

Ifo Business Climate Germany

Results of the September 2007 Ifo Business Survey

Ifo Business Climate Index declined again

In September the Ifo Business Climate Index for industry and trade in Germany has weakened for the fourth time in a row. The companies are assessing their current situation less positively than in August. Expectations also clouded. Initial retarding effects are visible, to which events in the financial markets are likely to have contributed.

In *manufacturing* the business situation continues to be assessed favourably despite slight constraints compared to the previous month. Expectations, however, reflect only moderate optimism. For the future exporting business no strong effects are feared despite the high euro exchange rate. Hiring will continue, although it is expected to slow according to the survey participants.

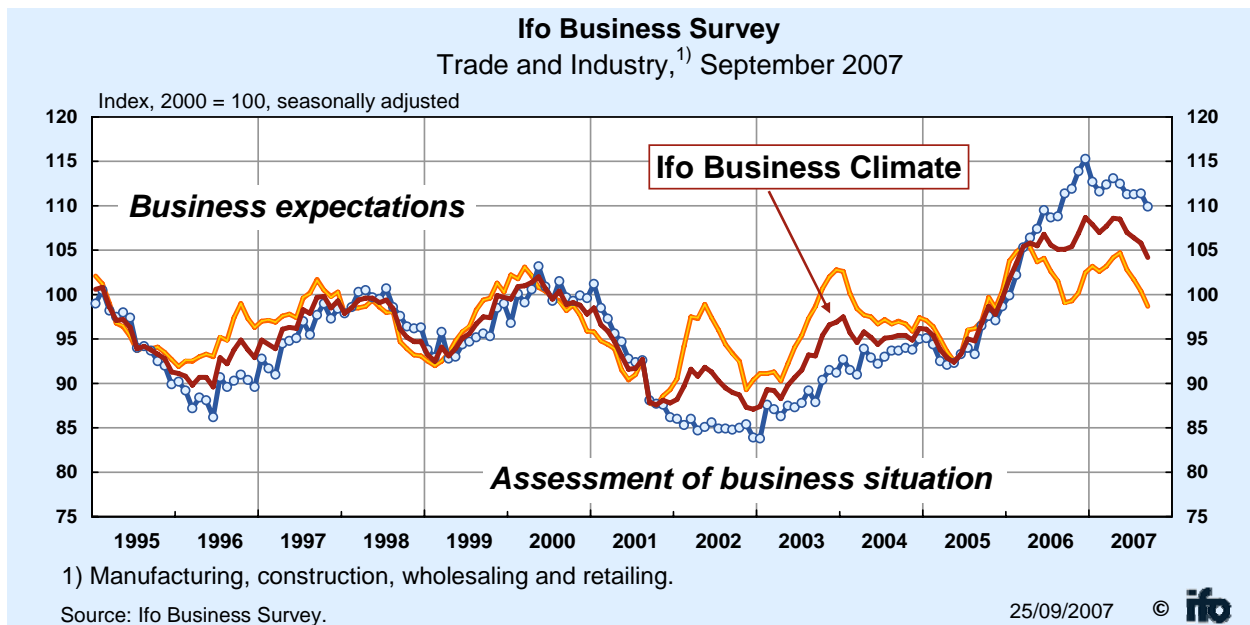
The business climate in the *construction industry* has cooled off again. Regarding their current business situation, the firms expressed less confidence, and regards their future business they became more sceptical. Markedly worsened has the business climate in *retailing*. This is due primarily to the less favourable assessment of the current situation. The future outlook, too, is being assessed much more reservedly. In *wholesaling* the climate indicator has, however, improved. The current business is again considered better than in the two preceding months. Expectations for the next six months also reflect more optimism here.

