

Ifo Business Climate Germany

Results of the September 2006 Ifo Business Survey

Ifo Index Remains Stable

The Ifo Business Climate Index for industry and trade in Germany remained virtually unchanged in September, but as the result of two diverging developments: The surveyed firms were clearly more satisfied with their current business situation but no longer so confident regarding the six-month business outlook. These survey results indicate a continuation of the robust economic expansion overall, but a weakening is anticipated for early next year.

In manufacturing the business climate index remained stable. The current business situation was again regarded more favourably by the surveyed firms than in the previous month but their optimism regarding the six-month business outlook has weakened. Their export expectations, however, were stronger, following weaker appraisals in the previous month. In construction the business climate worsened, but it remained unchanged in wholesaling and improved in retailing. Also in these three economic sectors, the surveyed firms were clearly more satisfied with their current business situation. In contrast, their expectations for the coming six months were more reserved, especially in construction.

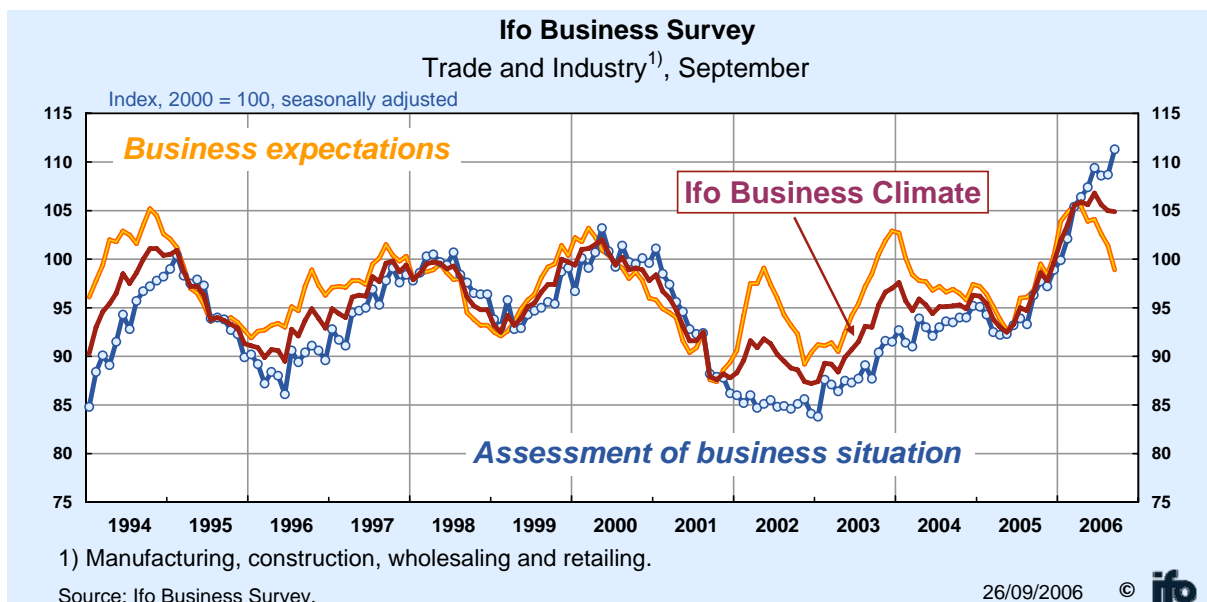
In eastern Germany the business climate index also remained largely stable.

