment effects for a binary logit model based on equation (1). Dependent variable is a binary indicator of business expectations for the year 2025 that takes on the value 0 if a firm answered with 'less favorable' and the value 1 if it answered with either 'about the same' or 'more favorable'. Estimates are the average treatment effects of the announcement of the election result on the probability of reporting 'less favorable', computed at $(t - Nov6) = 0$. Standard errors in parentheses are clustered at the industry level. Controls include industry fixed effects, the (log) number of employees, and linear pre- and post-event trends. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table B.5: Effect of US Presidential Election Result on Business Expectations—VAS from 0 to 100

	Full Sample	Full Sample	Small	Medium	Large	Exporter	Non-Exp
Post US election (γ_1)	-4.892** (2.075)	-3.886* (1.992)	-3.898 (3.611)	-4.470* (2.361)	-1.193 (5.709)	-4.712* (2.454)	0.725 (4.238)
hrs to US election (γ_2)	0.134** (0.052)	0.101* (0.049)	0.109 (0.098)	0.177*** (0.040)	-0.058 (0.122)	0.103* (0.055)	0.057 (0.190)
Post US elec. \times hrs to US election (γ_3)	-0.123** (0.049)	-0.093* (0.046)	-0.114 (0.099)	-0.162*** (0.039)	0.074 (0.121)	-0.091 (0.054)	-0.066 (0.195)
Controls	\times	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark
N	1943	1943	669	772	500	1533	389

Notes: The table reports estimates from the linear regression shown in equation (1). Dependent variable is business expectations for the next six months, measured on a VAS from 0 to 100. Standard errors in parentheses are clustered at the industry level. Controls include industry fixed effects, the (log) number of employees, and pre and post-event trends. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table B.6: Effect of US Presidential Election Result on Business Expectations—Trichotomous Scale

	Full Sample	Full Sample	Small	Medium	Large	Exporter	Non-Exp
Less Favorable	0.154*** (0.056)	0.144** (0.058)	0.271*** (0.086)	0.068 (0.075)	0.064 (0.102)	0.134* (0.069)	0.173** (0.087)
About the same	-0.085*** (0.026)	-0.079*** (0.028)	-0.110*** (0.025)	-0.042 (0.045)	-0.042 (0.061)	-0.076** (0.036)	-0.083*** (0.031)
More Favorable	-0.069** (0.034)	-0.065** (0.031)	-0.161** (0.080)	-0.026 (0.030)	-0.022 (0.041)	-0.058* (0.034)	-0.090 (0.069)
Controls	\times	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark
N	1966	1966	681	773	510	1551	395

Notes: The table reports estimated average treatment effects for an ordered logit model analogous to equation (1). The estimation sample consists of the online responses from the iBS wave in November 2024. Business expectations with a horizon of six months are the dependent variable. They are measured on a trichotomous scale ('less favorable'/'about the same'/'more favorable' coded as 1/2/3). The estimates are the average treatment effects of the announcement of the election result on the probability of reporting either answer option, computed at $(t - Nov6) = 0$. Standard errors in parentheses are clustered at the industry level. Controls include industry fixed effects and the (log) number of employees. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table B.7: Effect of Government Breakup in Germany on Business Expectations

	Full Sample	Full Sample	Small	Medium	Large	Exporter	Non-Exp
Less Favorable	0.065 (0.055)	0.063 (0.056)	0.033 (0.122)	0.029 (0.066)	0.090 (0.144)	0.070 (0.070)	-0.043 (0.090)
About the same	-0.016 (0.021)	-0.016 (0.020)	-0.015 (0.047)	0.024 (0.049)	-0.044 (0.038)	-0.027 (0.021)	0.052 (0.067)
More Favorable	-0.050 (0.058)	-0.047 (0.056)	-0.018 (0.076)	-0.054 (0.087)	-0.046 (0.118)	-0.043 (0.059)	-0.009 (0.135)
Controls	×	✓	✓	✓	✓	✓	✓
<i>N</i>	1922	1922	671	768	481	1519	384

