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Ifo Business Climate Germany

Results of the March 2006 Ifo Business Survey

Ifo Business Climate Index Continues to Rise

The Ifo Business Climate Index for German industry and trade rose again in March. For the fourth time in succession, the surveyed firms gave more favourable assessments of both their current situation and their business expectations for the coming six months. They were especially more satisfied with their present business situation than in February. This is an indication that the economic recovery has stabilised further.

In manufacturing, the business climate index increased because of the clearly improved assessments of the current situation. Their business expectations remained at the same level, and the firms also gave positive appraisals of future export business. In the other three survey areas that comprise the Ifo Index for industry and trade – construction, retailing and wholesaling – the upward trend also continued. Especially retailers reported an improved current situation. In construction more confidence was expressed in business for the coming months.

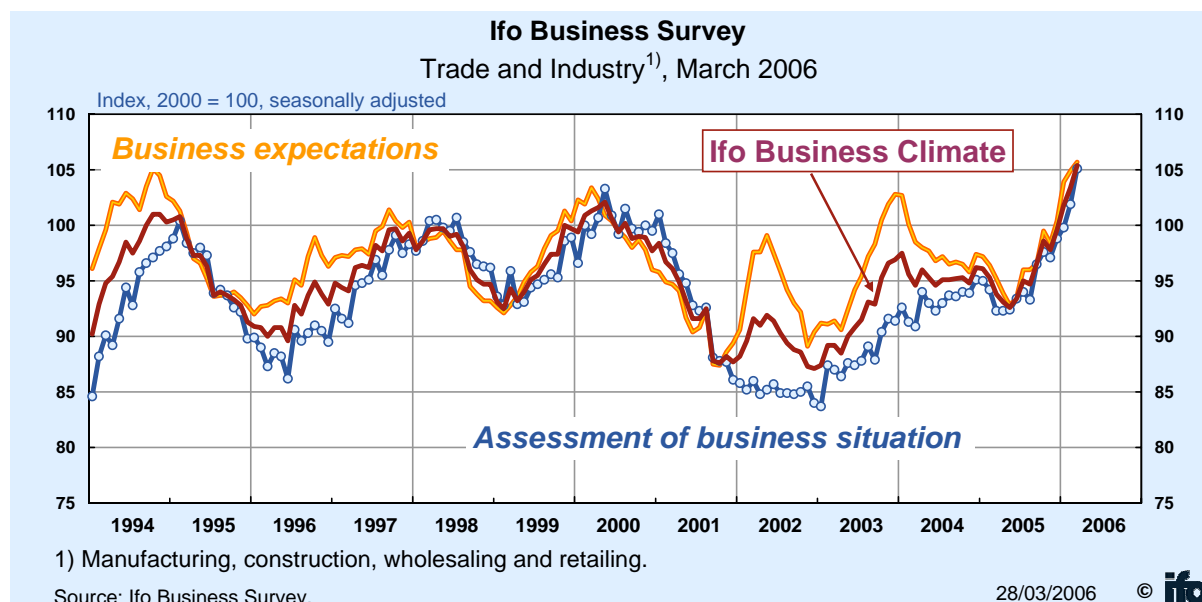
In eastern Germany the rise in the index was stronger than the federal average.