Hans-Werner Sinn

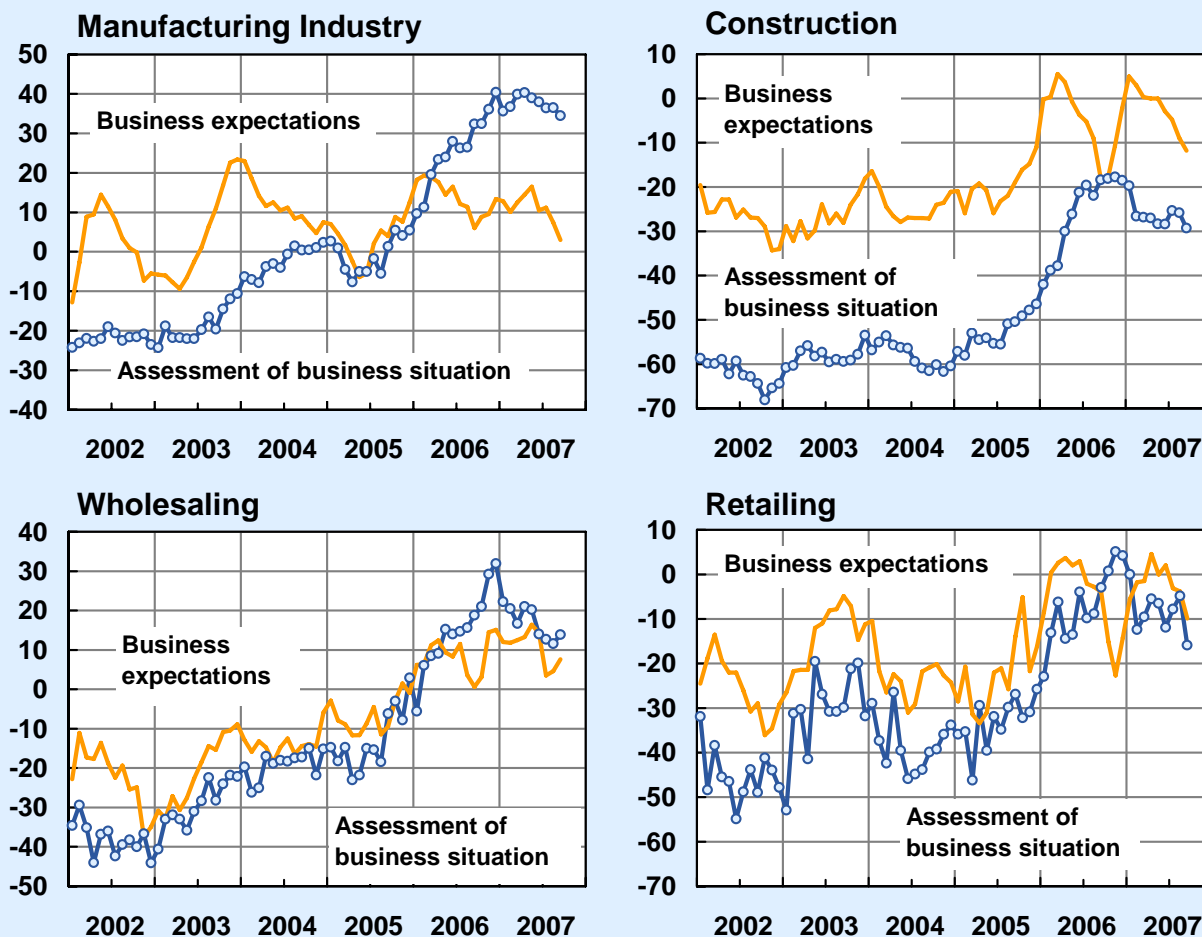
President of the Ifo Institute for Economic Research at the University of Munich

Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	09/06	10/06	11/06	12/06	01/07	02/07	03/07	04/07	05/07	06/07	07/07	08/07	09/07
Climate	105,1	105,4	106,9	108,7	107,9	107,0	107,7	108,6	108,5	107,0	106,4	105,8	104,2
Situation	111,4	111,9	113,9	115,3	112,7	111,6	112,4	113,1	112,5	111,3	111,3	111,4	109,9
Expectations	99,1	99,3	100,2	102,5	103,2	102,6	103,2	104,2	104,7	102,8	101,7	100,4	98,7