Notes: The table reports estimated average treatment effects for an ordered logit model analogous to equation (1). Instead of setting the event time to November 6, 2024, 6:00 a.m. (CET) and also measuring temporal distances to this date, this model sets the event date to 9:15 p.m. (CET) on the same day when the breakup of the coalition government for Germany was effectively announced. The estimation sample consists of the online responses from the iBS wave in November 2024. Dependent variable is business expectations for the year 2025, measured on a trichotomous scale ('less favorable'/'about the same'/'more favorable' coded as 1/2/3). Estimates are the average treatment effects of the announcement of the election result on the probability of reporting either answer option of the expectation under consideration, computed at $(t - Nov6) = 0$. Standard errors in parentheses are clustered at the industry level. Controls include industry fixed effects, the (log) number of employees, and pre and post-event trends. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table B.8: Effect of Government Breakup in Germany on Expectations of Production, Prices, and Exports

	Production			Full Sample	Prices		Exports Exporter
	Full Sample	Exporter	Non-Exp		Exporter	Non-Exp	
Decrease	0.096** (0.041)	0.063 (0.066)	0.063 (0.080)	-0.075 (0.065)	-0.128 (0.082)	-0.016 (0.040)	0.100** (0.047)
About the same	-0.004 (0.045)	-0.032 (0.026)	0.124** (0.058)	0.013 (0.046)	0.057 (0.071)	0.024 (0.120)	-0.030 (0.042)
Increase	-0.073* (0.044)	-0.028 (0.045)	-0.023 (0.048)	0.062** (0.031)	0.071** (0.031)	-0.009 (0.153)	-0.069 (0.068)
Controls	✓	✓	✓	✓	✓	✓	✓
<i>N</i>	1963	1549	396	1952	1538	395	1558

Notes: The table reports estimated average treatment effects for ordered logit models analogous to equation (1). The estimation sample consists of the online responses from the iBS wave in November 2024. Dependent variables are production, price and export expectations, measured on a trichotomous scale ('decrease'/'about the same'/'increase' coded as 1/2/3). Instead of setting the event time to November 6, 2024, 6:00 a.m. (CET) and also measuring temporal distances to this date, this model sets the event date to 9:15 p.m. (CET) on the same day when the breakup of the coalition government for Germany was effectively announced. Standard errors in parentheses are clustered at the industry level. Controls include industry fixed effects, the (log) number of employees, and pre- and post-event trends. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table B.9: Effect of US Presidential Election Result on Business Expectations—Placebo Regression for October 2024

	Full Smpl	Full Smpl	Small	Medium	Large	Exporter	Non-Exp
Less Favorable	0.060 (0.088)	0.057 (0.093)	0.065 (0.121)	0.031 (0.123)	0.072 (0.188)	0.076 (0.076)	0.042 (0.196)
About the Same	-0.011 (0.039)	-0.015 (0.030)	0.017 (0.096)	-0.004 (0.026)	-0.041 (0.033)	-0.013 (0.056)	-0.018 (0.049)
More Favorable	-0.049 (0.116)	-0.042 (0.110)	-0.081 (0.176)	-0.027 (0.126)	-0.030 (0.159)	-0.064 (0.122)	-0.024 (0.153)
Observations	1918	1918	659	753	504	1481	409

Notes: The table reports estimated average treatment effects for the ordered logit model based on equation (1). The estimation sample consists of the online responses from the iBS wave in October 2024. Business expectations for the next six months is the dependent variable, measured on a trichotomous scale ('less favorable'/'about the same'/'more favorable' coded as 1/2/3). The estimation mirrors the time frame of November for October. Standard errors in parentheses are clustered at the industry level. Controls include industry fixed effects, the (log) number of employees, and linear pre- and post-event trends. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table B.10: Effect of Government Breakup in Germany on Investment and Employment Plans

