

Ifo Business Climate Germany

Results of the February 2008 Ifo Business Survey

Ifo Business Climate Brightens Somewhat

The Ifo Business Climate Index for industry and trade in Germany has risen slightly in February. The companies have assessed their current situation even more positively than in January. The outlook for the coming six months has worsened somewhat, however. On the whole, the economic situation of German industry and trade is robust, but the expectations continue to point to a cyclical weakening.

In *manufacturing* the business climate indicator has fallen marginally. The firms have assessed their current situation somewhat more favourably than in January. With regard to the six-month outlook, however, they are less confident. Also their optimism regarding exports has weakened. But their hiring plans point to a further increase in staff levels in the coming months.

In the *construction* industry the business climate has clearly worsened. The firms have assessed their current business situation more unfavourably than in January and are also less confident regarding the six-month business outlook. In *wholesaling* the climate indicator rose slightly. Current business has again been assessed somewhat more positively, but the surveyed firms are less confident regarding future business. In *retailing* the index has risen clearly, however, with firms assessing their current situation considerably more favourably than in January. The six-month outlook has also improved.

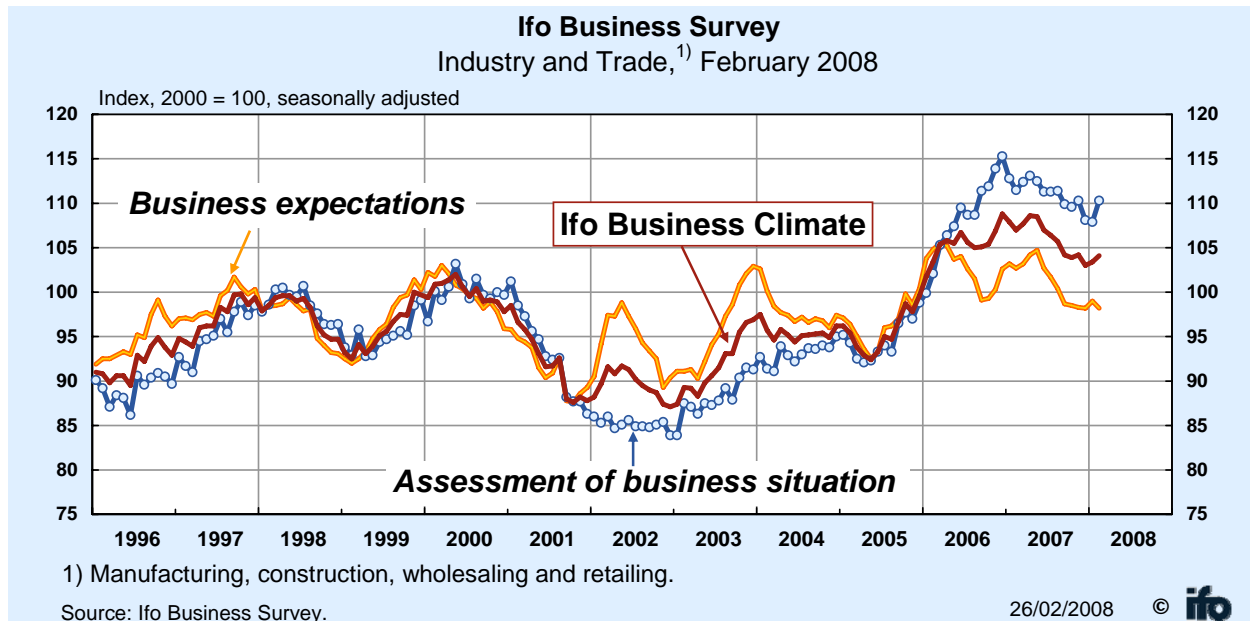
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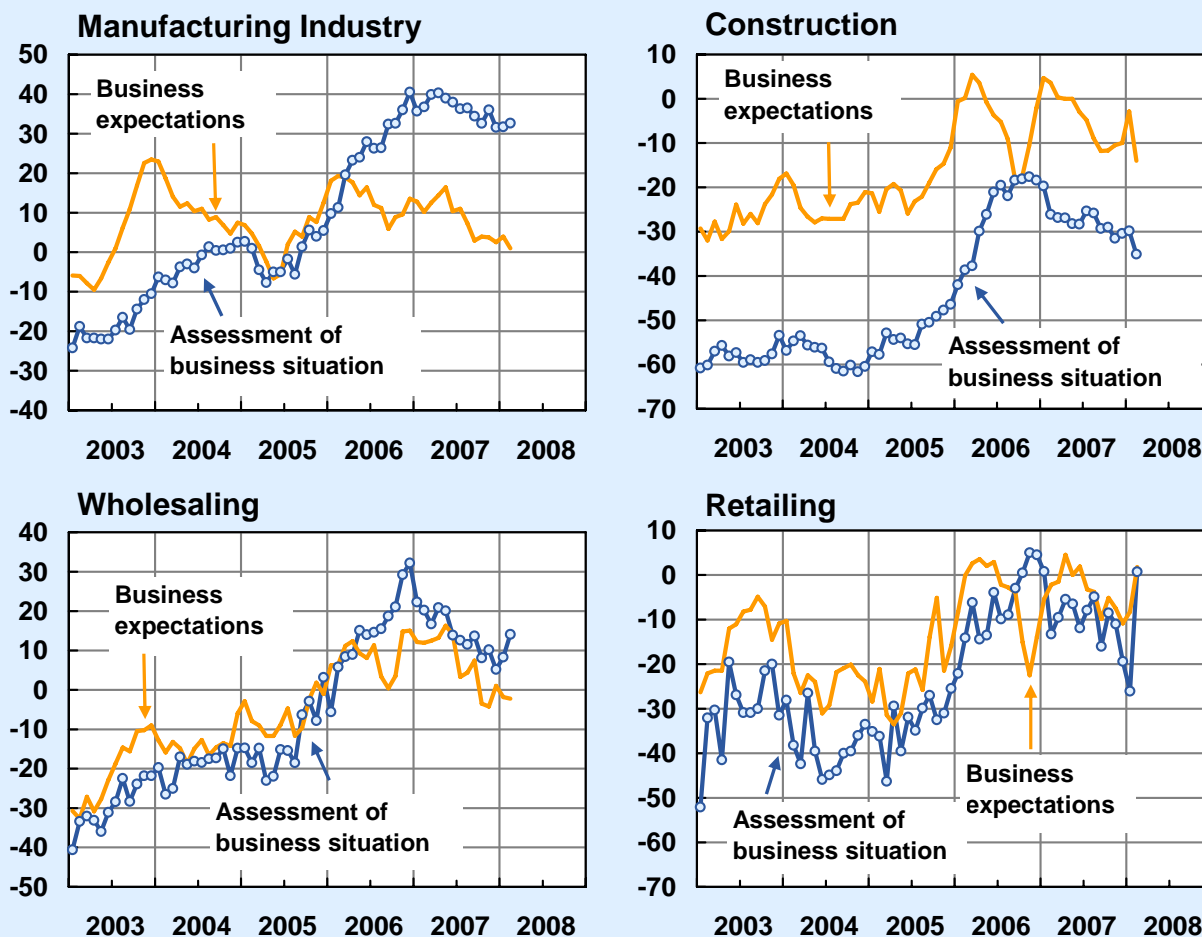
Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	02/07	03/07	04/07	05/07	06/07	07/07	08/07	09/07	10/07	11/07	12/07	01/08	02/08
Climate	107.0	107.7	108.6	108.5	107.0	106.4	105.7	104.2	103.9	104.2	103.0	103.4	104.1
Situation	111.5	112.4	113.1	112.5	111.3	111.3	111.4	109.9	109.6	110.3	108.1	107.9	110.3
Expectations	102.7	103.2	104.2	104.7	102.7	101.7	100.4	98.7	98.5	98.3	98.2	99.0	98.2