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



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	09/06	10/06	11/06	12/06	01/07	02/07	03/07	04/07	05/07	06/07	07/07	08/07	09/07
Trade and Industry	9,4	10,0	12,9	16,6	14,9	13,2	14,6	16,3	16,2	13,1	12,0	10,7	7,6
Manufacturing	18,8	20,4	22,5	26,5	23,9	23,1	25,8	27,1	27,5	23,8	23,4	21,5	18,2
Construction	-18,2	-18,1	-14,2	-10,5	-7,7	-12,4	-13,7	-14,0	-14,7	-16,1	-15,3	-17,5	-20,7
Wholesaling	9,5	11,8	21,7	23,3	17,0	16,1	14,6	17,1	18,3	14,1	8,0	8,1	10,7
Retailing	-3,4	-7,4	-9,3	-5,2	-2,8	-7,2	-5,6	-0,5	-3,2	-5,1	-5,5	-4,3	-12,9

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

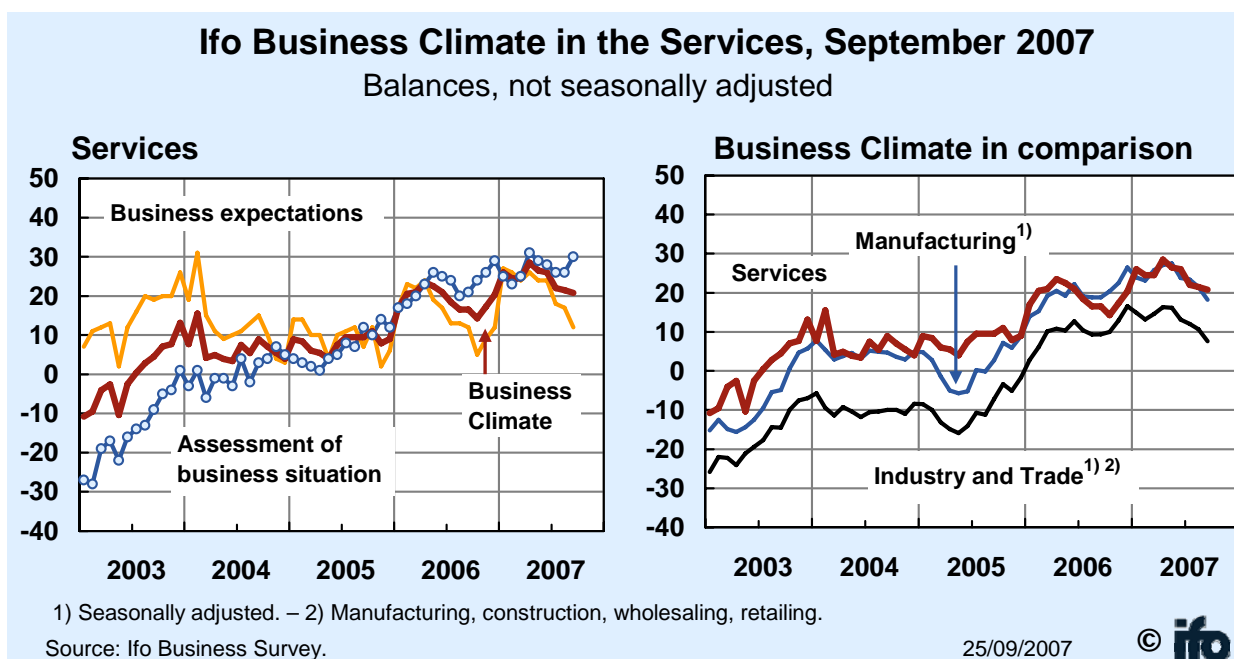
Results of the September 2007 Ifo Business Survey

Ifo Business Climate Index for the Service Industry declined slightly

The Ifo Business Climate Index for the German service industry has continued to cloud over in September. Although the companies are assessing their current business situation somewhat more positively than in the previous month, they are less optimistic regarding the coming six months. Positive responses continue to prevail in their assessment of the current situation as well as in their expectations. According to the companies' plans, the willingness to hire has weakened 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	09/06	10/06	11/06	12/06	01/07	02/07	03/07	04/07	05/07	06/07	07/07	08/07	09/07
Climate	16,5	14,3	17,3	20,3	26,0	24,5	24,5	28,5	26,5	26,0	22,0	21,5	20,8
Situation	21,0	24,0	26,0	29,0	25,0	23,0	25,0	31,0	29,0	28,0	26,0	26,0	30,0
Expectations	12,0	5,0	9,0	12,0	27,0	26,0	24,0	26,0	24,0	24,0	18,0	17,0	12,0

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.