

# Ifo Business Climate Germany

Results of the July 2007 Ifo Business Survey

## Ifo Business Climate Slightly Weaker

The Ifo Business Climate Index for German industry and trade fell slightly in July. The surveyed firms have assessed the current situation just as positively as in June, but the outlook for the coming six months is no longer seen quite so favourably. These results point to a continuation of the economic upswing in the second half of the year.

In *manufacturing* the business climate index fell slightly in July. The firms have assessed the current business situation somewhat less positively for the third time in succession. In contrast, the six-month outlook has been appraised more optimistically, although with regard to exports, the survey participants are slightly less optimistic. Plans for increases in personnel are more numerous.

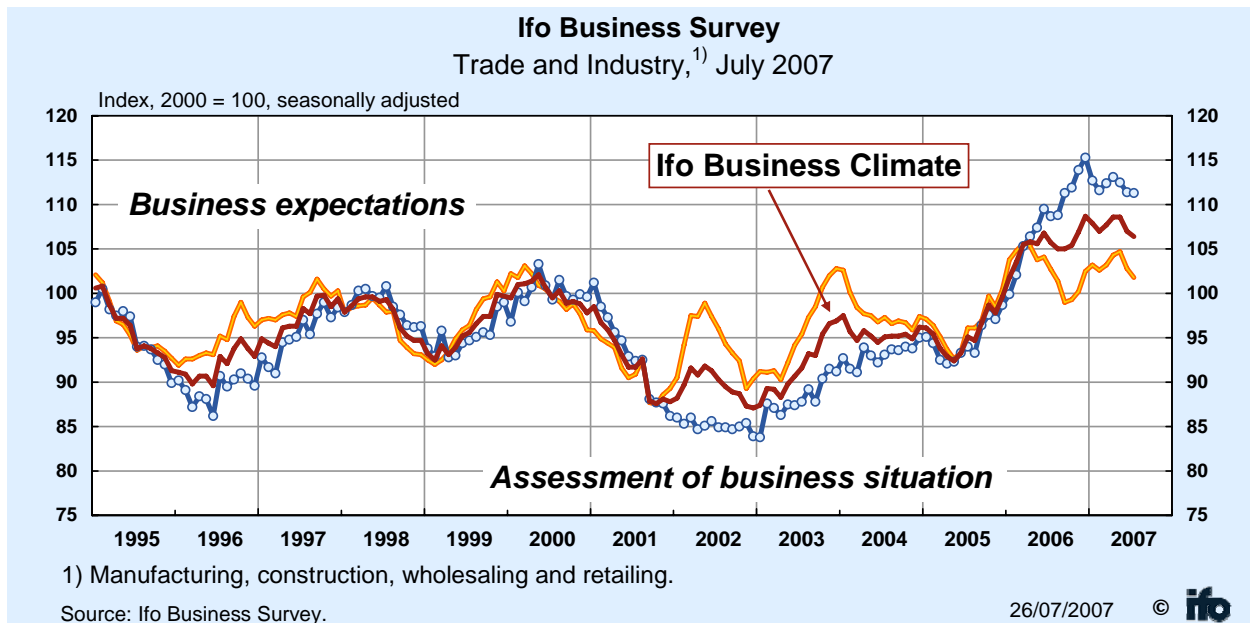
In *construction* the business climate index has risen slightly in July, after the weakening trend over the past five months. However, only the assessments of the current situation have improved, whereas more reserve has been expressed regarding the business outlook. In *retailing* the climate indicator nearly matched the level of the previous month, with firms giving more favourable marks for their current situation but weaker assessments of their six-month outlook. In *wholesaling* the business climate has worsened noticeably. Assessments of the current situation were only slightly less positive than in June, but optimism regarding future business has weakened considerably.

