

# Ifo Business Climate Germany

Results of the May 2006 Ifo Business Survey

## Slight Correction of the Ifo Index

The Ifo Business Climate Index for industry and trade in Germany fell slightly in May after having risen continuously over the past five months. The nearly unchanged index value is due to two countervailing movements: The current situation was again appraised more positively by the firms, but their expectations for the coming six months were somewhat more cautious than in the preceding survey. The outlook for further economic recovery still remains positive overall.

The business climate in manufacturing has cooled slightly. The survey participants again reported an improved business situation, but their optimism regarding the six-month outlook has weakened. They continue to assess their export opportunities as excellent, assigning higher values here than in April. In wholesaling the business climate index rose, and in construction and retailing it remained nearly stable. Also in these three sectors the current situation was assessed more positively by the survey participants, whereas their expectations for the coming six months were slightly more cautious. A particularly clear improvement in the business situation was reported in wholesaling.

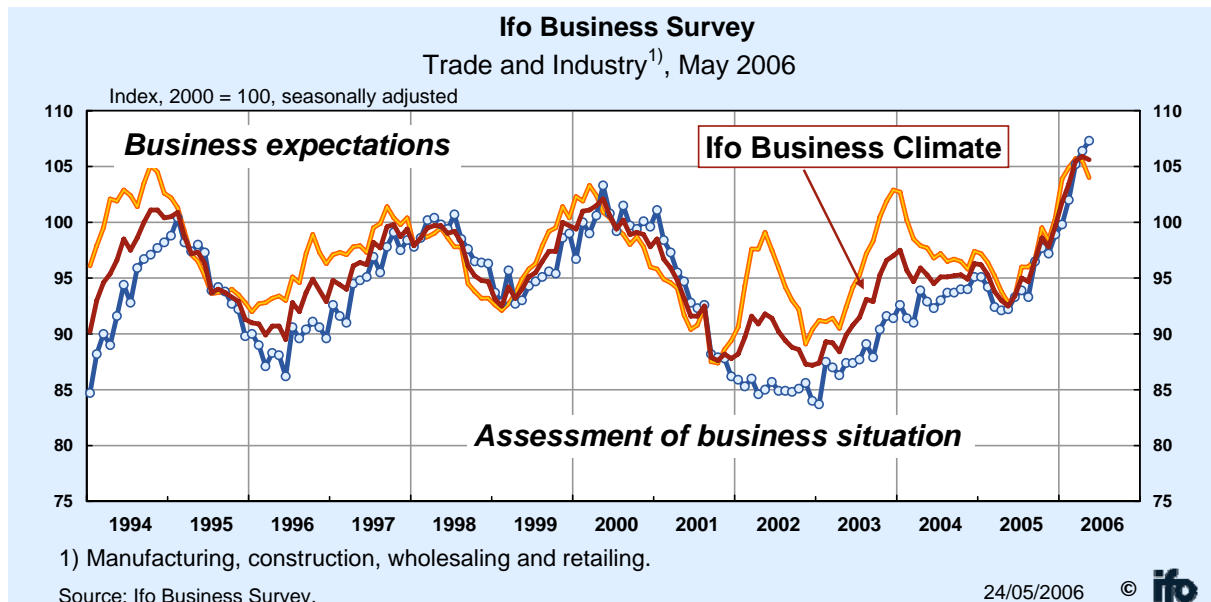
In eastern Germany the decline in the business climate index was somewhat more pronounced than the federal average.

