

# Ifo Business Climate Germany

Results of the March 2007 Ifo Business Survey

## Ifo Business Climate Index Rises Again

The Ifo Business Climate Index for German industry and trade has risen in March. The slight decline in the Index in the first two months of the year, which was presumably attributable to the increase in VAT, has not continued. The surveyed firms have given more favourable assessments of their current business situation and their business outlook for the coming six months. The economic upswing is strong and robust.

Especially in *manufacturing*, the business climate index has improved. Both the current situation and the six-month outlook have received more positive appraisals. This improvement is all the more remarkable as expectations for future export business remain largely unchanged.

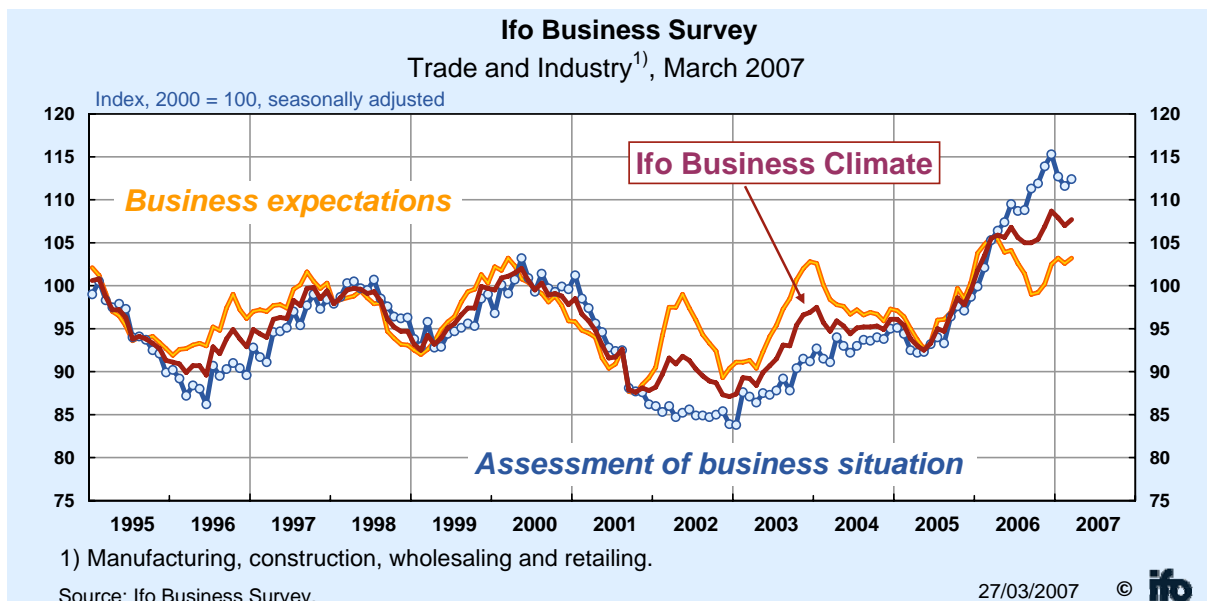
A slight cooling of the business climate has been reported in *construction*. Building contractors have given similarly positive appraisals of their current business situation as in February but their expectations for the coming six months are somewhat less optimistic than four weeks ago. In *wholesaling* the business climate has also weakened slightly. Wholesalers have assessed their current situation less favourably than in February but are slightly more confident regarding the six-month outlook. In *retailing* the business climate has improved somewhat. Last month retailers gave clearly worse assessments of their business situation as a result of the increase in VAT, but in March their discontent has weakened. Their six-month outlook remains cautiously optimistic.

