

Ifo Business Climate Germany

Results of the November 2006 Ifo Business Survey

Ifo Business Climate: Distinct Improvement

The Ifo Business Climate Index for German industry and trade rose perceptibly in November. The business situation, which had received mostly favourable marks in recent months, improved once again according to the survey responses. The firms also expressed somewhat more confidence in the business outlook for the next six months. These survey results indicate a further continuation of the economic upswing.

In manufacturing the business climate improved as a result of a renewed brightening in both components of the climate, the business situation and expectations. The firms were noticeably more satisfied with their present situation. The expectations for business during the coming six months were slightly more confident. The manufacturers saw increasing opportunities in the already robust export business. Also in construction and wholesaling, the business climate index rose as the result of improvement in both of its components. In retailing, however, the index fell although the surveyed firms were again more satisfied with their current situation; scepticism regarding the future increased, however.

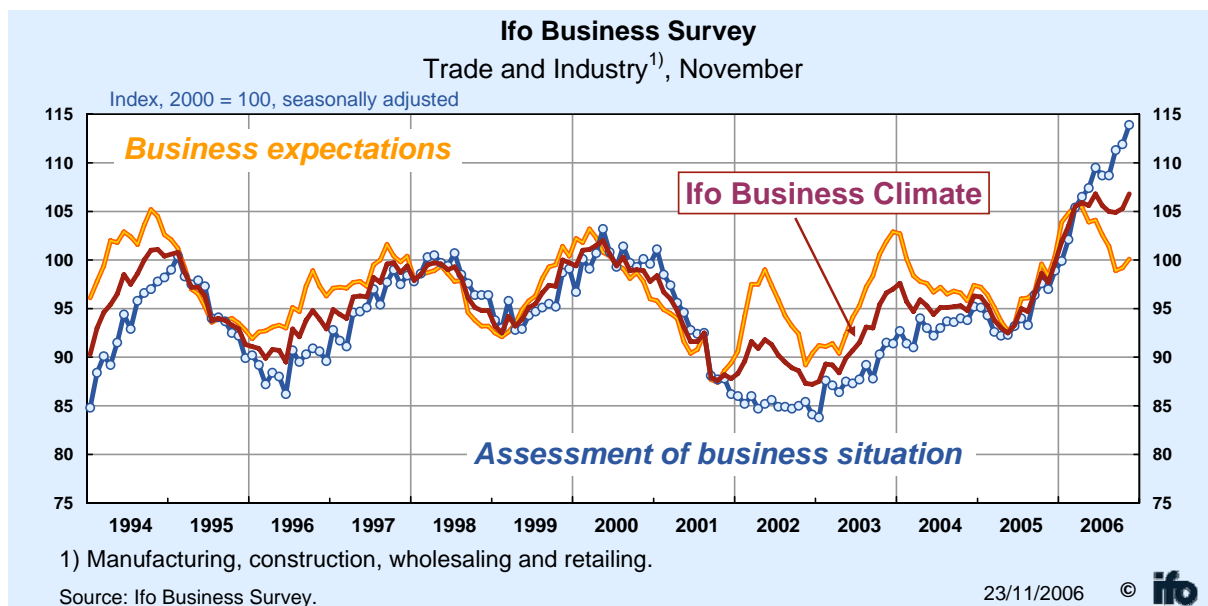
In eastern Germany, the rise in the business climate index was stronger than the federal average.

