

Ifo Business Climate Germany

Results of the June 2007 Ifo Business Survey

Ifo Business Climate Somewhat Weaker

The Ifo Business Climate Index for German industry and trade fell in June. The surveyed firms have assessed the current situation slightly less favourably than in May and also regard the outlook for the coming six months somewhat less optimistically. However, both components of the business climate index are still at a high level and point to robust economic activity.

In *manufacturing* the business climate index fell in June after having risen in the previous three months. Although the manufacturing firms have assessed their current business situation almost as positively as in May, with regard to the business outlook they are clearly less confident than in May. However, they remain optimistic regarding future export opportunities. There has even been an increase in responses regarding planned personnel expansion.

In *retailing* the business climate index has fallen. The firms have given poorer assessments of the current situation but the six-month outlook has improved. In *wholesaling* the business climate has clearly worsened. Especially the assessments of the current situation but also the business expectations have weakened.

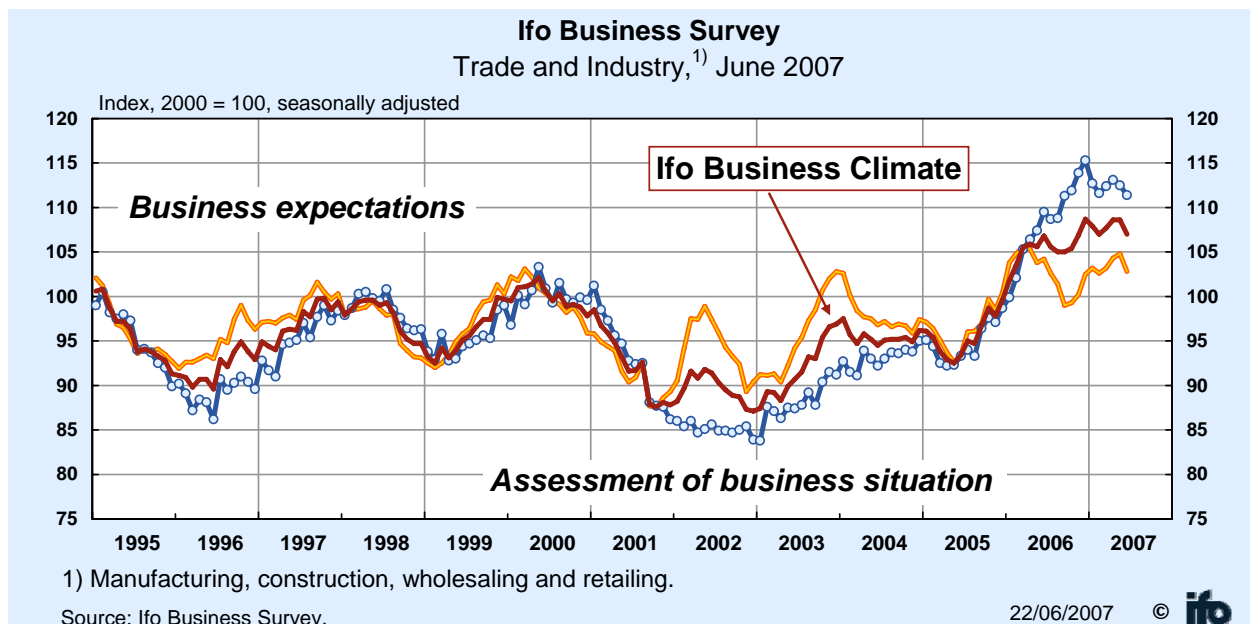
In *construction* the business climate has clouded over slightly. The appraisals of the current situation are nearly unchanged but the outlook is less favourable than in May.