Hans-Werner Sinn

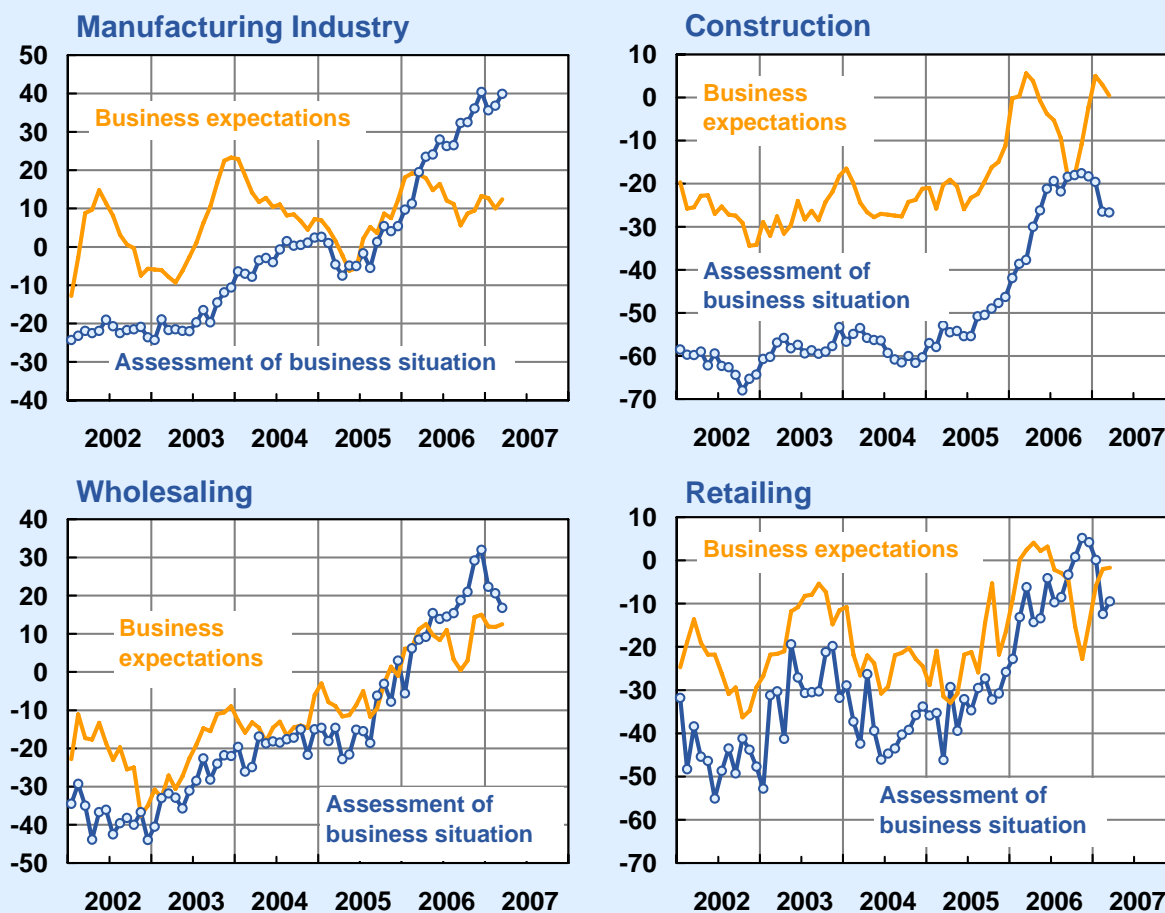
President of the Ifo Institute for Economic Research at the University of Munich

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

Month/year	03/06	04/06	05/06	06/06	07/06	08/06	09/06	10/06	11/06	12/06	01/07	02/07	03/07
<b>Climate</b>	105.5	105.9	105.6	106.8	105.6	105.0	105.0	105.4	106.9	108.7	107.9	107.0	107.7
<b>Situation</b>	105.3	106.4	107.4	109.5	108.7	108.8	111.3	111.9	113.9	115.3	112.7	111.6	112.4
<b>Expectations</b>	105.6	105.4	103.9	104.1	102.6	101.4	99.0	99.2	100.2	102.5	103.2	102.6	103.2



## Business Situation and Expectations by Sector March 2007; balances, seasonally adjusted



Source: Ifo Business Survey.