Gebhard Flaig

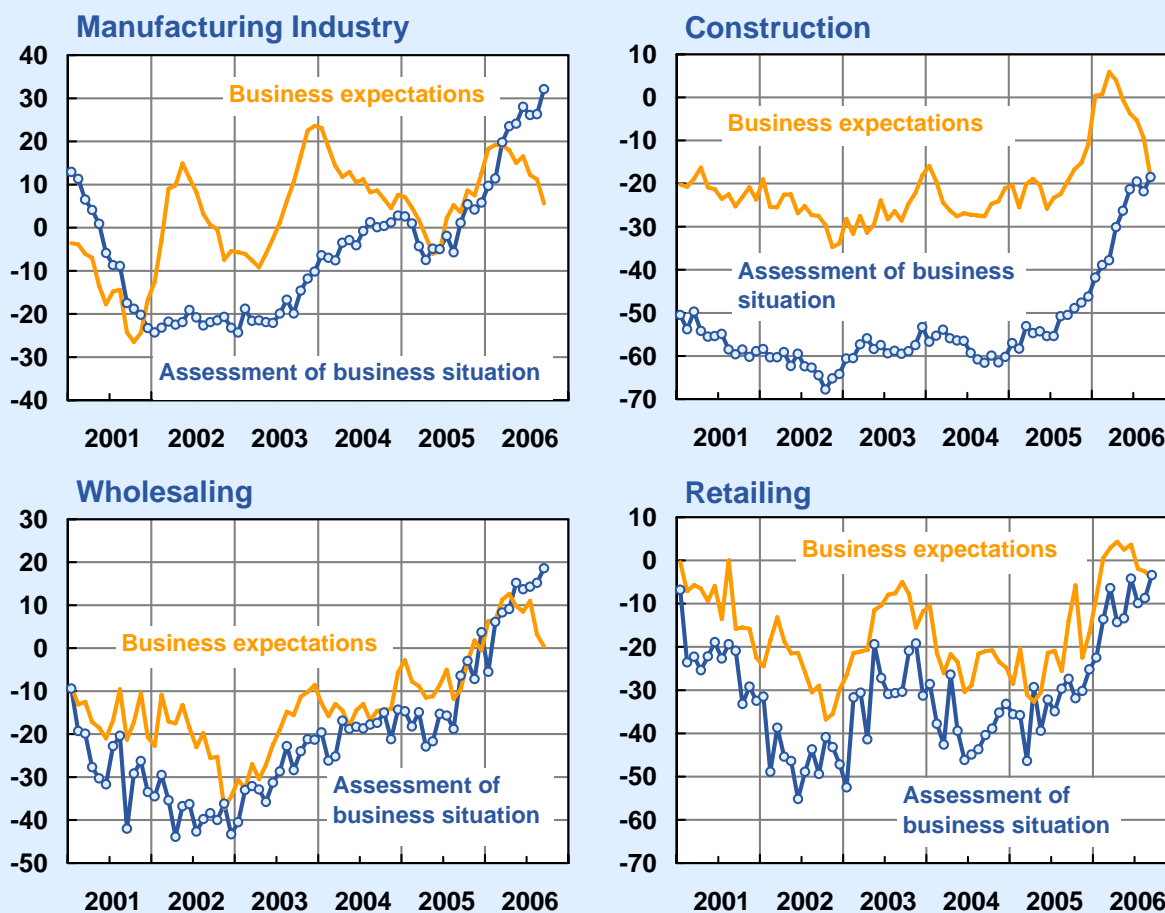
Member of the Executive Board, Ifo Institute for Economic Research at the University of Munich

Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	9/05	10/05	11/05	12/05	01/06	02/06	03/06	04/06	05/06	06/06	07/06	08/06	09/06
Climate	96.6	98.6	97.8	99.7	101.9	103.5	105.5	105.9	105.6	106.8	105.6	105.0	104.9
Situation	96.3	97.7	97.2	98.9	99.9	102.1	105.4	106.4	107.4	109.4	108.6	108.7	111.3
Expectations	96.8	99.5	98.4	100.4	103.9	104.8	105.6	105.4	103.9	104.1	102.6	101.4	98.9



Business Situation and Expectations by Sector September 2006; balances, seasonally adjusted



