

# Ifo Business Climate Germany

Results of the November 2007 Ifo Business Survey

## Ifo Business Climate Improves Slightly

The Ifo Business Climate Index for industry and trade in Germany has risen slightly in November after having fallen for five months in succession. The companies have assessed their current situation more positively than in October but are somewhat more cautious regarding the six-month business outlook. The results indicate that the currently strong economy is only gradually cooling.

In *manufacturing* the business climate indicator rose. The current situation has been assessed clearly more positively than in October. The business expectations are largely unchanged and still slightly positive. With regard to future exports, optimism has strengthened despite the rising euro exchange rate. Personnel plans again point to an increase in staff levels.

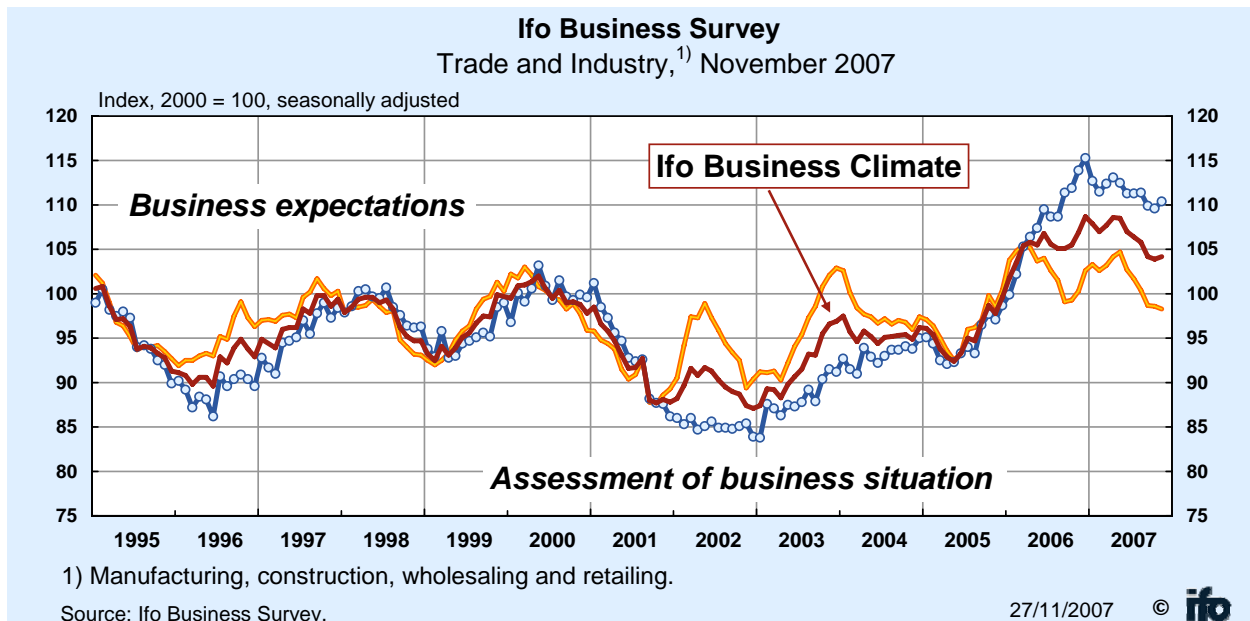
The business climate in the *construction* industry has worsened slightly. Dissatisfaction with the current business situation, which is especially the case in housing construction, has grown slightly, but with regard to future business the firms have expressed somewhat more confidence. After the clear downturn in the previous month, the climate in *wholesaling* has improved slightly. Current business has been assessed more positively, but a slight scepticism still prevails with regard to business expectations. In contrast, the business climate in *retailing* has worsened. The firms have assessed both their current situation and six-month outlook less favourably than in October.