Hans-Werner Sinn

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

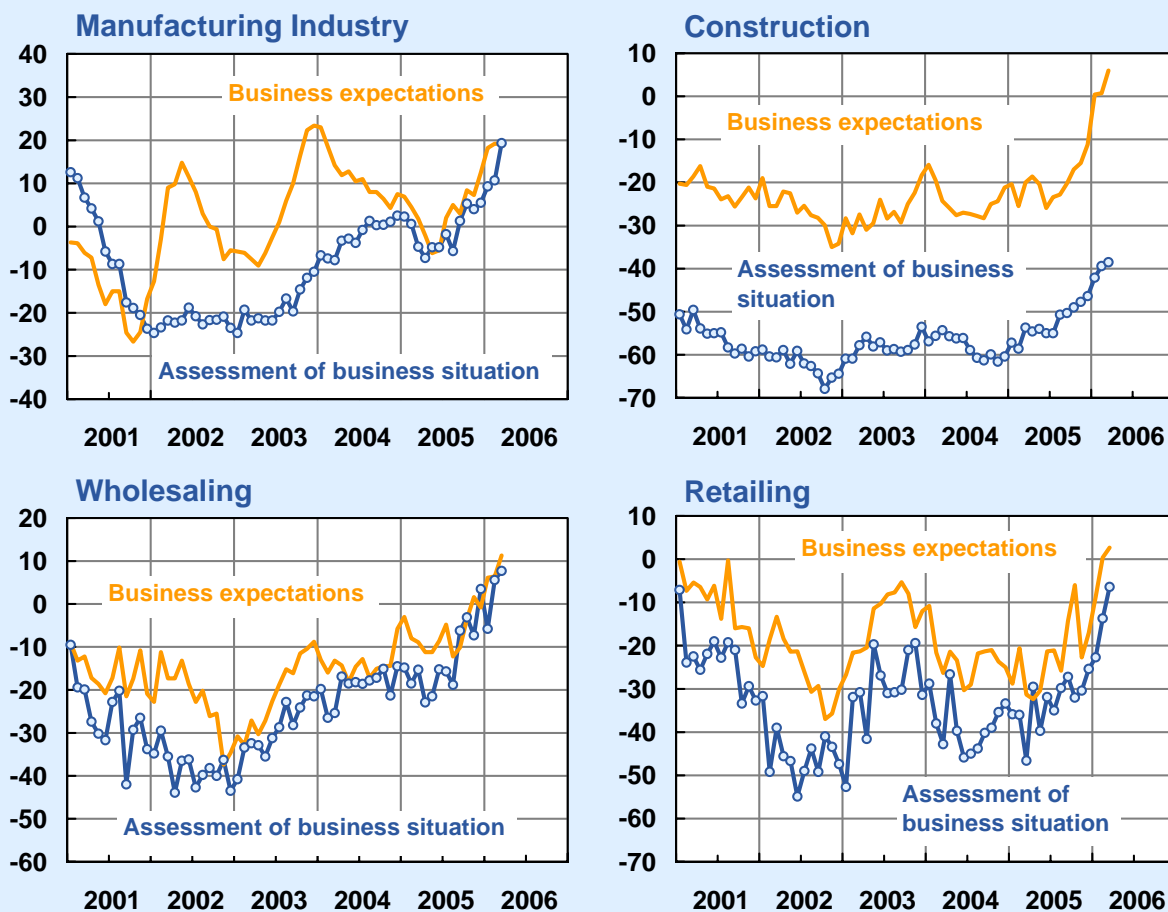
Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	3/05	4/05	5/05	6/05	7/05	8/05	9/05	10/05	11/05	12/05	01/06	02/06	03/06
Climate	93.8	93.1	92.6	93.4	95.0	94.7	96.6	98.6	97.8	99.6	101.8	103.4	105.4
Situation	92.3	92.3	92.4	93.4	94.0	93.3	96.5	97.6	97.1	98.8	99.8	101.9	105.1
Expectations	95.2	93.9	92.8	93.5	96.0	96.0	96.6	99.5	98.4	100.4	103.9	104.9	105.7



Business Situation and Expectations by Sectors

March 2006; balances, seasonally adjusted



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	3/05	4/05	5/05	6/05	7/05	8/05	9/05	10/05	11/05	12/05	01/06	02/06	03/06
Trade and Industry	-13.3	-14.6	-15.7	-14.0	-10.8	-11.5	-7.7	-3.7	-5.3	-1.6	2.7	5.8	9.9
Manufacturing	-1.5	-4.7	-5.5	-5.1	0.1	-0.5	2.2	6.9	5.7	9.0	13.7	14.9	19.2
Construction	-37.7	-37.6	-38.1	-41.2	-40.0	-37.3	-36.0	-33.7	-32.4	-29.7	-22.1	-20.5	-17.6
Wholesaling	-12.1	-17.2	-16.4	-11.9	-10.3	-15.5	-8.2	-3.3	-2.9	1.4	0.1	6.0	9.5
Retailing	-39.1	-31.0	-35.1	-26.7	-28.2	-27.8	-20.9	-19.4	-26.6	-21.3	-15.9	-6.8	-1.9

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 normalised to the average of the year 2000.