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	9/05	10/05	11/05	12/05	01/06	02/06	03/06	04/06	05/06	06/06	07/06	08/06	09/06
Trade and Industry	-7.5	-3.6	-5.1	-1.4	2.9	6.1	10.2	11.0	10.5	12.7	10.3	9.2	9.0
Manufacturing	2.3	7.0	5.8	9.2	13.9	15.3	19.4	20.7	19.5	22.2	19.1	18.6	18.4
Construction	-35.8	-33.6	-32.2	-29.5	-21.9	-20.2	-17.3	-13.9	-13.9	-12.7	-12.5	-15.7	-18.5
Wholesaling	-8.0	-3.2	-2.8	1.6	0.3	6.3	9.8	10.9	12.5	11.1	12.6	9.1	9.3
Retailing	-20.8	-19.3	-26.4	-21.1	-15.7	-6.6	-1.8	-5.2	-5.6	-0.4	-5.9	-5.6	-3.7

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

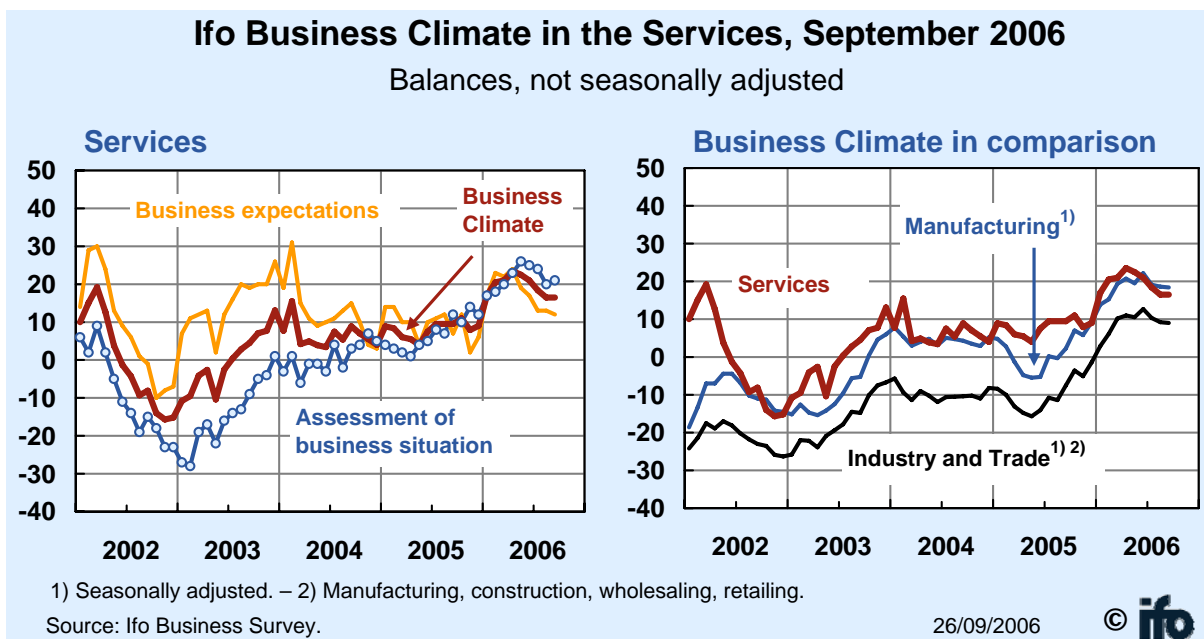
Results for September 2006

Business Climate in the Services Unchanged

The business climate in the service sector in Germany was unchanged in September. The firms gave slightly better appraisals of their current business situation this month, after having given weaker assessments in the previous three months. Their expectations for the coming six months were somewhat more reserved in September than in the previous month.

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	9/05	10/05	11/05	12/05	01/06	02/06	03/06	04/06	05/06	06/06	07/06	08/06	09/06
Climate	9.5	11.0	7.9	9.0	17.0	20.5	21.0	23.5	22.5	21.0	18.4	16.5	16.5
Situation	12.0	10.0	14.0	12.0	17.0	18.0	20.0	23.0	26.0	25.0	24.0	20.0	21.0
Expectations	7.0	12.0	2.0	6.0	17.0	23.0	22.0	24.0	19.0	17.0	13.0	13.0	12.0

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.