

# Ifo Business Climate Germany

Results of the March 2008 Ifo Business Survey

## Ifo Business Climate Again Somewhat Brighter

The Ifo Business Climate Index for industry and trade in Germany has risen slightly in March. The companies have again assessed their current situation more positively than in the previous month. The outlook for the coming six months has also brightened somewhat. These results indicate that with the beginning of the year the German economy has gained strength.

In *manufacturing* the business climate indicator has risen somewhat. The firms have assessed their current situation clearly more favourably than in February. Confidence with regard to the six-month business outlook has weakened only marginally. Despite the strong euro the firms are more optimistic regarding exports than they were in February. Their hiring plans indicate that the increase in staff levels will continue in the coming months.

In the *construction* industry the business climate indicator has risen. The dissatisfaction with the current business situation has weakened somewhat, and also with regard to the six-month outlook more confidence has been expressed than in February. In *wholesaling* the business climate has also improved. Current business has again been assessed more positively, and the outlook is also somewhat brighter. The climate indicator in *retailing* has fallen slightly following the strong rise in February. This is mainly the result of a worsening of the current business situation, whereas the six-month outlook has been assessed only slightly less optimistically.

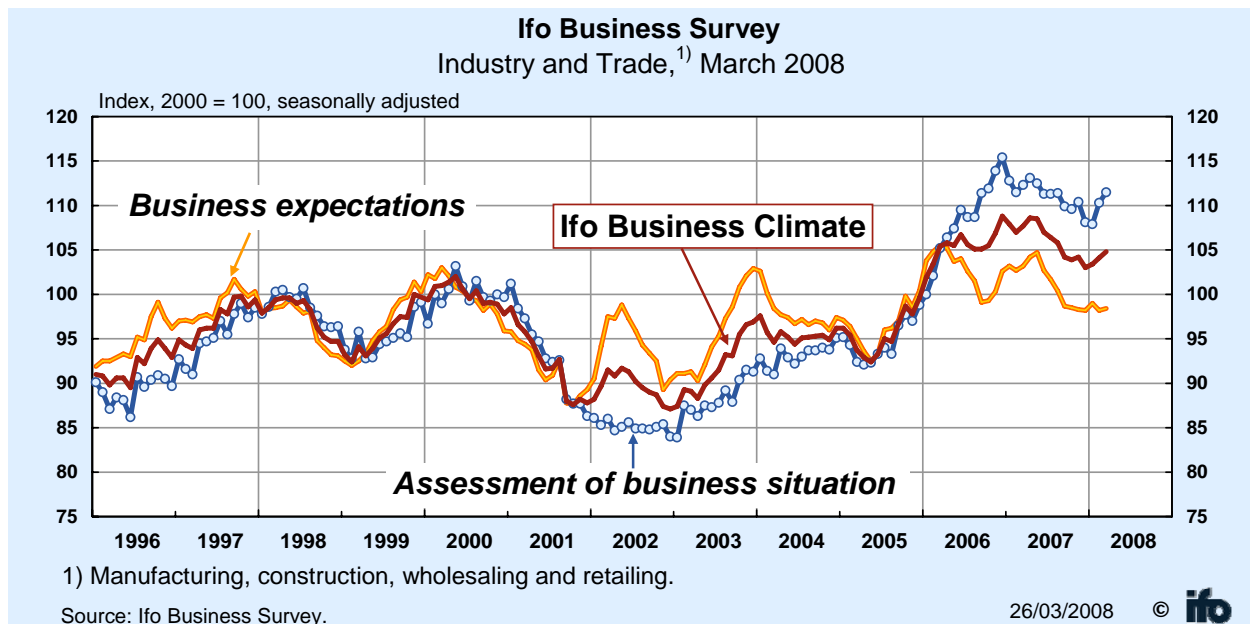
Hans-Werner Sinn

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

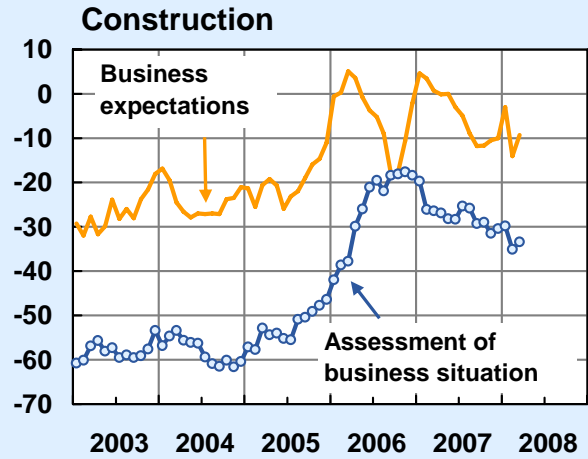
### Germany (Index, 2000 = 100, seasonally adjusted)

