

# Ifo Business Climate Germany

Results of the April 2008 Ifo Business Survey

## Ifo Business Climate Cools Noticeably

The Ifo Business Climate Index for industry and trade in Germany has clearly fallen in April. The surveyed companies have assessed their current situation clearly more unfavourably than in the previous month. Also with regard to the outlook for the coming six months they are more sceptical than in March. After a brief brightening at the beginning of the year, the survey results indicate a slower pace of business activity. The retarding forces evident since mid-2007 have gained strength again.

In *manufacturing* the business climate indicator has clouded. Both the current situation and the six-month business outlook have been assessed with considerably more reserve than in the previous month. With regard to foreign business, however, the survey participants remain optimistic, despite the strong euro. The increase in employment will continue according to company hiring plans but will lose some momentum.

In the *construction* industry the business climate indicator has risen. The firms have assessed their current business situation somewhat less critically, and they are more confident with regard to the six-month outlook. Both in *wholesaling* and in *retailing*, however, the business climate index has clearly fallen. In both sectors the survey participants are much more dissatisfied with their current business situation than in the previous month. Their expectations for the coming six months are also weaker.

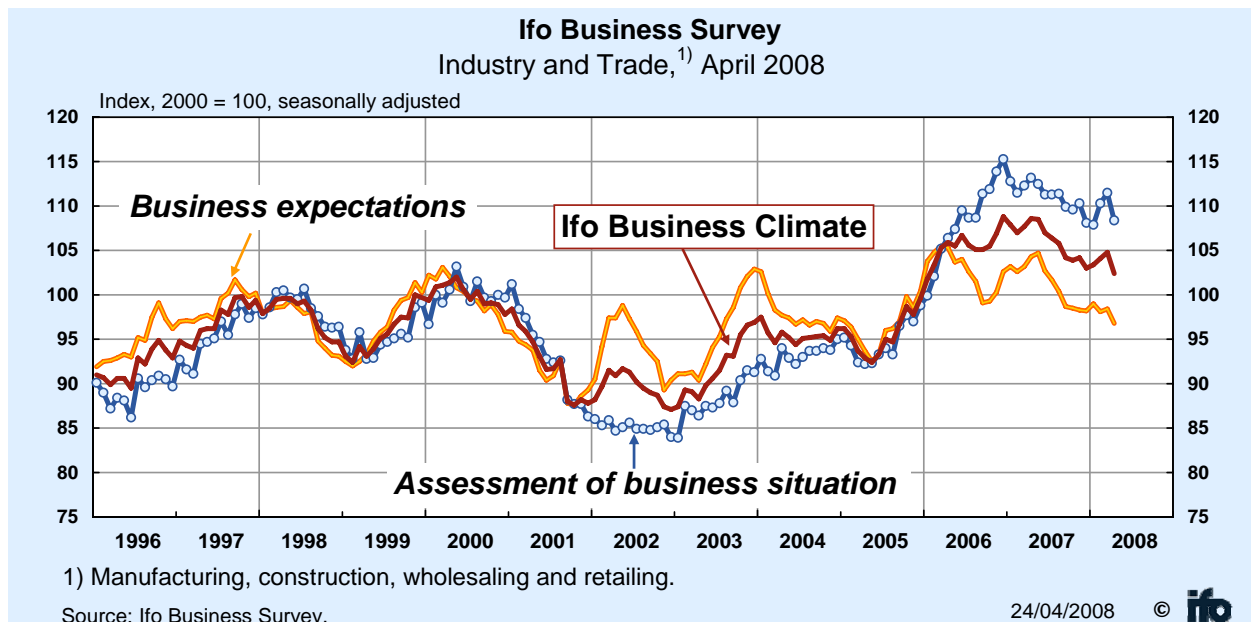
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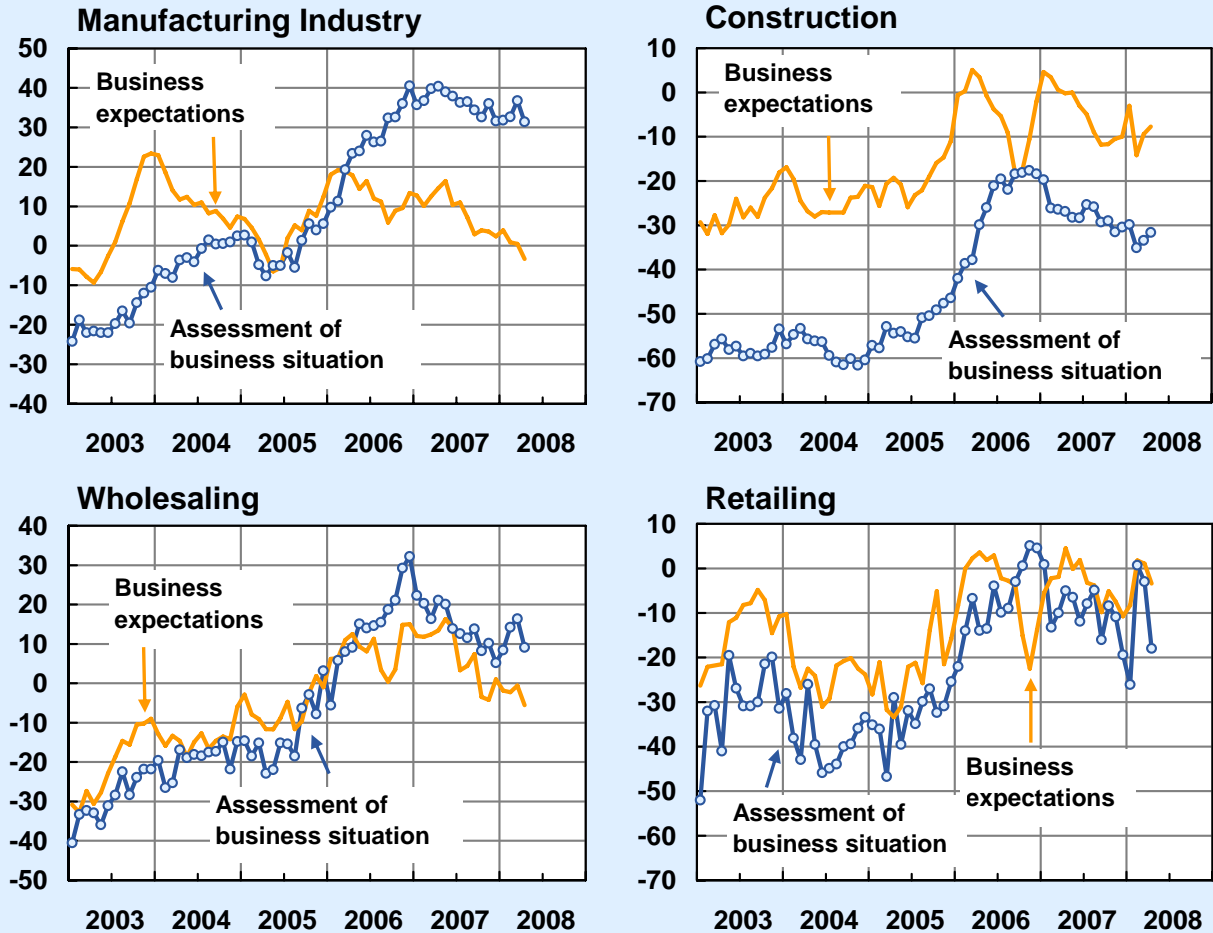
### Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	04/07	05/07	06/07	07/07	08/07	09/07	10/07	11/07	12/07	01/08	02/08	03/08	04/08
<b>Climate</b>	108.6	108.5	107.0	106.4	105.8	104.2	103.9	104.2	103.0	103.4	104.1	104.8	102.4
<b>Situation</b>	113.2	112.5	111.3	111.3	111.4	109.9	109.6	110.3	108.1	107.9	110.3	111.5	108.4
<b>Expectations</b>	104.3	104.7	102.7	101.7	100.4	98.7	98.5	98.3	98.2	99.0	98.1	98.4	96.8

Source: Ifo Business Survey



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



Source: Ifo Business Survey.

