

Ifo Business Climate Germany

Results of the June 2006 Ifo Business Survey

Improvement of the Ifo Index

The Ifo Business Climate Index for industry and trade in Germany rose in June after having fallen slightly in the previous month. The surveyed firms appraised their current business situation clearly more favourably than in the previous month. This is the seventh time in succession that the current business situation has been assessed more positively. The decline of the business expectations did not continue; this time slightly more firms expect further improvement over the next six months. The economic recovery continues to be robust.

The business climate in manufacturing has brightened. The survey participants were again more satisfied with their current business situation. They also appraised their six-month outlook more favourably than in the previous month. Their export expectations, however, were slightly less optimistic than in May. In retailing the business climate index rose clearly and it improved slightly in construction. In both survey sectors the current situation was seen to be noticeably better than in May. Somewhat more cautious appraisals were made by wholesalers, who gave weaker assessments of their momentary situation and their future business. However, this is in the wake of considerable improvement in wholesaling in the past four months.

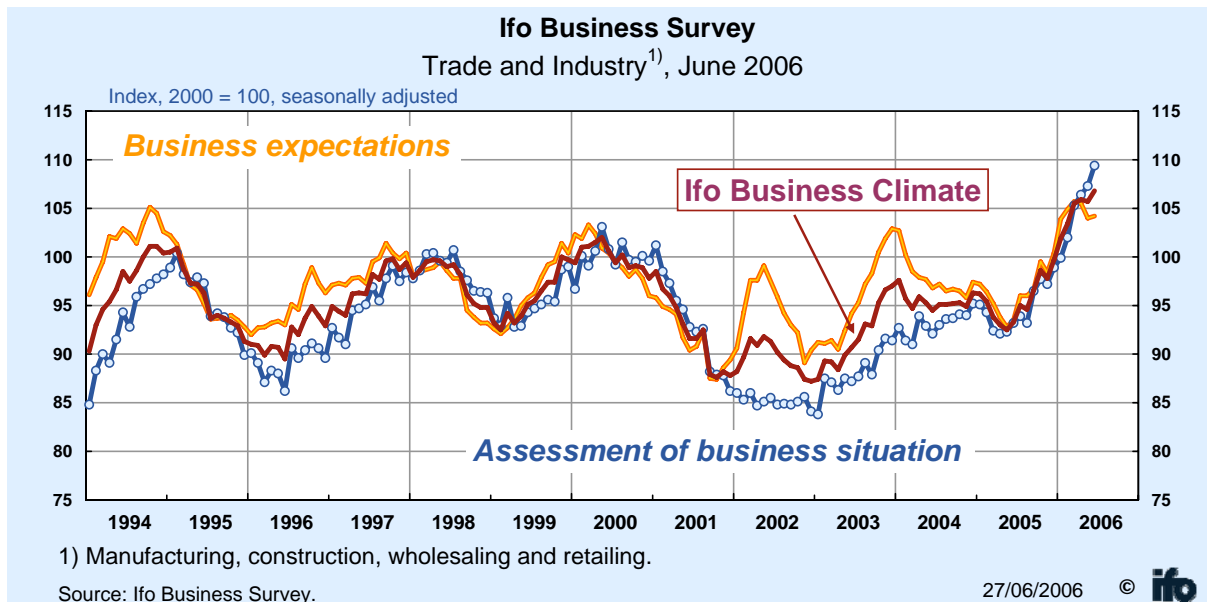
In eastern Germany the rise in the business climate index was nearly as strong as the federal average.