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

Month/year	03/06	04/06	05/06	06/06	07/06	08/06	09/06	10/06	11/06	12/06	01/07	02/07	03/07
Trade and Industry	10.1	11.0	10.4	12.7	10.3	9.2	9.1	9.9	12.8	16.5	14.9	13.1	14.5
Manufacturing	19.2	20.7	19.4	22.1	19.1	18.7	18.5	20.3	22.4	26.4	23.9	23.0	25.8
Construction	-17.3	-13.8	-13.9	-12.7	-12.5	-15.7	-18.4	-18.1	-14.3	-10.5	-7.7	-12.3	-13.7
Wholesaling	9.9	10.8	12.5	11.1	12.7	9.2	9.5	11.8	21.7	23.3	17.1	16.1	14.6
Retailing	-1.9	-5.3	-5.8	-0.5	-6.0	-5.7	-3.8	-7.4	-9.3	-5.3	-2.9	-7.2	-5.6

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

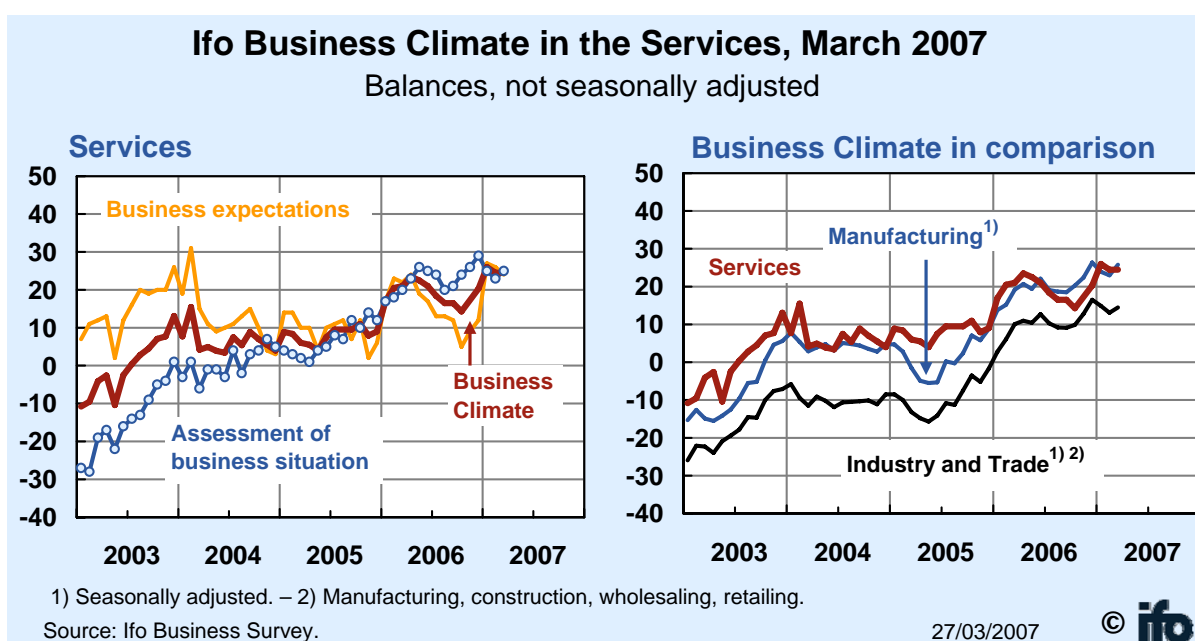
Results for March 2007

### Ifo Business Climate Remains Favourable

The business climate in the German service sector remains unchanged in March and continues to be at a high level. Both business climate components, the current situation and the six-month outlook, remain in positive territory but display a countervailing movement: The firms assess their current situation more positively than in February but are slightly less optimistic with regard to business in the coming six months. Their hiring plans continue to be expansive, however.

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	03/06	04/06	05/06	06/06	07/06	08/06	09/06	10/06	11/06	12/06	01/07	02/07	03/07
<b>Climate</b>	21.0	23.5	22.5	21.0	18.4	16.5	16.5	14.3	17.3	20.3	26.0	24.5	24.5
<b>Situation</b>	20.0	23.0	26.0	25.0	24.0	20.0	21.0	24.0	26.0	29.0	25.0	23.0	25.0
<b>Expectations</b>	22.0	24.0	19.0	17.0	13.0	13.0	12.0	5.0	9.0	12.0	27.0	26.0	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.