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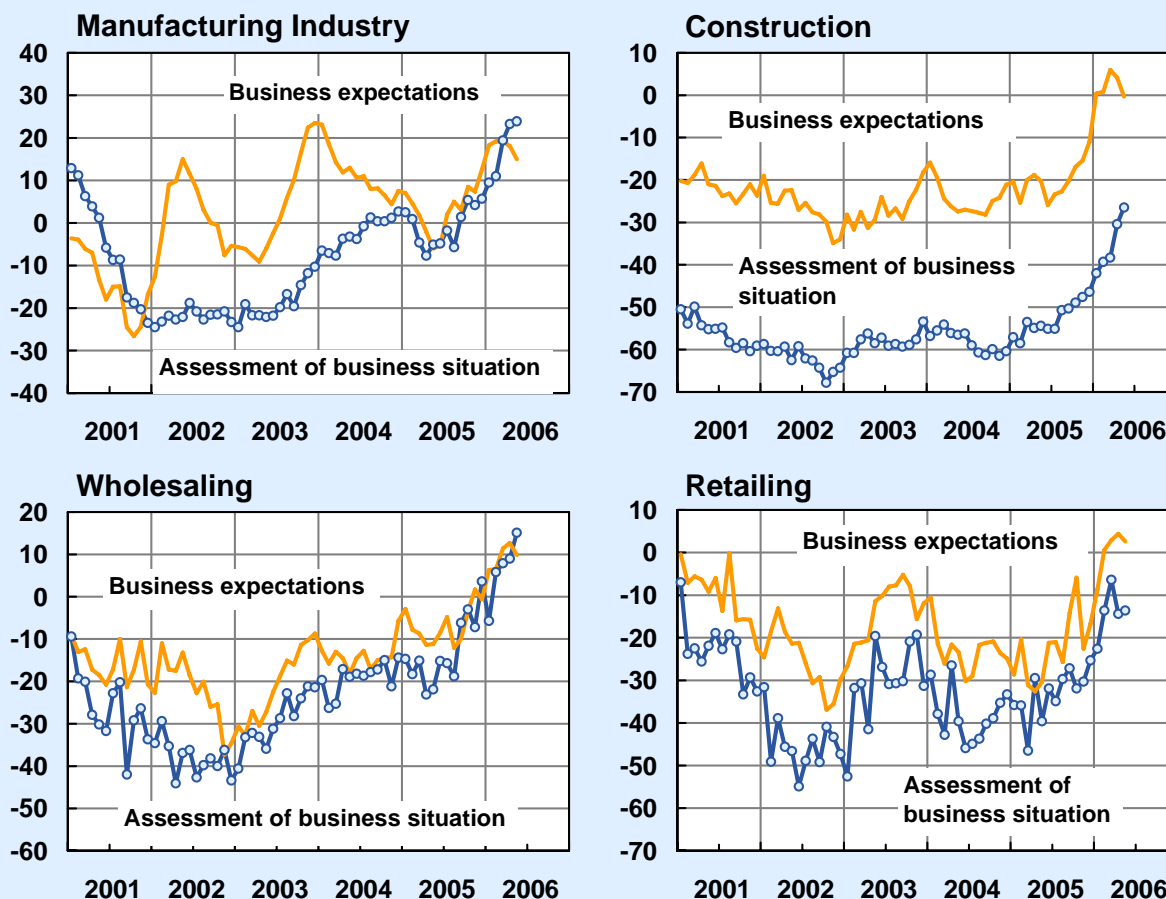
## Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	5/05	6/05	7/05	8/05	9/05	10/05	11/05	12/05	01/06	02/06	03/06	04/06	05/06
<b>Climate</b>	92.5	93.4	95.0	94.7	96.6	98.6	97.8	99.7	101.8	103.4	105.5	105.9	105.6
<b>Situation</b>	92.2	93.3	93.9	93.3	96.5	97.7	97.2	98.9	99.8	102.0	105.2	106.4	107.3
<b>Expectations</b>	92.8	93.4	96.0	96.0	96.7	99.5	98.4	100.4	103.9	104.9	105.7	105.5	104.0



## Business Situation and Expectations by Sectors

May 2006; balances, seasonally adjusted



Source: Ifo Business Survey.