Hans-Werner Sinn

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

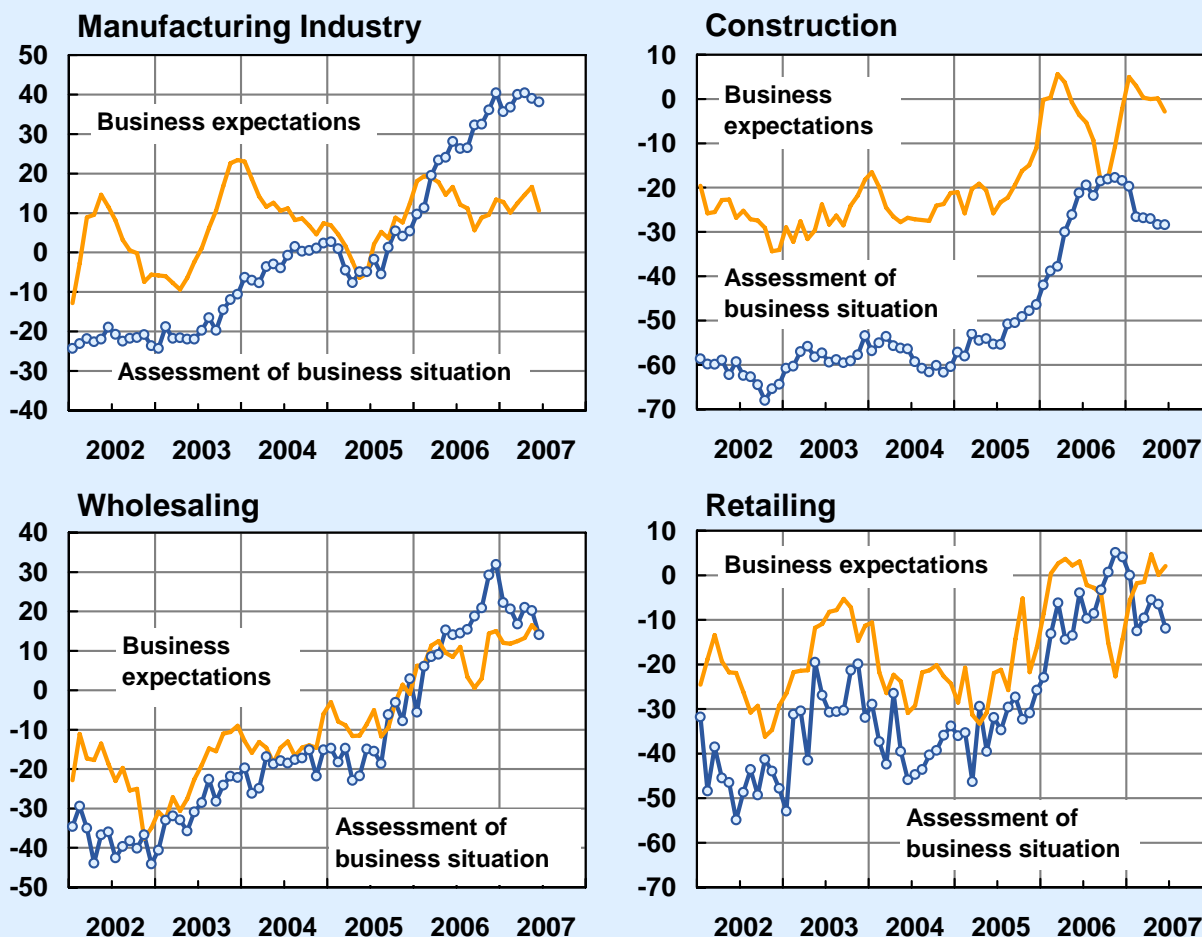
Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	06/06	07/06	08/06	09/06	10/06	11/06	12/06	01/07	02/07	03/07	04/07	05/07	06/07
Climate	106.8	105.6	105.0	105.0	105.4	106.9	108.7	107.9	107.0	107.7	108.6	108.6	107.0
Situation	109.5	108.7	108.8	111.3	111.9	113.9	115.3	112.7	111.6	112.4	113.1	112.5	111.4
Expectations	104.2	102.6	101.4	99.0	99.3	100.2	102.5	103.2	102.6	103.2	104.3	104.8	102.8



Business Situation and Expectations by Sector

June 2007; balances, seasonally adjusted



Source: Ifo Business Survey.

