

# Ifo Business Climate Germany

Results of the April Ifo Business Survey

## Ifo Business Climate Rises Again

The Ifo Business Climate Index for German industry and trade has risen again in April. The surveyed firms have assessed both the current situation as well as the outlook for the coming six months more favourably than in March. Germany is profiting from the extraordinary international investment boom, which due to Germany's specialisation is having a stronger cyclical impact than in the other major European countries.

In *manufacturing* the business climate index has risen again. The manufacturing firms have again assessed their current business situation as good. With regard to business in the coming six months they are even more confident than in March. They are also more optimistic regarding exports despite the stronger euro.

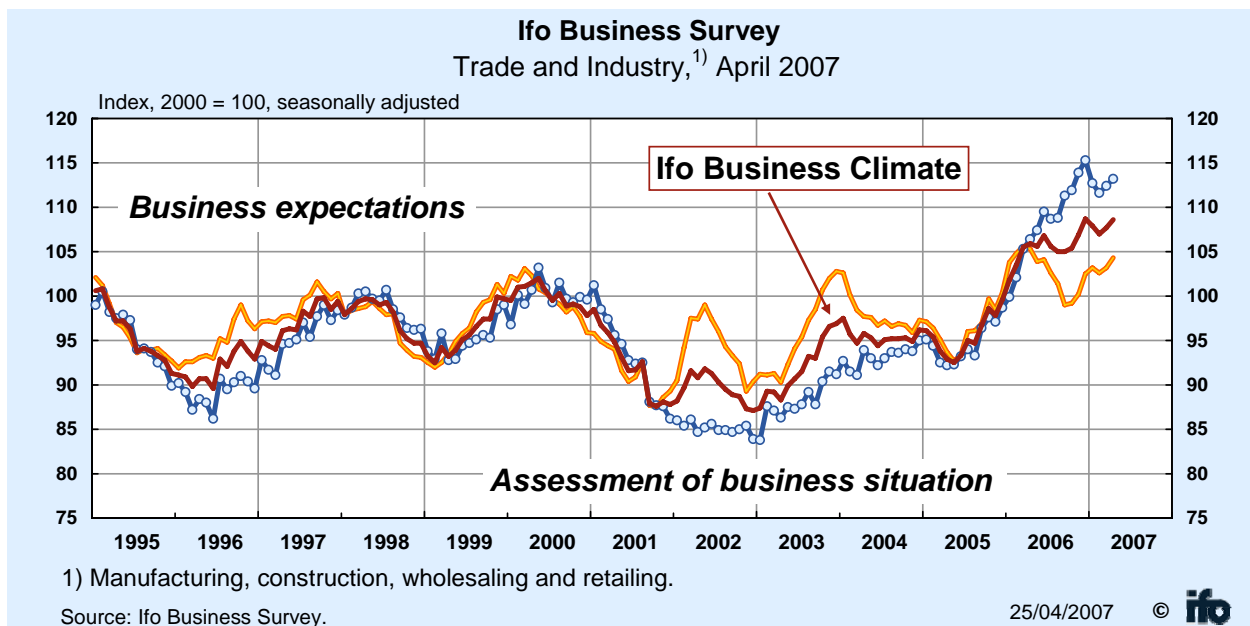
In *retailing* and *wholesaling* the business climate has also brightened noticeably. In these two sectors the firms have given more positive appraisals of both their current situation and their six-month outlook. The slowdown caused by the increase in the rate of VAT thus continues to be losing importance. In *construction* the business climate remains nearly unchanged. The survey participants have kept to both their assessments of the current situation as well as to the favourable appraisal of the business outlook.