Hans-Werner Sinn

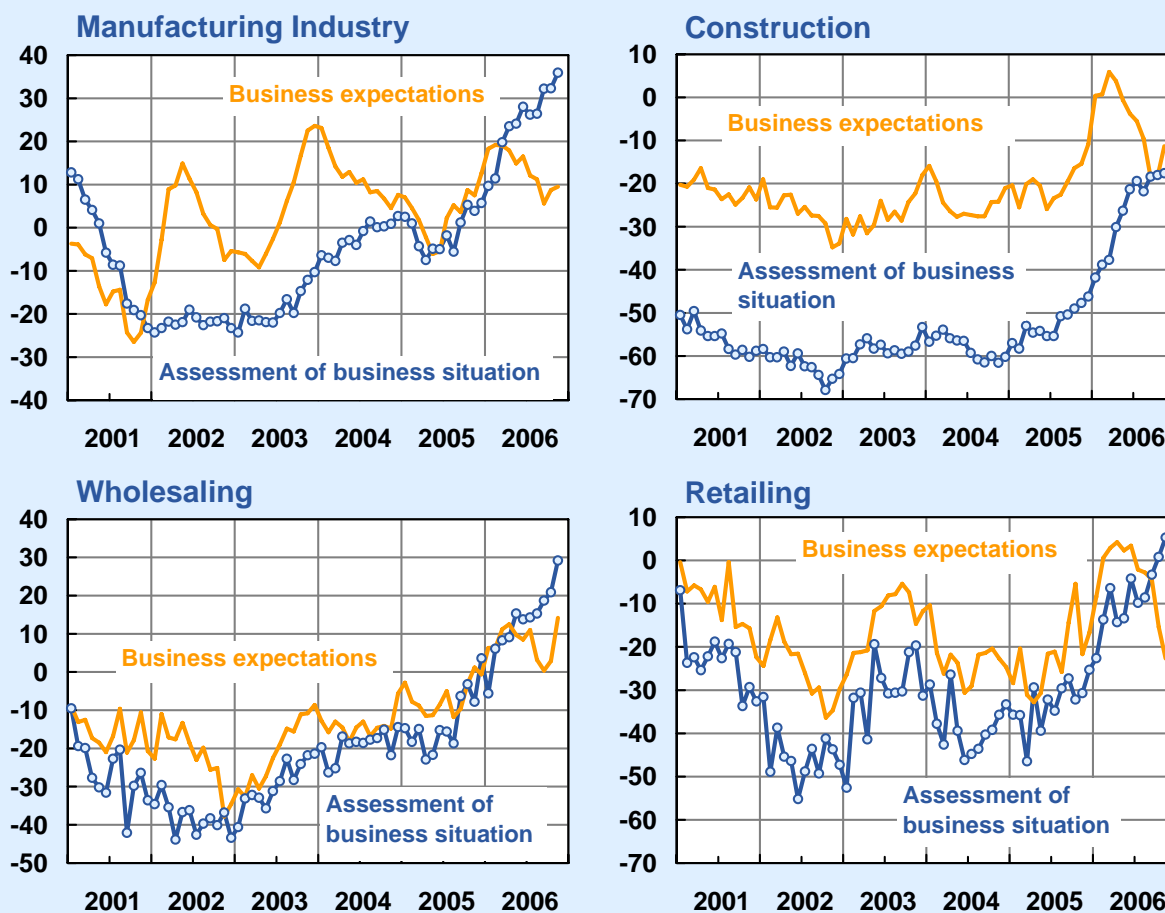
President of the Ifo Institute for Economic Research at the University of Munich

Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	11/05	12/05	01/06	02/06	03/06	04/06	05/06	06/06	07/06	08/06	09/06	10/06	11/06
Climate	97.7	99.7	101.9	103.5	105.5	105.9	105.6	106.8	105.6	105.0	104.9	105.3	106.8
Situation	97.0	98.9	99.9	102.1	105.4	106.5	107.4	109.5	108.7	108.7	111.3	111.9	113.9
Expectations	98.4	100.4	103.9	104.8	105.6	105.4	103.9	104.1	102.6	101.4	98.9	99.2	100.1