	Investment			Employment		
	Full Sample	Exporter	Non-Exp	Full Sample	Exporter	Non-Exp
Decrease	0.015 (0.060)	-0.020 (0.087)	0.002 (0.077)	0.064* (0.034)	0.064 (0.044)	0.010 (0.061)
About the same	0.006 (0.017)	0.006 (0.024)	0.065 (0.073)	0.032 (0.057)	-0.010 (0.045)	0.170** (0.082)
Increase	-0.021 (0.070)	0.015 (0.062)	-0.068 (0.128)	-0.096 (0.066)	-0.055 (0.063)	-0.180** (0.086)
Controls	✓	✓	✓	✓	✓	✓
N	1667	1315	337	1958	1546	394

Notes: The table reports estimated average treatment effects for ordered logit models analogous to equation (1). The estimation sample consists of the online responses from the iBS wave in November 2024. Dependent variables are investment plans for 2025 and employment plans for the next three months, both measured on a trichotomous scale('decrease'/'about the same'/'increase' coded as 1/2/3). Instead of setting the event time to November 6, 2024, 6:00 a.m. (CET) and also measuring temporal distances to this date, this model sets the event date to 9:15 p.m. (CET) on the same day when the breakup of the coalition government for Germany was effectively announced. Standard errors in parentheses are clustered at the industry level. Controls include industry fixed effects, the (log) number of employees, and pre and post-event trends. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Appendix C. Wording of Survey Questions

For each question, we show the original wording in German on the left and our translation into English on the right.

Wording for business expectations for 2025

Im Jahr 2025 wird unsere Geschäftslage im Vergleich zu 2024 voraussichtlich

- eher günstiger,
- eher gleich bleiben,
- eher ungünstiger.

In 2025, our business situation, compared to 2024, will likely be:

- somewhat more favorable,
- about the same,
- somewhat less favorable.

Wording for business expectations (six-months horizon)

Erwartungen für die nächsten 6 Monate. Unsere Geschäftslage wird voraussichtlich

- eher günstiger,
- eher gleich bleiben,
- eher ungünstiger.

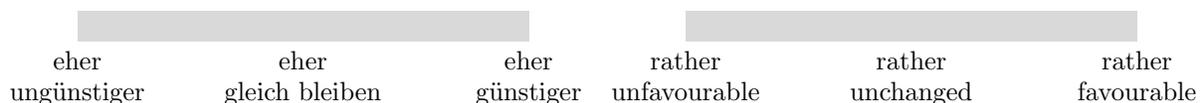
Expectations for the next 6 months. Our business situation will likely be:

- somewhat more favorable,
- about the same,
- somewhat less favorable.

Wording for business expectations elicited by VAS

Unsere Geschäftslage wird voraussichtlich in den nächsten 6 Monaten:

We expect our business situation to develop as follows over the next 6 months:



Wording for US exposure of firms (September 2024)

Welche Rolle spielen die USA aktuell für Ihr Unternehmen?

What role do the USA currently play for your company?

Als Ziel für Ihre Exporte:

As a destination for your exports:

- sehr wichtig
- eher wichtig
- eher unwichtig
- sehr unwichtig
- wir exportieren nicht in die USA

- very important
- rather important
- rather unimportant
- very unimportant
- we do not export to the USA

Als Quelle Ihrer Importe:

As a source of your imports:

- sehr wichtig
- eher wichtig
- eher unwichtig
- sehr unwichtig
- wir importieren nicht aus den USA

- very important
- rather important
- rather unimportant
- very unimportant
- we do not import from the USA

Wording for expectations about the election result (September 2024)

Was denken Sie, mit welcher Wahrscheinlichkeit wird Donald Trump die Präsidentschaftswahl im November in den USA für sich entscheiden?

_____ %

What do you think is the probability that Donald Trump will win the U.S. presidential election in November?

_____ %