Hans-Werner Sinn

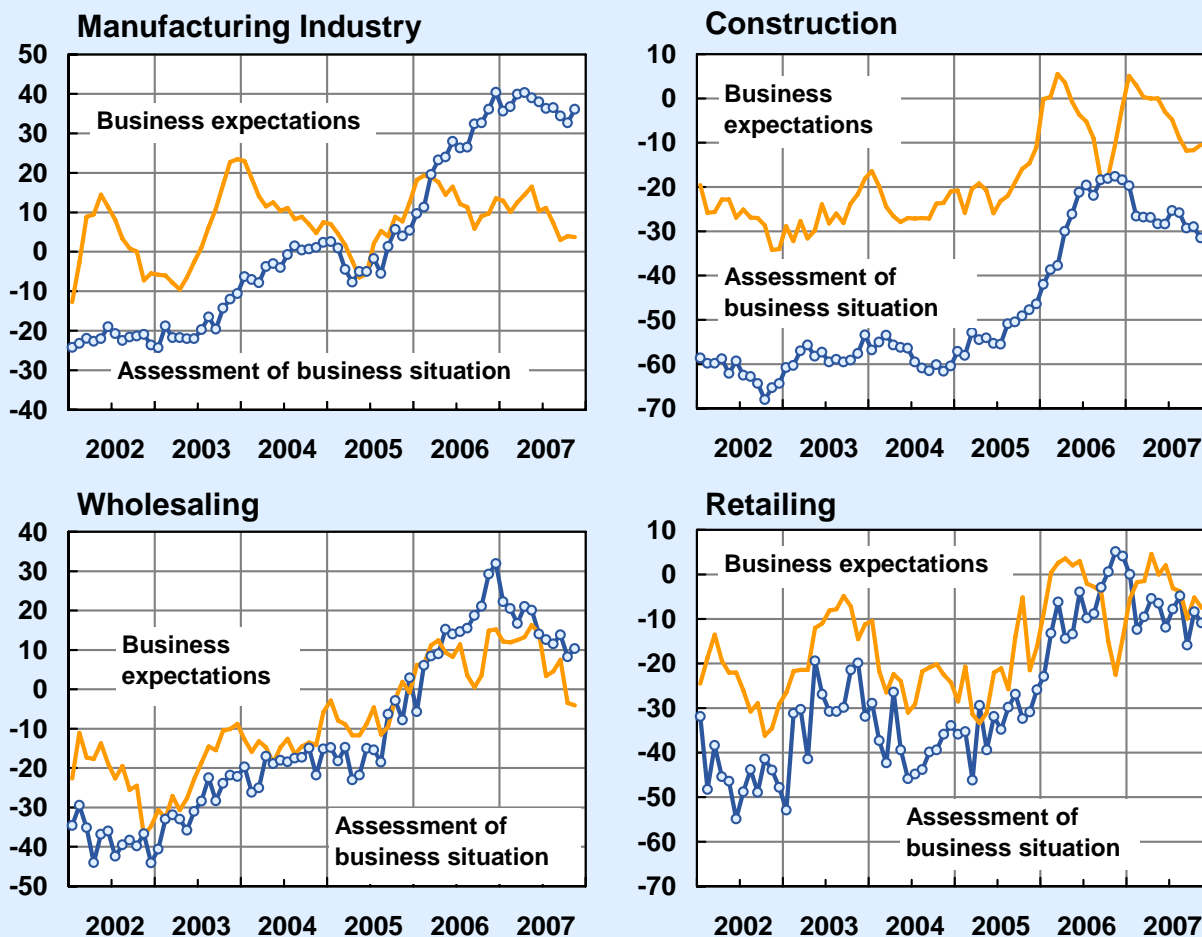
President of the Ifo Institute for Economic Research at the University of Munich

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

Month/year	11/06	12/06	01/07	02/07	03/07	04/07	05/07	06/07	07/07	08/07	09/07	10/07	11/07
<b>Climate</b>	106.9	108.7	107.9	107.0	107.7	108.6	108.5	107.0	106.4	105.8	104.2	103.9	104.2
<b>Situation</b>	113.9	115.3	112.7	111.5	112.4	113.1	112.5	111.3	111.3	111.4	109.9	109.6	110.4
<b>Expectations</b>	100.3	102.6	103.3	102.6	103.2	104.2	104.7	102.7	101.7	100.4	98.7	98.6	98.3



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



Source: Ifo Business Survey.