Hans-Werner Sinn

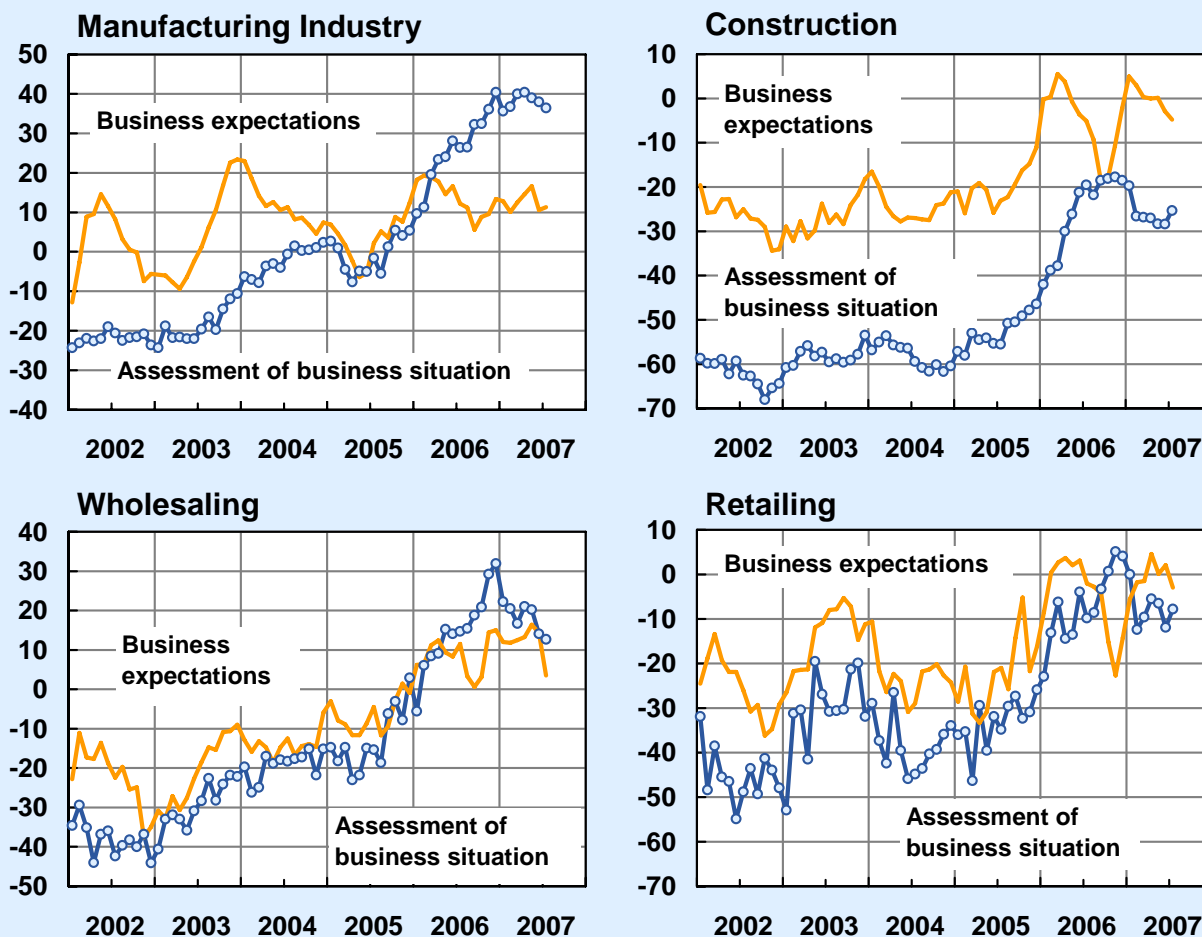
President of the Ifo Institute for Economic Research at the University of Munich

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

Month/year	07/06	08/06	09/06	10/06	11/06	12/06	01/07	02/07	03/07	04/07	05/07	06/07	07/07
<b>Climate</b>	105.7	105.0	105.0	105.4	106.9	108.7	107.9	107.0	107.7	108.6	108.6	107.0	106.4
<b>Situation</b>	108.7	108.8	111.3	111.9	113.9	115.3	112.7	111.6	112.4	113.1	112.5	111.4	111.3
<b>Expectations</b>	102.7	101.4	99.0	99.3	100.2	102.5	103.2	102.6	103.2	104.3	104.7	102.8	101.8



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



Source: Ifo Business Survey.

