

Notice: Embargo violations will lead to deliveries after 10 CET in the following month!

## Ifo Business Climate Germany

Results of the February 2006 Ifo Business Survey

### Upswing gains in scope

The Ifo Business Climate Index for German industry and trade rose again in February, continuing the upward trend evident since the summer of 2005. For the third time in succession, the surveyed firms gave more favourable assessments of both their current situation and their business expectations for the coming six months. In addition to exports, domestic demand appears to be gaining momentum as well.

In manufacturing, the business climate index increased slightly. Manufacturers assumed that their favourable current situation will further improve in the coming six months. Export expectations continue to be highly positive, albeit slightly less so than in the previous month. Retailers reported an improved current situation and noticeably more optimistic expectations for the coming six months. Business expectations improved as well in wholesaling and construction. While the surveyed firms did not alter their outlook, construction companies assessed the current situation as somewhat better and wholesalers as clearly more positive.

In eastern Germany the rise in the business climate index improved more strongly than the federal average.

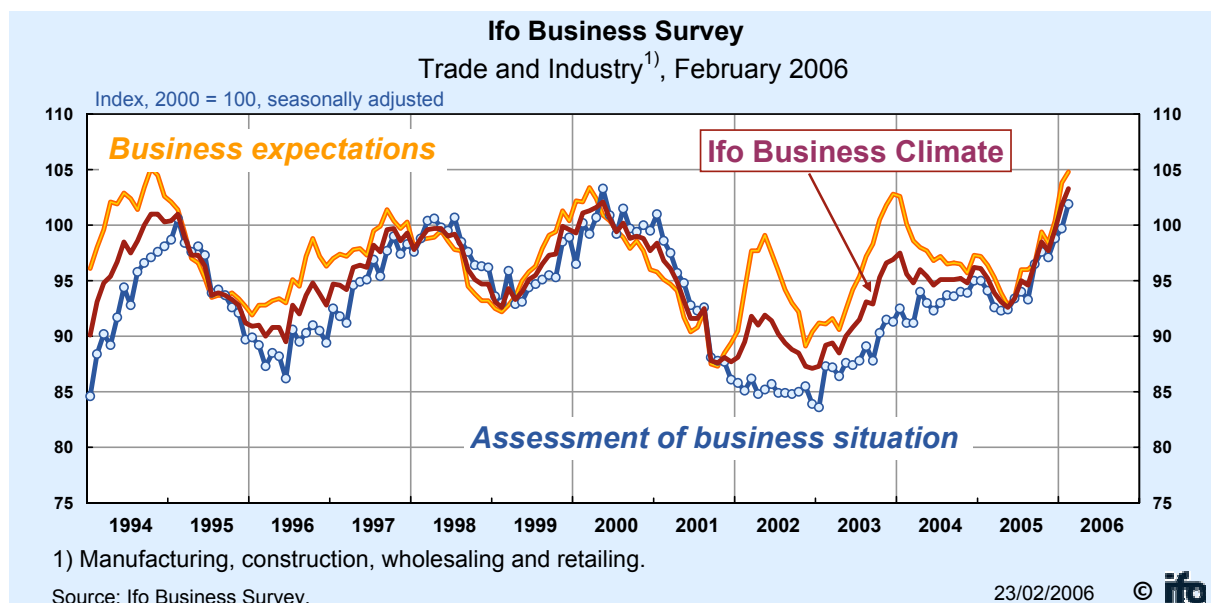
Hans-Werner Sinn

President of the Ifo Institute for Economic Research at the University of Munich

P.S.: As of February the time series of the Business Survey have been slightly revised on the basis of updated aggregation and weighting methods.