Gebhard Flaig

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

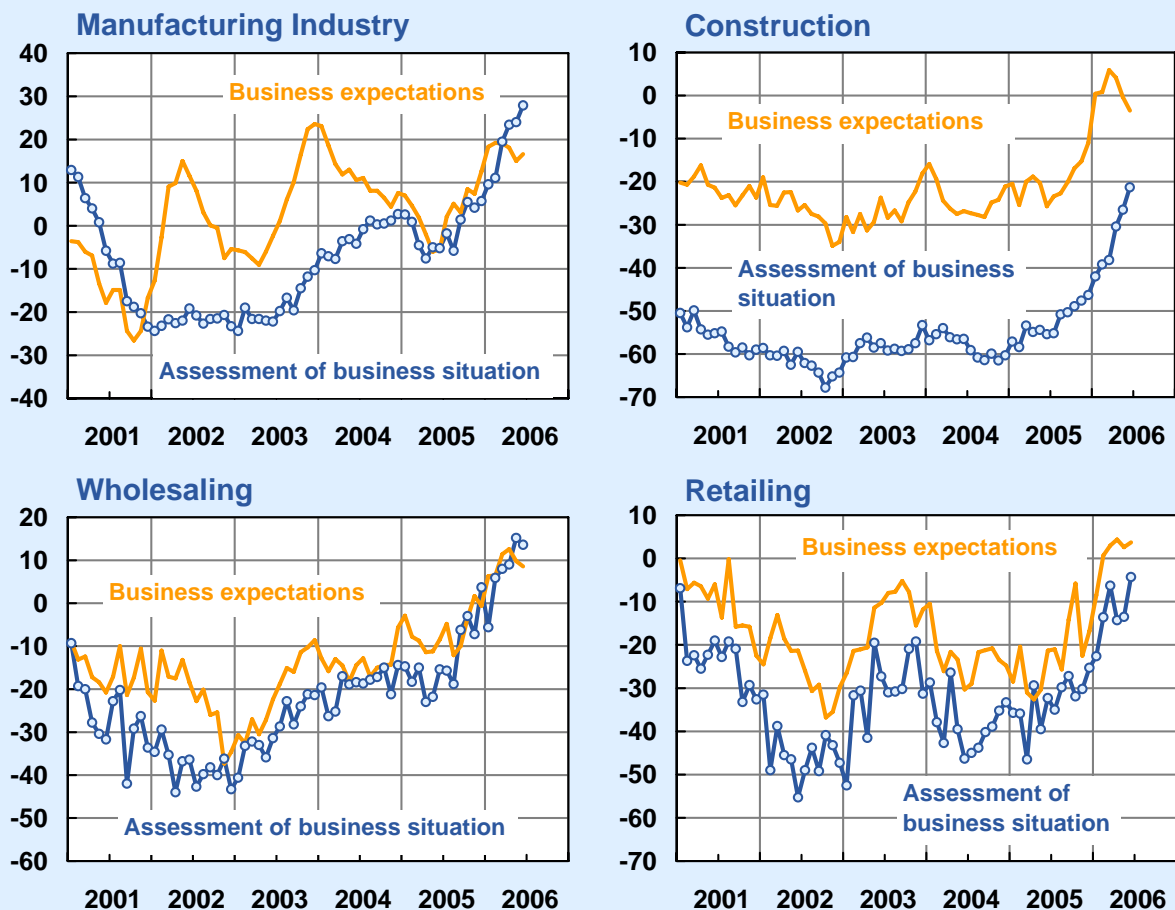
Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	6/05	7/05	8/05	9/05	10/05	11/05	12/05	01/06	02/06	03/06	04/06	05/06	06/06
Climate	93.3	95.0	94.6	96.6	98.6	97.8	99.7	101.9	103.4	105.5	105.9	105.7	106.8
Situation	93.2	93.9	93.2	96.5	97.7	97.2	98.9	99.9	102.0	105.3	106.4	107.3	109.4
Expectations	93.5	96.0	96.0	96.7	99.5	98.4	100.4	103.9	104.9	105.7	105.5	104.0	104.2



Business Situation and Expectations by Sectors

June 2006; balances, seasonally adjusted



Source: Ifo Business Survey.