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



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	11/05	12/05	01/06	02/06	03/06	04/06	05/06	06/06	07/06	08/06	09/06	10/06	11/06
Trade and Industry	-5.3	-1.4	2.9	6.1	10.2	11.0	10.4	12.7	10.3	9.2	9.0	9.8	12.8
Manufacturing	5.7	9.1	13.9	15.3	19.4	20.7	19.4	22.2	19.1	18.6	18.5	20.2	22.3
Construction	-32.3	-29.5	-21.9	-20.1	-17.2	-13.9	-13.9	-12.7	-12.6	-15.8	-18.5	-18.2	-14.5
Wholesaling	-3.4	1.5	0.2	6.3	9.8	10.8	12.5	11.1	12.7	9.2	9.4	11.7	21.6
Retailing	-26.3	-21.1	-15.7	-6.7	-1.8	-5.3	-5.7	-0.4	-6.0	-5.7	-3.8	-7.4	-9.2

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

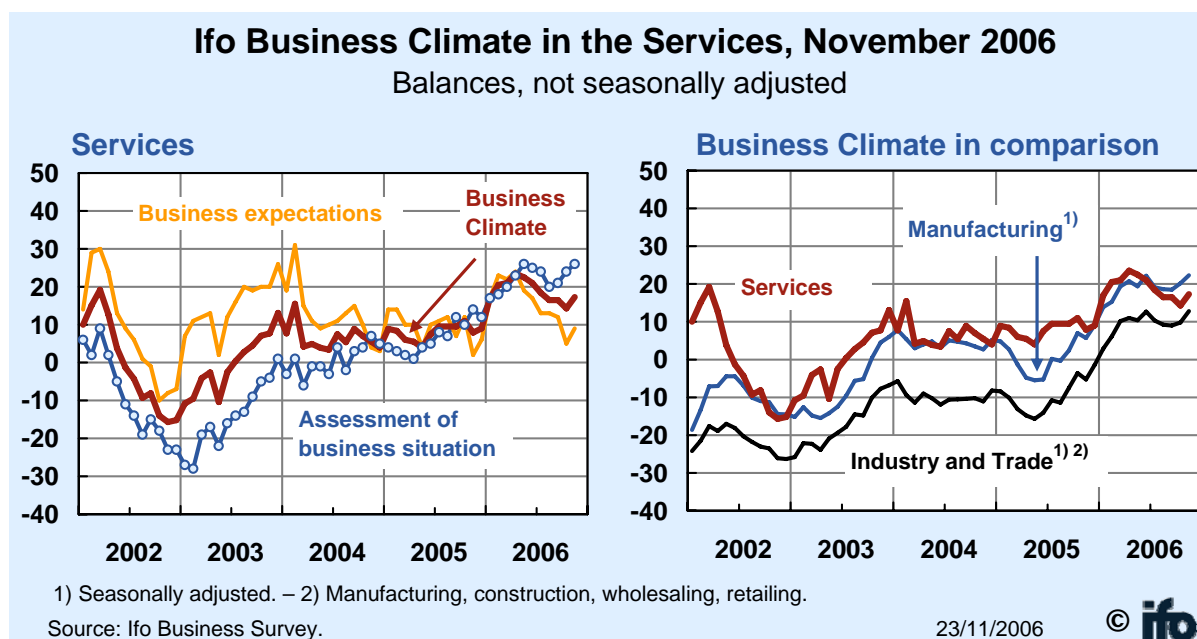
Results for November 2006

Business Climate Indicator for the Services Rises

The business climate in the service sector improved in November after having fallen in the previous month. The firms assessed their current business situation more positively for the third time in succession. Also with regard to the six-month outlook they were again largely optimistic, having given less favourable assessments of the outlook in the previous two months. The willingness to hire new staff improved again after a weakening in October.

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	11/05	12/05	01/06	02/06	03/06	04/06	05/06	06/06	07/06	08/06	09/06	10/06	11/06
Climate	7.9	9.0	17.0	20.5	21.0	23.5	22.5	21.0	18.4	16.5	16.5	14.3	17.3
Situation	14.0	12.0	17.0	18.0	20.0	23.0	26.0	25.0	24.0	20.0	21.0	24.0	26.0
Expectations	2.0	6.0	17.0	23.0	22.0	24.0	19.0	17.0	13.0	13.0	12.0	5.0	9.0

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.