

# Ifo Business Climate Germany

Results of the January 2008 Ifo Business Survey

## Slight Improvement in the Ifo Business Climate

The Ifo Business Climate Index for industry and trade in Germany has risen slightly in January. The companies have assessed their current situation marginally less positively than in December. With regard to the outlook for the coming six months, they are more optimistic. On the whole, the condition of firms in German industry and trade continues to be robust.

In *manufacturing* the business climate indicator has risen somewhat. The current situation has been assessed just as favourably as in December. Confidence in the six-month outlook has increased slightly, and the survey participants are nearly just as optimistic with regard to future export business as in December. The share of firms that plan to hire additional staff has fallen somewhat, however.

The business climate in the *construction* industry has brightened. Dissatisfaction with the current business situation has weakened marginally, but the contractors are clearly more confident regarding future business development. The business climate in *wholesaling* remains unchanged. Current business has been assessed somewhat more positively than in December, but the six-month outlook has worsened. In *retailing* the index has fallen again as a result of more unfavourable assessments of the current situation. However, the firms are less sceptical with regard to the six-month outlook than in December.

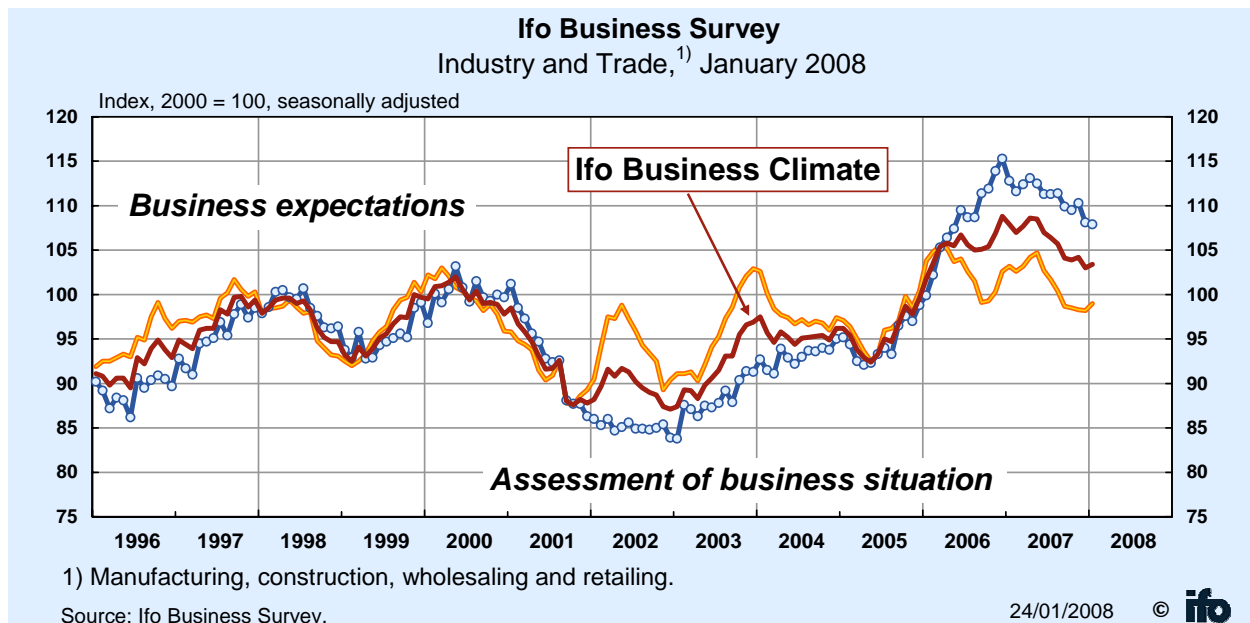
Hans-Werner Sinn

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

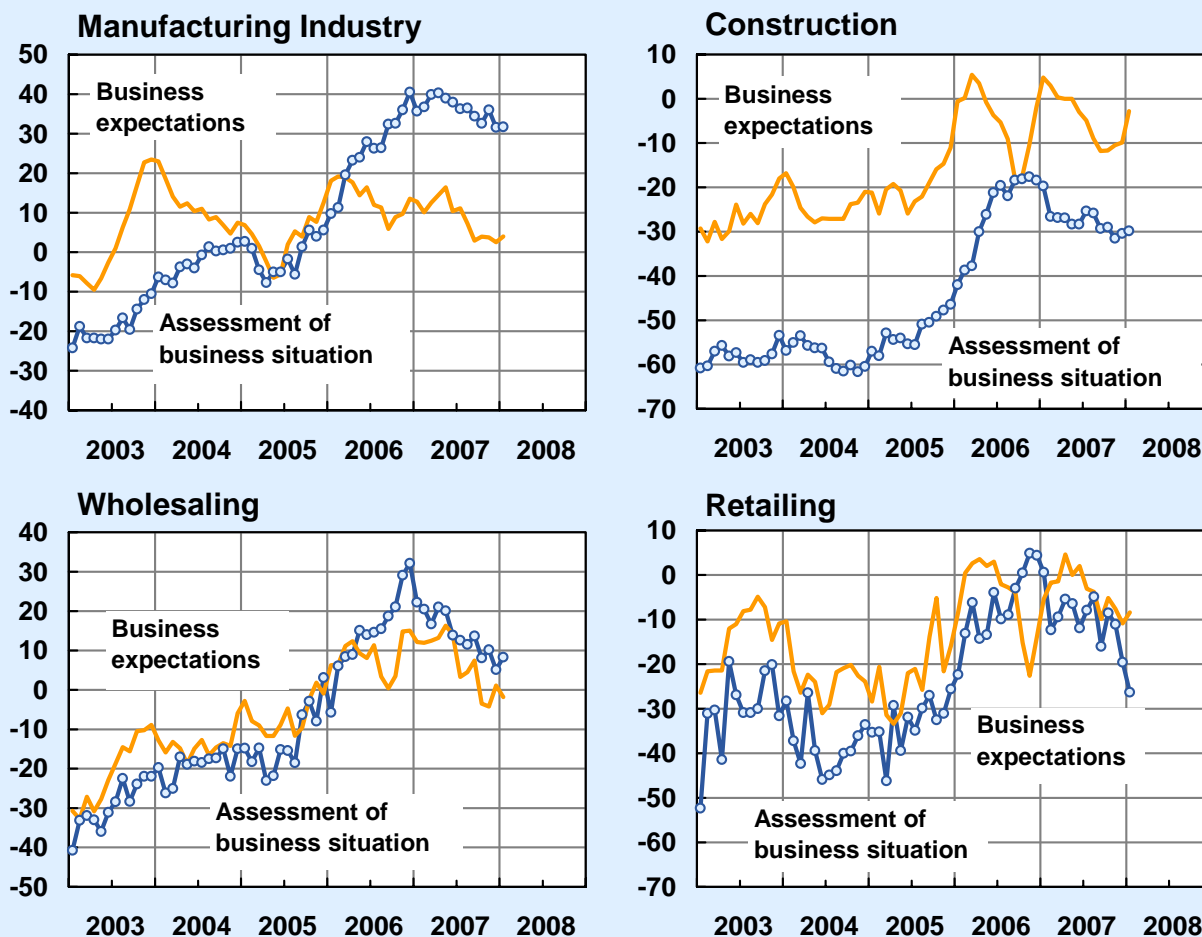
### Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	01/07	02/07	03/07	04/07	05/07	06/07	07/07	08/07	09/07	10/07	11/07	12/07	01/08
<b>Climate</b>	107.9	107.0	107.7	108.6	108.5	107.0	106.4	105.7	104.1	103.9	104.2	103.0	103.4
<b>Situation</b>	112.8	111.6	112.4	113.1	112.5	111.3	111.3	111.4	109.9	109.5	110.3	108.1	107.9
<b>Expectations</b>	103.2	102.6	103.2	104.2	104.7	102.7	101.7	100.4	98.7	98.5	98.3	98.2	99.0

Source: Ifo Business Survey



## Business Situation and Expectations by Sector January 2008; balances, seasonally adjusted



Source: Ifo Business Survey.