Ifo Business Climate in the German Services Sector

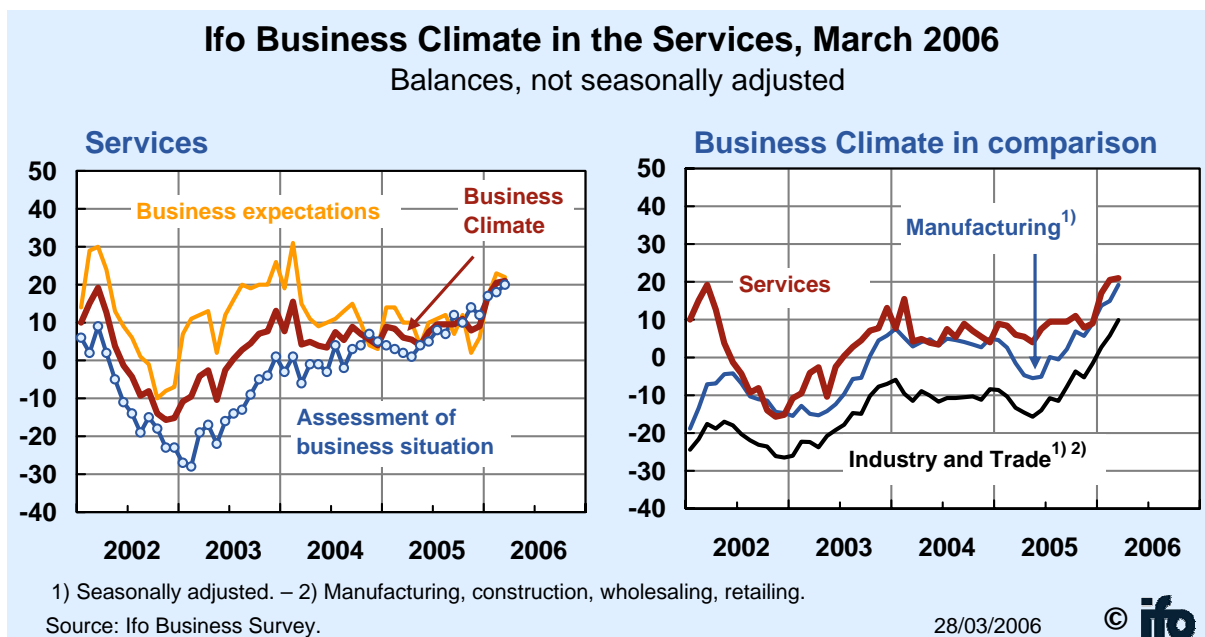
Results for March 2006

Ifo Business Climate in the Services Remains Unchanged

The Ifo Business Climate in the German services sector remained virtually unchanged in March, after having risen three times in succession in the previous months. The surveyed firms again expressed more satisfaction with the present business situation, but their positive business expectations have weakened somewhat. Still, their business outlook is more optimistic than it was at the beginning of the year.

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	3/05	4/05	5/05	6/05	7/05	8/05	9/05	10/05	11/05	12/05	01/06	02/06	03/06
Climate	6.0	5.5	4.0	7.5	9.5	9.5	9.5	11.0	7.9	9.0	17.0	20.5	21.0
Situation	2.0	1.0	4.0	5.0	8.0	7.0	12.0	10.0	14.0	12.0	17.0	18.0	20.0
Expectations	10.0	10.0	4.0	10.0	11.0	12.0	7.0	12.0	2.0	6.0	17.0	23.0	22.0

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.