

# Ifo Business Climate Germany

Results of the April 2006 Ifo Business Survey

## Ifo Business Climate Index Improves Slightly

The Ifo Business Climate Index for German industry and trade climbed slightly in April, after having risen strongly for four months in succession. The surveyed firms assessed their current business situation more favourably for the fifth time in a row. Their business expectations for the coming six months remained almost unchanged at a positive level. This is an indication for a robust economic performance.

In manufacturing, the business climate index increased somewhat once again. While the surveyed firms continued to be clearly more satisfied with their current situation, their business expectations for the coming six months were somewhat less favourable. Positive expectations regarding future export business were confirmed once more. Both construction and wholesaling also showed a business climate improvement. Construction firms appraised their current situation significantly more favourably than in the previous month; their expectations for future business, however, were slightly less optimistic. The surveyed wholesalers assessed both their current situation and their expectations for the coming six months slightly more positively. The retailing business climate, on the other hand, decreased on account of a more cautious assessment of their current situation.

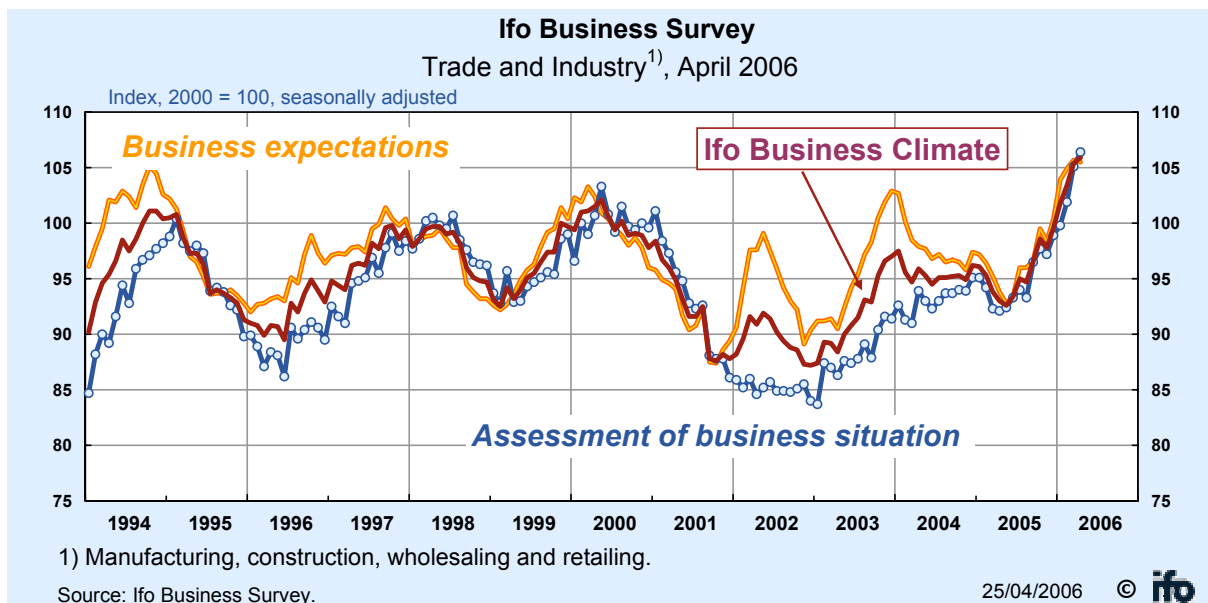
In eastern Germany the index decreased slightly as compared to the federal average.