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

Month/year	04/07	05/07	06/07	07/07	08/07	09/07	10/07	11/07	12/07	01/08	02/08	03/08	04/08
Trade and Industry	16.4	16.2	13.0	11.9	10.7	7.5	7.0	7.5	5.2	5.9	7.3	8.7	4.0
Manufacturing	27.2	27.4	23.7	23.3	21.4	18.1	17.8	19.2	16.5	17.4	16.3	17.9	13.4
Construction	-14.0	-14.7	-16.1	-15.4	-17.5	-20.8	-20.5	-21.3	-20.5	-16.9	-25.0	-21.8	-20.0
Wholesaling	17.2	18.2	14.0	7.9	7.9	10.6	2.2	2.9	3.1	3.2	5.8	7.7	1.6
Retailing	-0.3	-3.3	-5.1	-5.5	-4.3	-12.9	-6.8	-9.2	-15.2	-17.4	1.3	-0.9	-10.9

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

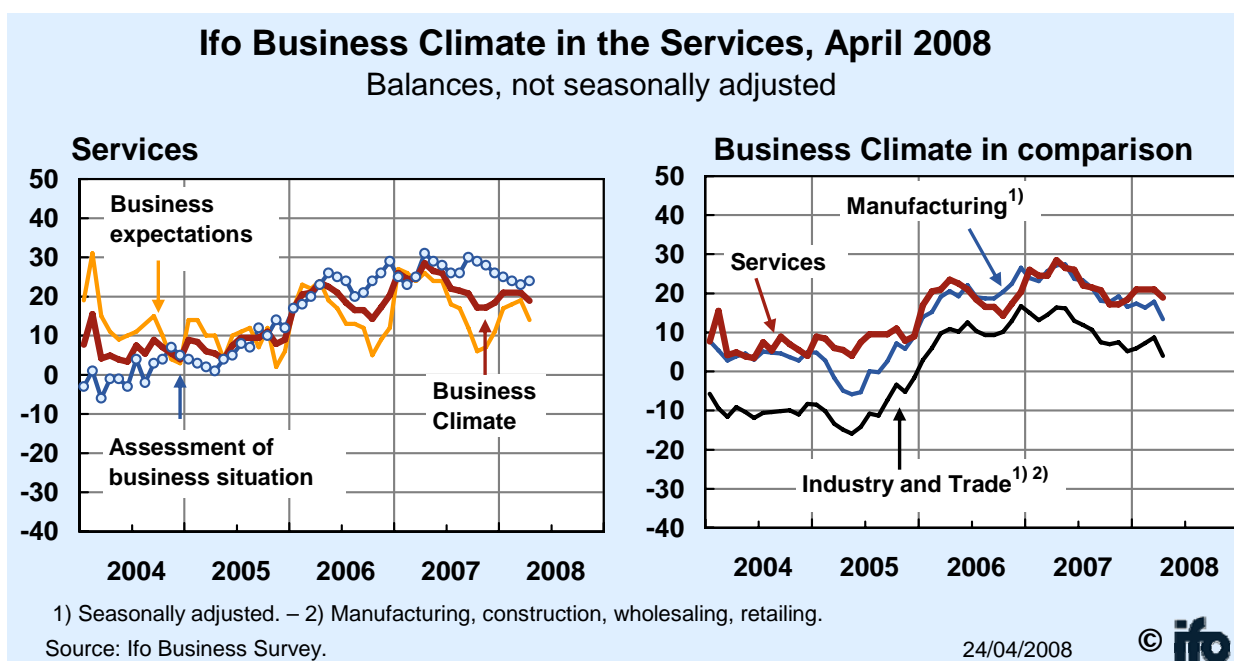
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### Ifo Business Climate Indicator for the Service Sector Falls

The Ifo Business Climate for the German service sector has become cloudier in April. To be sure, the service providers are somewhat more satisfied with their current business situation than in the previous month and report an improved business situation for the first time after six months of negative assessments. However, confidence in the six-month outlook has clearly weakened. Personnel plans point to expanding staff levels but at a slower pace than previously.

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

Month/Year	04/07	05/07	06/07	07/07	08/07	09/07	10/07	11/07	12/07	01/08	02/08	03/08	04/08
<b>Climate</b>	28.5	26.5	26.0	22.0	21.5	20.8	17.2	17.2	18.4	21.0	21.0	21.0	18.9
<b>Situation</b>	31.0	29.0	28.0	26.0	26.0	30.0	29.0	28.0	26.0	25.0	24.0	23.0	24.0
<b>Expectations</b>	26.0	24.0	24.0	18.0	17.0	12.0	6.0	7.0	11.0	17.0	18.0	19.0	14.0

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.