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

Month/year	11/06	12/06	01/07	02/07	03/07	04/07	05/07	06/07	07/07	08/07	09/07	10/07	11/07
Trade and Industry	13.0	16.6	15.0	13.1	14.5	16.3	16.2	13.1	11.9	10.7	7.5	7.0	7.6
Manufacturing	22.5	26.5	23.9	23.0	25.8	27.0	27.4	23.8	23.4	21.4	18.1	17.8	19.3
Construction	-14.1	-10.4	-7.7	-12.4	-13.7	-13.9	-14.7	-16.1	-15.4	-17.5	-20.8	-20.6	-21.3
Wholesaling	21.9	23.4	17.1	16.1	14.6	17.1	18.2	14.1	8.0	8.0	10.6	2.3	2.9
Retailing	-9.2	-5.2	-2.8	-7.1	-5.5	-0.5	-3.2	-5.1	-5.5	-4.3	-12.9	-6.8	-9.2

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

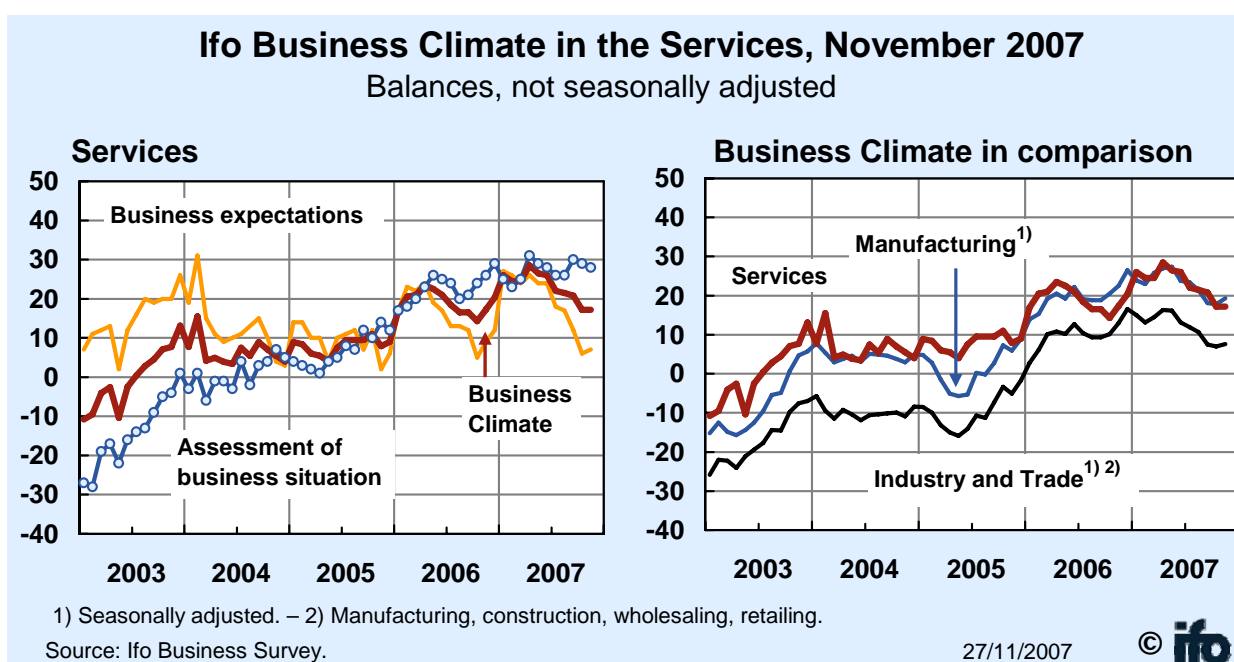
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### Ifo Business Climate for the Service Industry Remains Unchanged

The Ifo Business Climate indicator for the German service industry has stabilised in November. Although the companies have again assessed their current business situation less favourably than in October, they are slightly more confident regarding the coming six months. The propensity to hire additional staff has increased.

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	11/06	12/06	01/07	02/07	03/07	04/07	05/07	06/07	07/07	08/07	09/07	10/07	11/07
<b>Climate</b>	17.3	20.3	26.0	24.5	24.5	28.5	26.5	26.0	22.0	21.5	20.8	17.2	17.2
<b>Situation</b>	26.0	29.0	25.0	23.0	25.0	31.0	29.0	28.0	26.0	26.0	30.0	29.0	28.0
<b>Expectations</b>	9.0	12.0	27.0	26.0	24.0	26.0	24.0	24.0	18.0	17.0	12.0	6.0	7.0

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.