27/06/2006 © ifo

Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	6/05	7/05	8/05	9/05	10/05	11/05	12/05	01/06	02/06	03/06	04/06	05/06	06/06
Trade and Industry	-14.1	-10.8	-11.5	-7.6	-3.6	-5.2	-1.5	2.9	6.0	10.1	11.0	10.4	12.7
Manufacturing	-5.3	0.1	-0.4	2.2	7.0	5.8	9.1	13.9	15.1	19.3	20.7	19.5	22.2
Construction	-41.3	-40.1	-37.4	-35.9	-33.7	-32.2	-29.6	-22.0	-20.3	-17.4	-14.0	-13.9	-12.6
Wholesaling	-11.9	-10.3	-15.5	-8.1	-3.2	-2.8	1.5	0.3	6.2	9.7	10.8	12.5	11.1
Retailing	-26.9	-28.1	-27.7	-20.8	-19.3	-26.4	-21.1	-15.7	-6.6	-1.7	-5.2	-5.6	-0.3

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 Service Sector

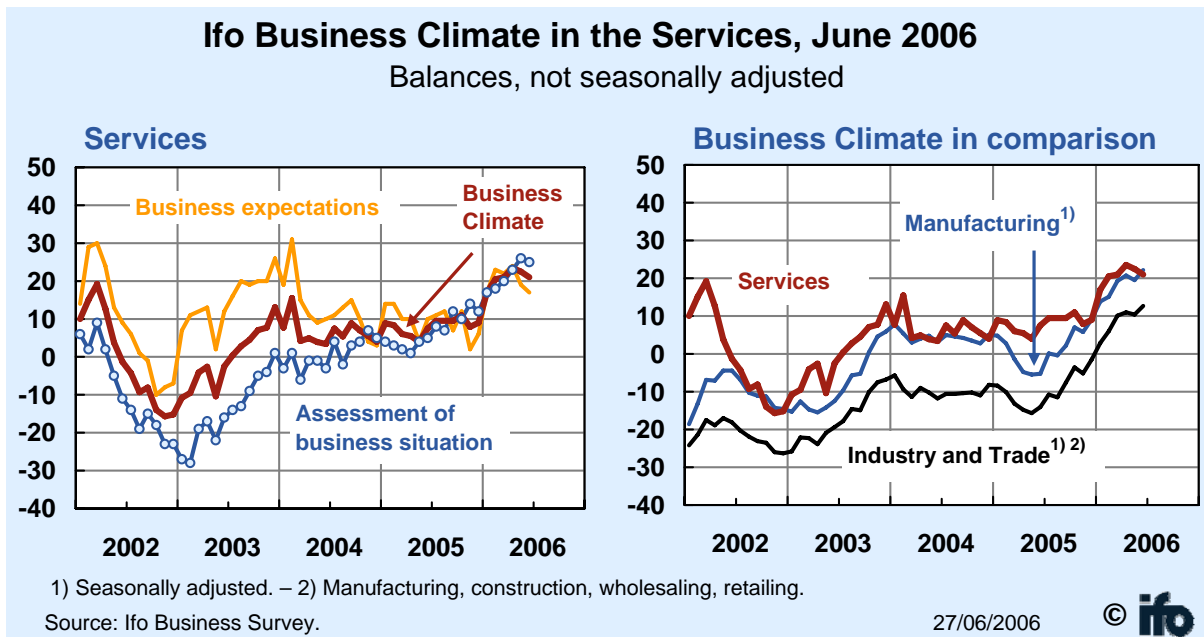
Results for June 2006

Slight Cooling of the Ifo Business Climate in the Services

The business climate indicator in the service sector in Germany fell in June, having already declined slightly in the previous month. The firms assessed their current business situation somewhat less favourably than in May but were still more satisfied with their situation than in April. Their expectations for the coming six months were less confident for the second time in succession.

Gebhard Flaig

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



German Services Sector (Balances, not seasonally adjusted)

Month/Year	6/05	7/05	8/05	9/05	10/05	11/05	12/05	01/06	02/06	03/06	04/06	05/06	06/06
Climate	7.5	9.5	9.5	9.5	11.0	7.9	9.0	17.0	20.5	21.0	23.5	22.5	21.0
Situation	5.0	8.0	7.0	12.0	10.0	14.0	12.0	17.0	18.0	20.0	23.0	26.0	25.0
Expectations	10.0	11.0	12.0	7.0	12.0	2.0	6.0	17.0	23.0	22.0	24.0	19.0	17.0

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.