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

Month/year	07/06	08/06	09/06	10/06	11/06	12/06	01/07	02/07	03/07	04/07	05/07	06/07	07/07
Trade and Industry	10.5	9.3	9.1	9.9	12.9	16.6	14.9	13.2	14.6	16.4	16.3	13.2	12.0
Manufacturing	19.2	18.7	18.6	20.3	22.5	26.5	23.9	23.1	25.8	27.1	27.5	23.9	23.5
Construction	-12.5	-15.7	-18.4	-18.1	-14.3	-10.5	-7.8	-12.4	-13.7	-14.0	-14.6	-16.1	-15.3
Wholesaling	13.1	9.3	9.5	11.8	21.7	23.3	17.0	16.1	14.6	17.1	18.3	14.2	8.1
Retailing	-5.9	-5.7	-3.8	-7.4	-9.3	-5.3	-2.8	-7.2	-5.6	-0.5	-3.2	-5.0	-5.4

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

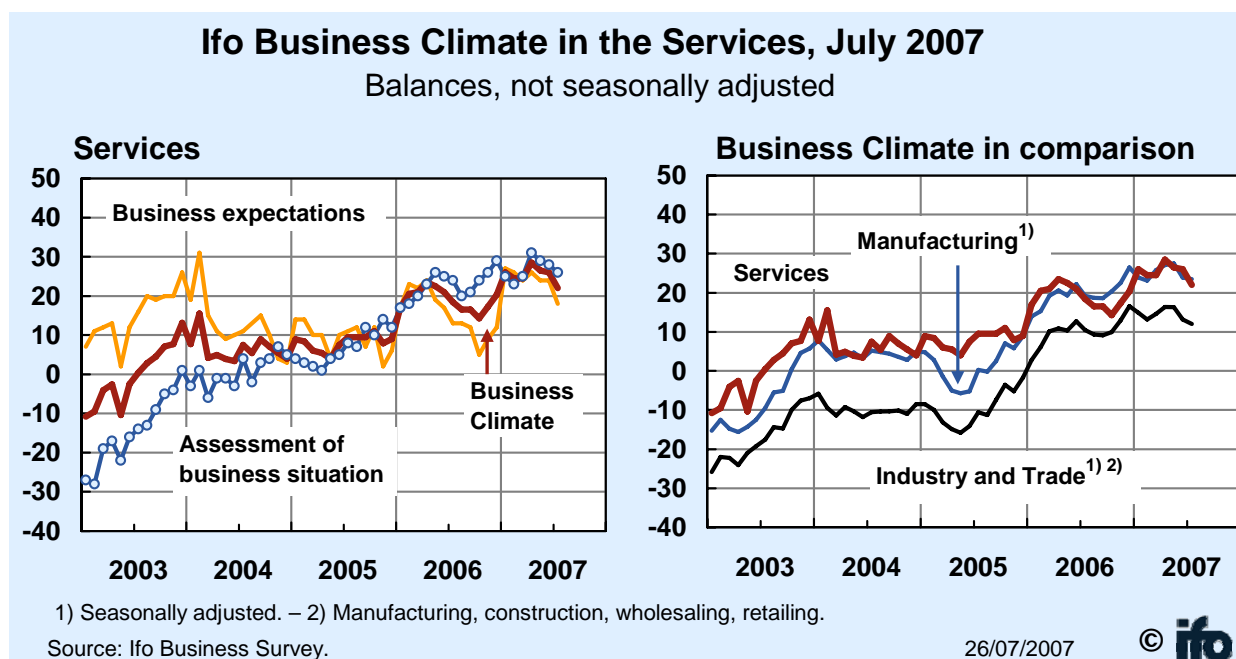
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### Ifo Business Climate in the Services Weakens Slightly

The Ifo Business Climate indicator for the German service sector has weakened in July for the third month in succession. The service providers see the current situation only slightly less positively than in June, but the six-month outlook has worsened perceptibly. However, these results still confirm that the positive business development in the service sector will continue 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	07/06	08/06	09/06	10/06	11/06	12/06	01/07	02/07	03/07	04/07	05/07	06/07	07/07
<b>Climate</b>	18.4	16.5	16.5	14.3	17.3	20.3	26.0	24.5	24.5	28.5	26.5	26.0	22.0
<b>Situation</b>	24.0	20.0	21.0	24.0	26.0	29.0	25.0	23.0	25.0	31.0	29.0	28.0	26.0
<b>Expectations</b>	13.0	13.0	12.0	5.0	9.0	12.0	27.0	26.0	24.0	26.0	24.0	24.0	18.0

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.