Hans-Werner Sinn

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

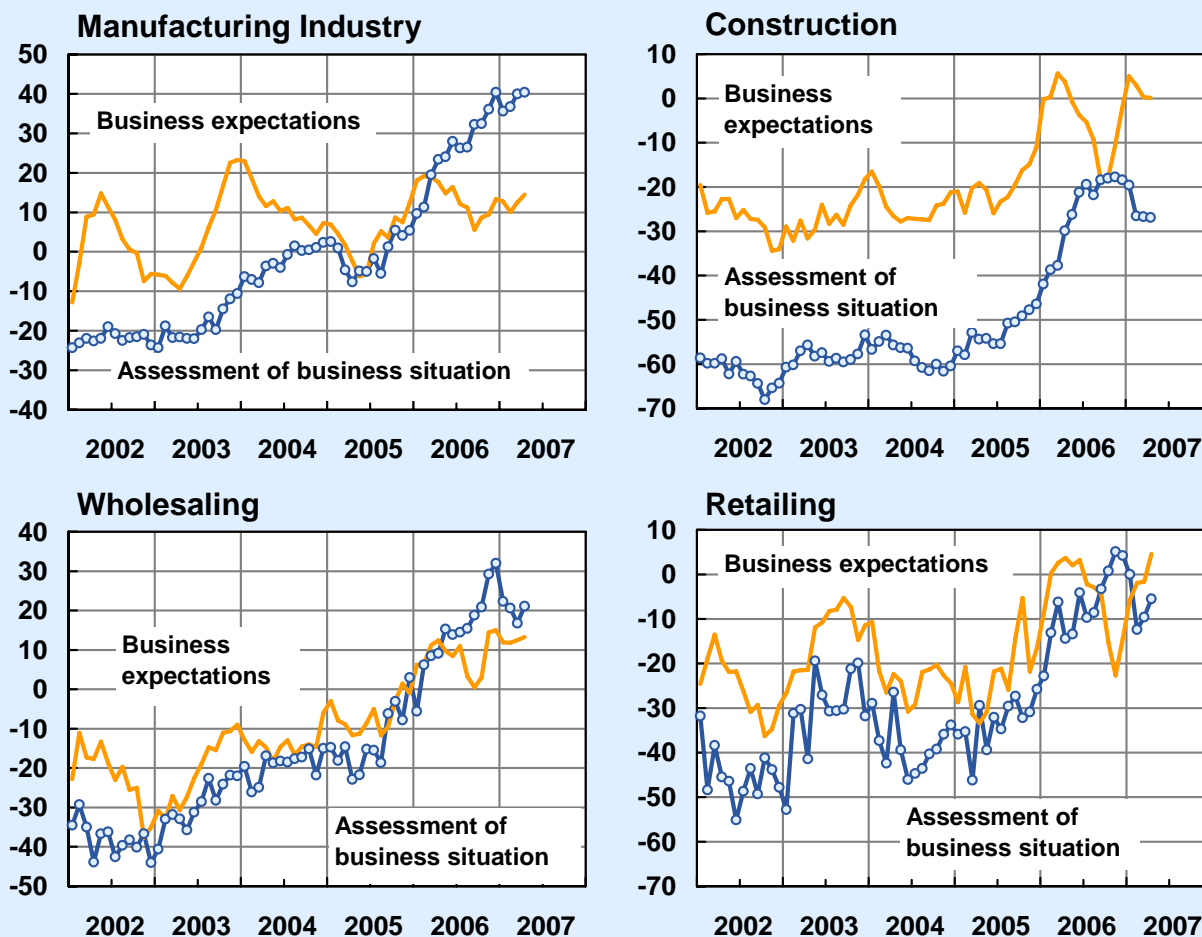
### Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	04/06	05/06	06/06	07/06	08/06	09/06	10/06	11/06	12/06	01/07	02/07	03/07	04/07
<b>Climate</b>	105.9	105.6	106.8	105.6	105.0	105.0	105.4	106.9	108.7	107.9	107.0	107.7	108.6
<b>Situation</b>	106.4	107.4	109.5	108.7	108.8	111.3	111.9	113.9	115.3	112.7	111.6	112.4	113.2
<b>Expectations</b>	105.3	103.9	104.1	102.6	101.4	99.0	99.2	100.2	102.5	103.2	102.6	103.2	104.3



## Business Situation and Expectations by Sector

April 2007; balances, seasonally adjusted



Source: Ifo Business Survey.