Source: Ifo Business Survey



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



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	02/07	03/07	04/07	05/07	06/07	07/07	08/07	09/07	10/07	11/07	12/07	01/08	02/08
Trade and Industry	13.2	14.5	16.3	16.2	13.1	11.9	10.7	7.5	7.0	7.5	5.2	5.9	7.3
Manufacturing	23.1	25.8	27.0	27.4	23.7	23.3	21.4	18.1	17.8	19.2	16.5	17.4	16.3
Construction	-11.8	-13.8	-13.9	-14.7	-16.1	-15.3	-17.5	-20.8	-20.6	-21.3	-20.5	-16.9	-24.9
Wholesaling	16.0	14.6	17.0	18.2	14.0	7.9	7.9	10.5	2.2	2.9	3.1	3.2	5.8
Retailing	-7.8	-5.5	-0.5	-3.3	-5.1	-5.5	-4.3	-13.0	-6.8	-9.3	-15.2	-17.5	1.3

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

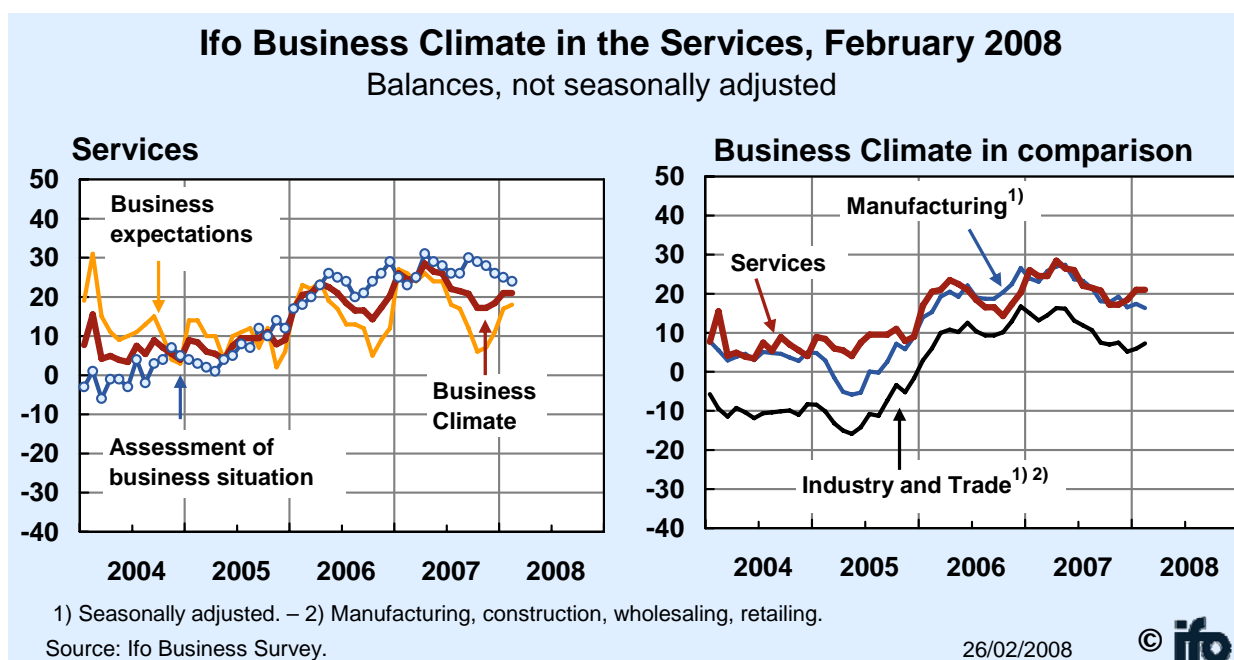
Results of the February 2008 Ifo Business Survey

Ifo Business Climate for the Service Sector Remains Stable

The Ifo Business Climate indicator for the German service sector remains unchanged in February. Although the current business situation has again been assessed somewhat less positively than in January, optimism regarding the six-month business outlook increased again. The responses indicate that the increase in employment will continue in the months ahead.

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German Services Sector (Balances, not seasonally adjusted)

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