Gebhard Flaig

Member of the Executive Board, Ifo Institute for Economic Research at the University of Munich

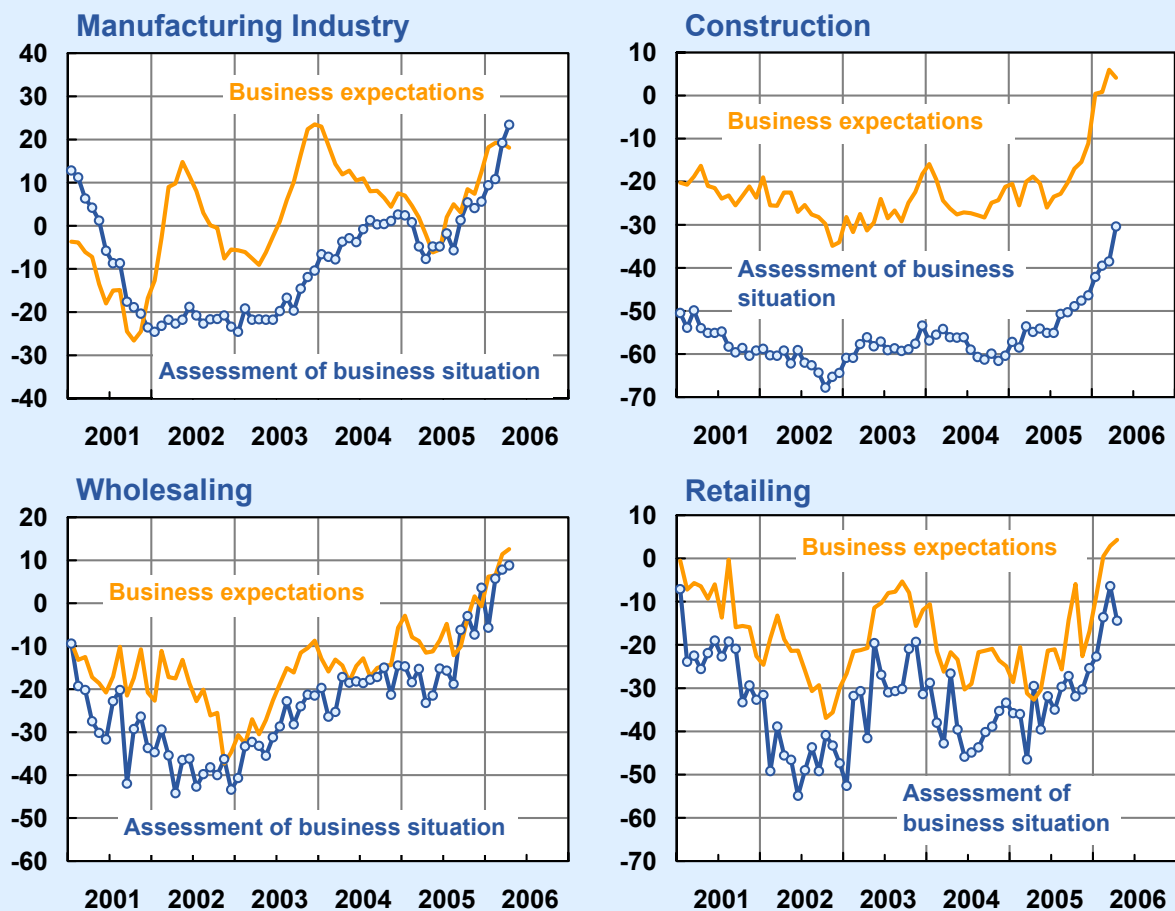
### Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	4/05	5/05	6/05	7/05	8/05	9/05	10/05	11/05	12/05	01/06	02/06	03/06	04/06
Climate	93.0	92.6	93.4	95.0	94.7	96.6	98.6	97.8	99.6	101.8	103.4	105.4	105.9
Situation	92.1	92.4	93.3	94.0	93.3	96.5	97.7	97.2	98.9	99.8	101.9	105.1	106.4
Expectations	93.8	92.8	93.4	96.0	96.0	96.7	99.5	98.4	100.4	103.9	104.9	105.7	105.5



## Business Situation and Expectations by Sectors

April 2006; balances, seasonally adjusted



Source: Ifo Business Survey.