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

Month/year	01/07	02/07	03/07	04/07	05/07	06/07	07/07	08/07	09/07	10/07	11/07	12/07	01/08
Trade and Industry	15.0	13.2	14.6	16.3	16.2	13.1	11.9	10.7	7.5	7.0	7.5	5.2	5.9
Manufacturing	24.0	23.0	25.8	27.0	27.4	23.7	23.3	21.4	18.1	17.8	19.2	16.6	17.4
Construction	-7.8	-12.4	-13.7	-14.0	-14.7	-16.1	-15.4	-17.5	-20.8	-20.6	-21.3	-20.5	-16.8
Wholesaling	17.1	16.1	14.6	17.1	18.2	14.0	7.9	7.9	10.5	2.2	2.9	3.1	3.2
Retailing	-2.4	-7.0	-5.4	-0.5	-3.2	-5.1	-5.5	-4.4	-13.0	-6.8	-9.3	-15.3	-17.6

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

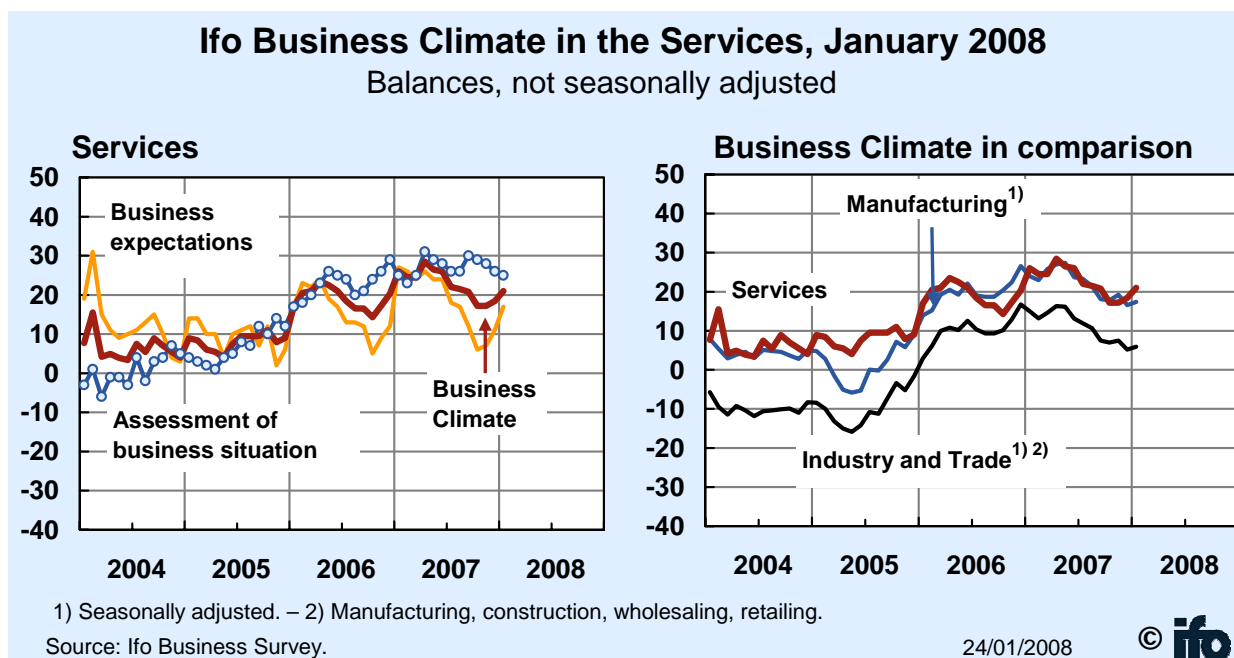
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### Renewed Improvement in the Ifo Business Climate for the Service Sector

The Ifo Business Climate indicator for the German service sector has risen again in January. Although the companies have assessed their current business situation less favourably than in December, they are clearly more confident regarding the coming six months. The plans of the survey participants indicate that staff levels could rise again.

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	01/07	02/07	03/07	04/07	05/07	06/07	07/07	08/07	09/07	10/07	11/07	12/07	01/08
<b>Climate</b>	26.0	24.5	24.5	28.5	26.5	26.0	22.0	21.5	20.8	17.2	17.2	18.4	21.0
<b>Situation</b>	25.0	23.0	25.0	31.0	29.0	28.0	26.0	26.0	30.0	29.0	28.0	26.0	25.0
<b>Expectations</b>	27.0	26.0	24.0	26.0	24.0	24.0	18.0	17.0	12.0	6.0	7.0	11.0	17.0

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.