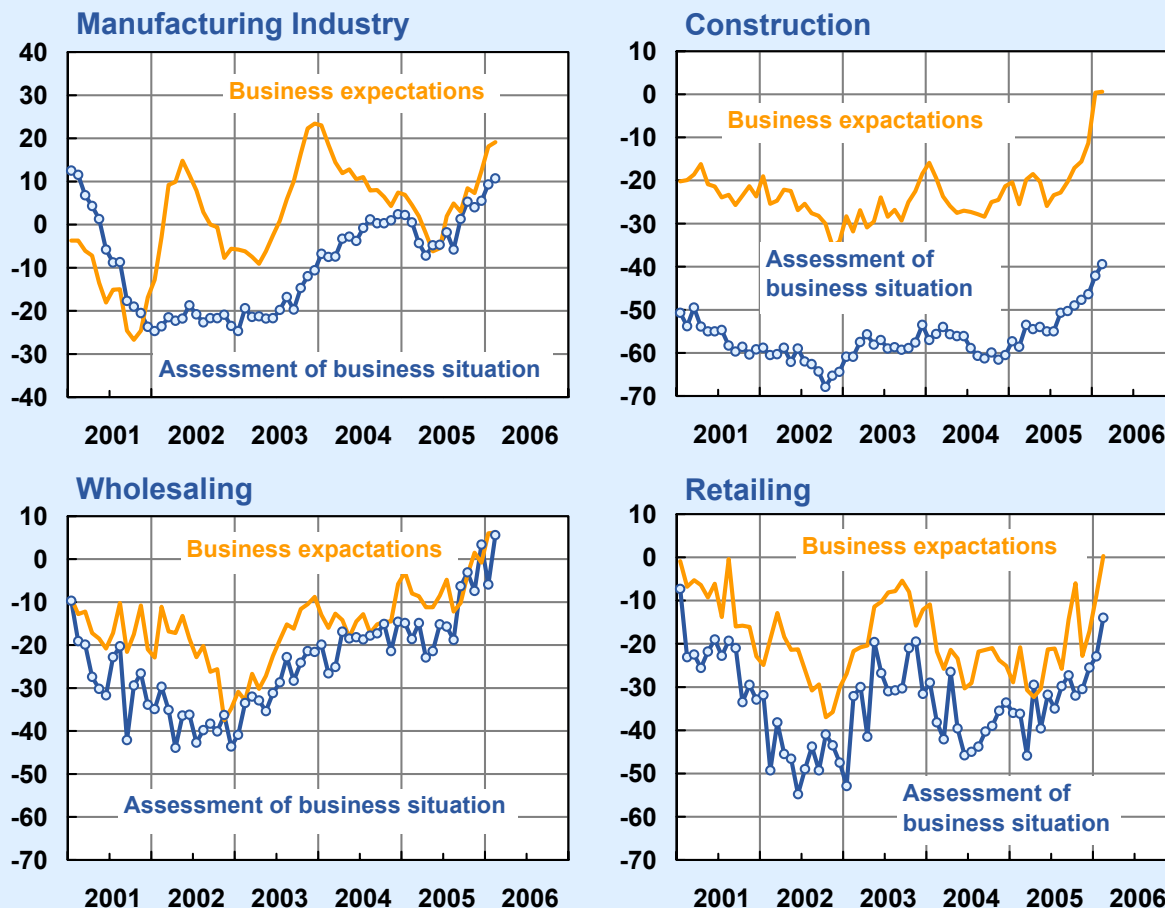
### Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	2/05	3/05	4/05	5/05	6/05	7/05	8/05	9/05	10/05	11/05	12/05	01/06	02/06
<b>Climate</b>	95.2	93.9	93.1	92.6	93.4	95.0	94.6	96.6	98.5	97.7	99.6	101.8	103.3
<b>Situation</b>	94.1	92.6	92.3	92.4	93.4	94.0	93.3	96.5	97.6	97.1	98.8	99.7	101.9
<b>Expectations</b>	96.4	95.3	93.9	92.8	93.5	96.0	96.0	96.6	99.4	98.4	100.4	103.8	104.8



## Business Situation and Expectations by Sectors

February 2006; balances, seasonally adjusted



Source: Ifo Business Survey.

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### Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	2/05	3/05	4/05	5/05	6/05	7/05	8/05	9/05	10/05	11/05	12/05	01/06	02/06
<b>Trade and Industry</b>	-10.3	-13.0	-14.6	-15.6	-14.0	-10.8	-11.5	-7.7	-3.8	-5.4	-1.7	2.6	5.8
<b>Manufacturing</b>	2.5	-1.2	-4.7	-5.5	-5.1	0.1	-0.5	2.1	6.8	5.6	8.9	13.6	14.9
<b>Construction</b>	-42.9	-37.5	-37.5	-38.0	-41.1	-40.0	-37.3	-36.0	-33.8	-32.4	-29.8	-22.1	-20.5
<b>Wholesaling</b>	-13.4	-11.8	-17.1	-16.4	-11.9	-10.3	-15.5	-8.2	-3.3	-3.0	1.3	0.0	5.9
<b>Retailing</b>	-28.7	-38.5	-30.9	-35.0	-26.6	-28.1	-27.8	-20.9	-19.5	-26.7	-21.4	-16.0	-7.0

Source: Ifo Business Survey

**Legend:** The Ifo Business Climate Index is based on ca. 7,000 monthly survey responses of firms in manufacturing, construction, wholesaling and retailing. The firms are asked to give their assessments of the **current business situation** and their **expectations** for the next six months. They can characterise their situation as "good", "satisfactorily" or "poor" and their business expectations for the next six months as "more favourable", "unchanged" or "more unfavourable". The **balance value** of the current business situation is the difference of the percentages of the responses "good" and "poor", the balance value of the expectations is the difference of the percentages of the responses "more favourable" and "more unfavourable". The **business climate** is a transformed mean of the balances of the business situation and the expectations. For calculating the **index values** the transformed balances are all normalized to the average of the year 2000.