| Month/year          | 03/07 | 04/07 | 05/07 | 06/07 | 07/07 | 08/07 | 09/07 | 10/07 | 11/07 | 12/07 | 01/08 | 02/08 | 03/08 |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Climate</b>      | 107.7 | 108.6 | 108.5 | 107.0 | 106.4 | 105.8 | 104.2 | 103.9 | 104.2 | 103.0 | 103.4 | 104.1 | 104.8 |
| <b>Situation</b>    | 112.3 | 113.1 | 112.5 | 111.3 | 111.3 | 111.4 | 109.9 | 109.6 | 110.4 | 108.1 | 107.9 | 110.3 | 111.5 |
| <b>Expectations</b> | 103.2 | 104.2 | 104.7 | 102.7 | 101.7 | 100.4 | 98.7  | 98.5  | 98.3  | 98.2  | 99.0  | 98.2  | 98.4  |

Source: Ifo Business Survey



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



Source: Ifo Business Survey.

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

| Month/year         | 03/07 | 04/07 | 05/07 | 06/07 | 07/07 | 08/07 | 09/07 | 10/07 | 11/07 | 12/07 | 01/08 | 02/08 | 03/08 |
|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Trade and Industry | 14.5  | 16.3  | 16.2  | 13.0  | 11.9  | 10.6  | 7.5   | 7.0   | 7.5   | 5.2   | 5.9   | 7.3   | 8.7   |
| Manufacturing      | 25.8  | 27.0  | 27.4  | 23.7  | 23.3  | 21.4  | 18.1  | 17.8  | 19.2  | 16.5  | 17.4  | 16.3  | 17.9  |
| Construction       | -13.3 | -14.0 | -14.6 | -16.1 | -15.3 | -17.5 | -20.8 | -20.6 | -21.3 | -20.5 | -16.9 | -24.9 | -21.8 |
| Wholesaling        | 14.4  | 17.0  | 18.2  | 14.0  | 7.9   | 7.9   | 10.5  | 2.2   | 2.9   | 3.1   | 3.2   | 5.8   | 7.8   |
| Retailing          | -5.9  | -0.6  | -3.3  | -5.2  | -5.6  | -4.4  | -12.9 | -6.8  | -9.2  | -15.2 | -17.4 | 1.3   | -0.9  |

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 March 2008 Ifo Business Survey

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

The Ifo Business Climate indicator for the German service sector remains stable in March. For the sixth time in succession the current business situation has been assessed somewhat less positively than in the previous month, but optimism regarding the six-month outlook has increased again. Personnel plans continue to indicate a strong hiring propensity.

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### German Services Sector (Balances, not seasonally adjusted)

| Month/Year          | 03/07 | 04/07 | 05/07 | 06/07 | 07/07 | 08/07 | 09/07 | 10/07 | 11/07 | 12/07 | 01/08 | 02/08 | 03/08 |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Climate</b>      | 24.5  | 28.5  | 26.5  | 26.0  | 22.0  | 21.5  | 20.8  | 17.2  | 17.2  | 18.4  | 21.0  | 21.0  | 21.0  |
| <b>Situation</b>    | 25.0  | 31.0  | 29.0  | 28.0  | 26.0  | 26.0  | 30.0  | 29.0  | 28.0  | 26.0  | 25.0  | 24.0  | 23.0  |
| <b>Expectations</b> | 24.0  | 26.0  | 24.0  | 24.0  | 18.0  | 17.0  | 12.0  | 6.0   | 7.0   | 11.0  | 17.0  | 18.0  | 19.0  |

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.