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

Month/year	04/06	05/06	06/06	07/06	08/06	09/06	10/06	11/06	12/06	01/07	02/07	03/07	04/07
Trade and Industry	10.9	10.4	12.7	10.3	9.2	9.1	9.9	12.8	16.5	14.9	13.1	14.6	16.4
Manufacturing	20.5	19.4	22.1	19.1	18.7	18.5	20.3	22.4	26.5	23.9	23.0	25.8	27.1
Construction	-13.8	-13.9	-12.7	-12.5	-15.7	-18.4	-18.1	-14.3	-10.5	-7.7	-12.4	-13.7	-13.9
Wholesaling	10.8	12.5	11.1	12.7	9.3	9.5	11.8	21.7	23.3	17.0	16.1	14.6	17.2
Retailing	-5.5	-5.8	-0.5	-6.0	-5.7	-3.8	-7.4	-9.3	-5.3	-2.9	-7.2	-5.6	-0.5

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

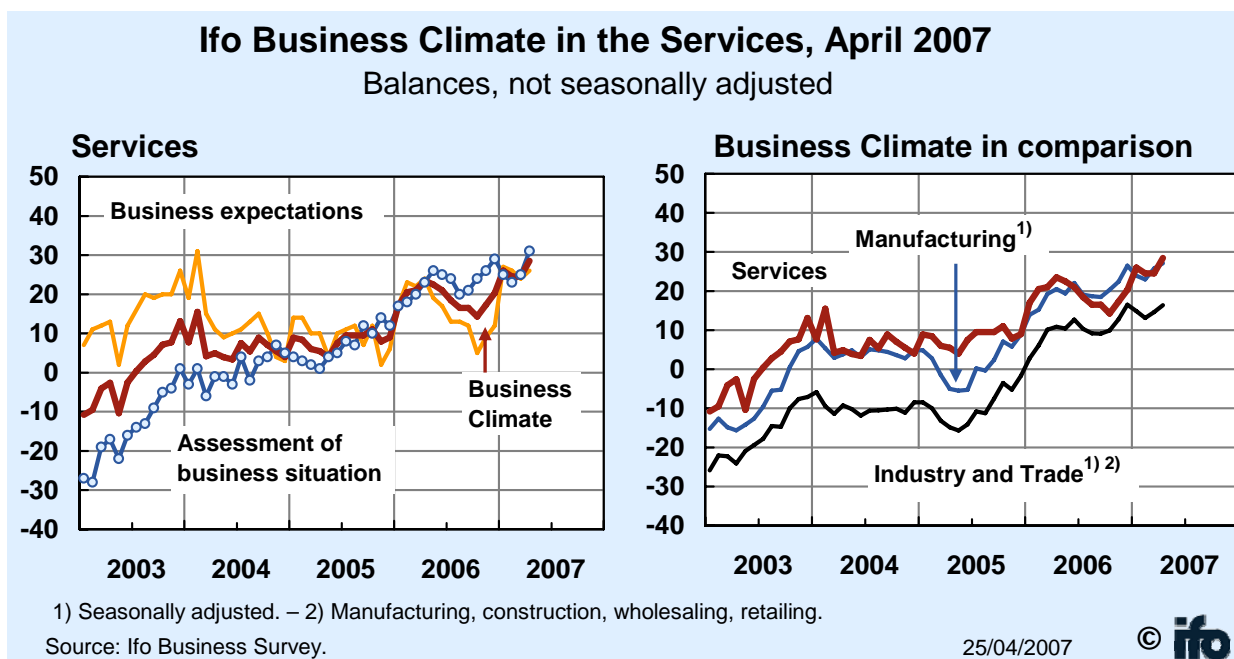
Results for April 2007

### Ifo Business Climate in the Services further Improved

The Ifo Business Climate indicator for the German service sector has risen again in April from an already high level. The current business situation has been more positively assessed for the second time in succession by the service providers. They are also more optimistic regarding the six-month outlook than they were in March. However, the number of firms that plan to hire additional staff has declined somewhat.

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	04/06	05/06	06/06	07/06	08/06	09/06	10/06	11/06	12/06	01/07	02/07	03/07	04/07
<b>Climate</b>	23.5	22.5	21.0	18.4	16.5	16.5	14.3	17.3	20.3	26.0	24.5	24.5	28.5
<b>Situation</b>	23.0	26.0	25.0	24.0	20.0	21.0	24.0	26.0	29.0	25.0	23.0	25.0	31.0
<b>Expectations</b>	24.0	19.0	17.0	13.0	13.0	12.0	5.0	9.0	12.0	27.0	26.0	24.0	26.0

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.