## Ifo Business Climate in the German Services Sector

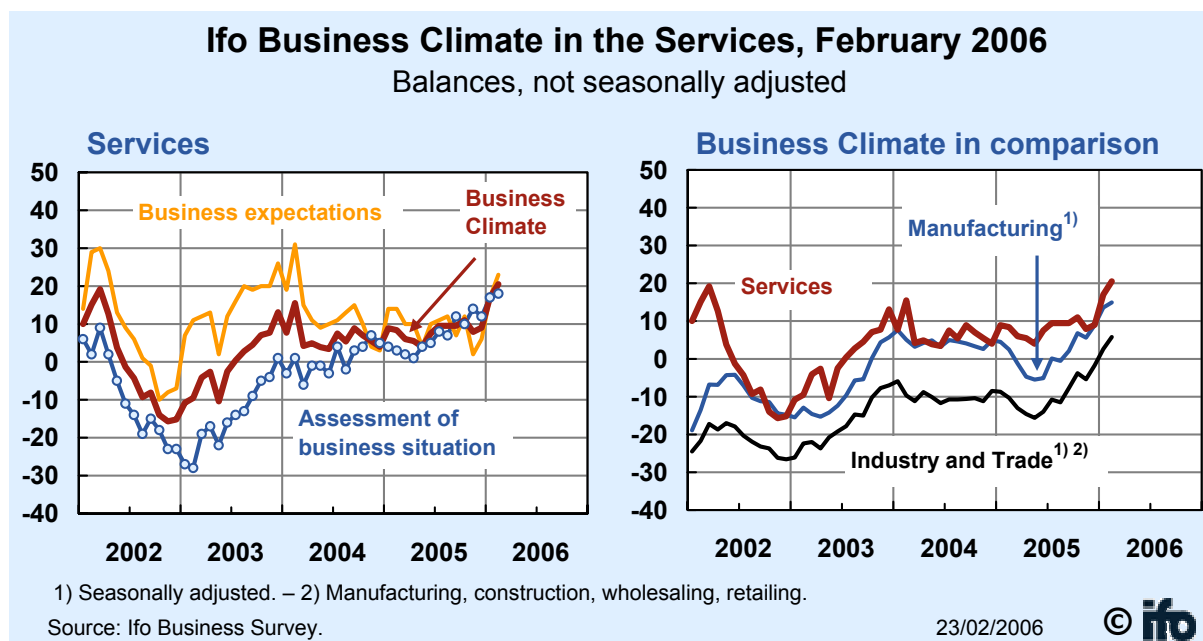
Results for February 2006

### Further Improvement of the Ifo Business Climate in the Services

The Ifo Business Climate in the German services sector improved again in February for the third time running. The surveyed firms assessed the outlook for the coming six months particularly positively. Their current situation was evaluated once again more favourably than in the previous month. Their hiring plans show a positive trend.

Hans-Werner Sinn

President of the Ifo Institute for Economic Research at the University of Munich



### German Services Sector (Balances, not seasonally adjusted)

Month/Year	2/05	3/05	4/05	5/05	6/05	7/05	8/05	9/05	10/05	11/05	12/05	01/06	02/06
<b>Climate</b>	8.4	6.0	5.5	4.0	7.5	9.5	9.5	9.5	11.0	7.9	9.0	17.0	20.5
<b>Situation</b>	3.0	2.0	1.0	4.0	5.0	8.0	7.0	12.0	10.0	14.0	12.0	17.0	18.0
<b>Expectations</b>	14.0	10.0	10.0	4.0	10.0	11.0	12.0	7.0	12.0	2.0	6.0	17.0	23.0

Source: Ifo Business Survey

Explanatory note: The Ifo Business Survey in the Services is based on ca. 2,000 monthly survey responses of firms in important, especially business-oriented segments of the tertiary sector (excl. distribution, financial services, leasing, insurance and government). The survey is conducted and calculated analogously to the Ifo Business Survey in industry and trade. In comparing the various curves of the Business Climate, it must be kept in mind that for methodological reasons the results of the Business Survey in the Services are not yet seasonally adjusted. The indicator for the Business Climate in the services has not yet been incorporated into the Ifo Business Climate Index for industry and trade.