22/06/2007 © ifo

Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	06/06	07/06	08/06	09/06	10/06	11/06	12/06	01/07	02/07	03/07	04/07	05/07	06/07
Trade and Industry	12.8	10.4	9.2	9.1	9.9	12.9	16.6	14.9	13.2	14.6	16.4	16.3	13.2
Manufacturing	22.3	19.1	18.7	18.6	20.3	22.4	26.5	23.9	23.1	25.9	27.1	27.5	23.9
Construction	-12.6	-12.5	-15.6	-18.4	-18.1	-14.3	-10.5	-7.8	-12.4	-13.7	-14.0	-14.6	-16.0
Wholesaling	11.3	12.7	9.3	9.5	11.8	21.7	23.3	17.0	16.1	14.6	17.1	18.3	14.3
Retailing	-0.4	-6.0	-5.7	-3.8	-7.4	-9.3	-5.3	-2.8	-7.2	-5.6	-0.5	-3.2	-5.0

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

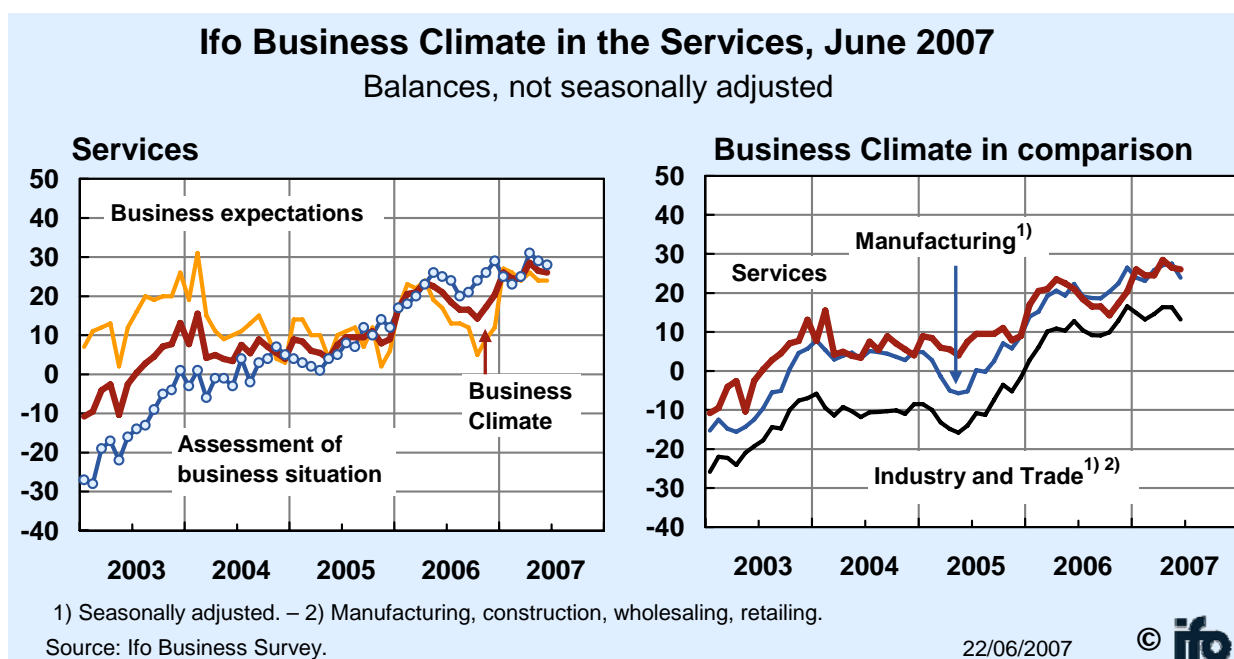
Results of the June 2007 Ifo Business Survey

Ifo Business Climate in the Services Remains at a High Level

The Ifo Business Climate indicator for the German service sector has weakened marginally in June. The current situation is seen somewhat less positively than in May, but the outlook continues to be assessed optimistically. Both components are in positive territory, which points to a continuingly positive business development in the service sector in the coming months. The increase in employment is likely to continue.

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	06/06	07/06	08/06	09/06	10/06	11/06	12/06	01/07	02/07	03/07	04/07	05/07	06/07
Climate	21.0	18.4	16.5	16.5	14.3	17.3	20.3	26.0	24.5	24.5	28.5	26.5	26.0
Situation	25.0	24.0	20.0	21.0	24.0	26.0	29.0	25.0	23.0	25.0	31.0	29.0	28.0
Expectations	17.0	13.0	13.0	12.0	5.0	9.0	12.0	27.0	26.0	24.0	26.0	24.0	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.