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

Month/year	4/05	5/05	6/05	7/05	8/05	9/05	10/05	11/05	12/05	01/06	02/06	03/06	04/06
Trade and Industry	-14.8	-15.7	-14.0	-10.8	-11.5	-7.7	-3.7	-5.2	-1.6	2.8	5.9	10.0	11.0
Manufacturing	-4.9	-5.5	-5.1	0.1	-0.4	2.2	6.9	5.7	9.0	13.8	15.0	19.2	20.7
Construction	-37.8	-38.1	-41.2	-40.0	-37.3	-35.9	-33.7	-32.3	-29.7	-22.1	-20.4	-17.6	-13.9
Wholesaling	-17.4	-16.4	-11.9	-10.3	-15.5	-8.1	-3.2	-2.9	1.4	0.2	6.1	9.6	10.7
Retailing	-31.1	-35.1	-26.7	-28.1	-27.8	-20.8	-19.4	-26.5	-21.2	-15.8	-6.7	-1.8	-5.3

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

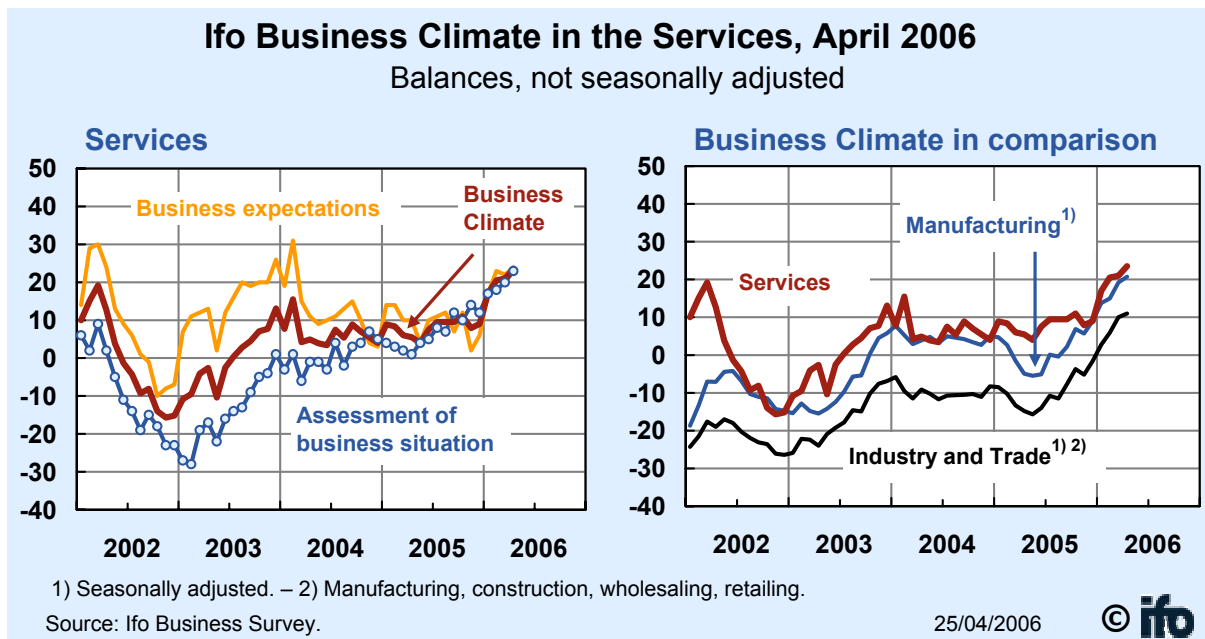
## Results for April 2006

### Ifo Business Climate in the Services Improved

The Ifo Business Climate in the German services sector rose in April, after having remained practically unchanged in the previous month. The surveyed firms again expressed more satisfaction with the present business situation, for the fourth time in a row. Their business expectations were more optimistic after a slight dip in the previous month.

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

Month/Year	4/05	5/05	6/05	7/05	8/05	9/05	10/05	11/05	12/05	01/06	02/06	03/06	04/06
<b>Climate</b>	5.5	4.0	7.5	9.5	9.5	9.5	11.0	7.9	9.0	17.0	20.5	21.0	23.5
<b>Situation</b>	1.0	4.0	5.0	8.0	7.0	12.0	10.0	14.0	12.0	17.0	18.0	20.0	23.0
<b>Expectations</b>	10.0	4.0	10.0	11.0	12.0	7.0	12.0	2.0	6.0	17.0	23.0	22.0	24.0

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.