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

Month/year	5/05	6/05	7/05	8/05	9/05	10/05	11/05	12/05	01/06	02/06	03/06	04/06	05/06
Trade and Industry	-15.7	-14.0	-10.8	-11.5	-7.6	-3.7	-5.2	-1.5	2.8	6.0	10.0	11.0	10.4
Manufacturing	-5.6	-5.1	0.1	-0.4	2.2	7.0	5.8	9.1	13.8	15.1	19.2	20.7	19.4
Construction	-38.2	-41.2	-40.1	-37.3	-35.9	-33.7	-32.3	-29.6	-22.1	-20.4	-17.5	-14.0	-13.8
Wholesaling	-16.6	-11.9	-10.3	-15.5	-8.1	-3.2	-2.8	1.5	0.2	6.2	9.7	10.8	12.4
Retailing	-35.1	-26.6	-28.1	-27.7	-20.8	-19.4	-26.5	-21.1	-15.7	-6.6	-1.8	-5.2	-5.7

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 Service Sector

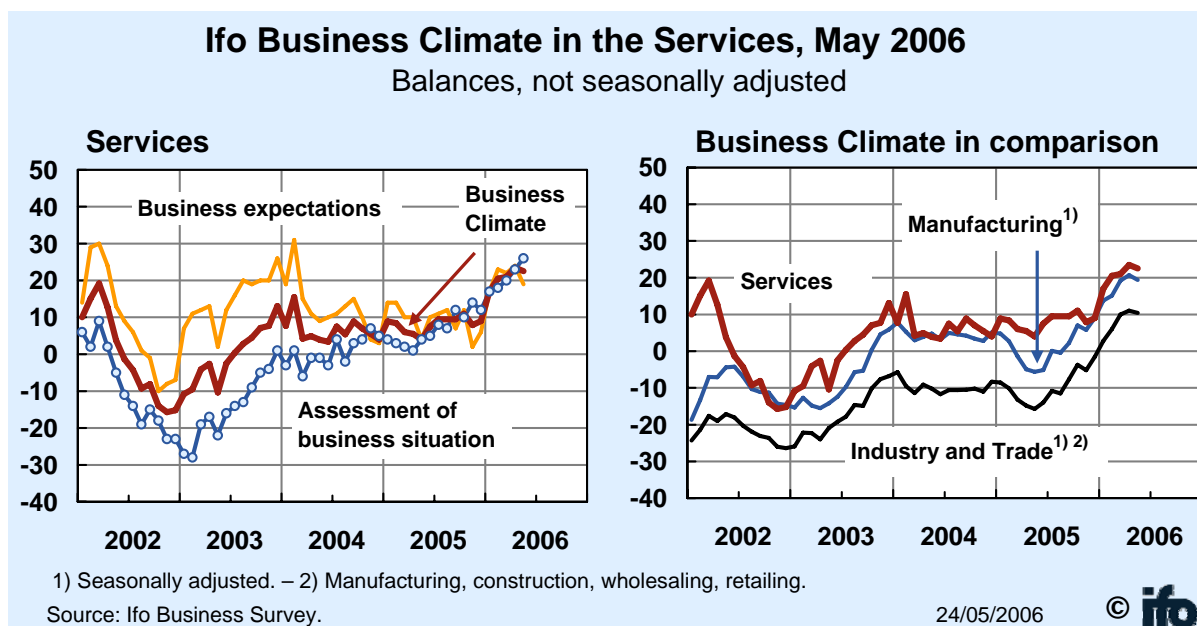
## Results for May 2006

### Slight Decline in the Ifo Business Climate Index in the Services

The business climate in the service sector in Germany cooled slightly in May after a clear improvement in the previous month. Although survey participants assessed the current situation more positively for the fifth time in succession, their expectations for the coming six months were less confident than in April.

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

Month/Year	5/05	6/05	7/05	8/05	9/05	10/05	11/05	12/05	01/06	02/06	03/06	04/06	05/06
<b>Climate</b>	4.0	7.5	9.5	9.5	9.5	11.0	7.9	9.0	17.0	20.5	21.0	23.5	22.5
<b>Situation</b>	4.0	5.0	8.0	7.0	12.0	10.0	14.0	12.0	17.0	18.0	20.0	23.0	26.0
<b>Expectations</b>	4.0	10.0	11.0	12.0	7.0	12.0	2.0	6.0	17.0	23.0	22.0	24.0	19.0

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.