

Ifo Business Climate Germany

Results of the May 2008 Ifo Business Survey

Improved Ifo Business Climate

The Ifo Business Climate Index for industry and trade in Germany has risen in May after having clearly weakened in the previous month. However, the business climate index only partially recovered its losses from April. The surveyed companies now assess their current situation more positively. With regard to the outlook for the coming six months, they are also somewhat more confident. On the whole, the dampening of economic activity in Germany in the months following the very good first quarter should be moderate.

In *manufacturing* the business climate indicator has brightened. Both the current situation and the six-month business outlook have been assessed somewhat more positively than in April. Export opportunities continue to be appraised as good, but firms are not quite as optimistic as in the previous month. They continue to plan moderate increases in employment.

In the *construction* industry the business climate indicator remains largely unchanged. For the third time in succession, the firms have assessed their current business situation somewhat less critically, but they are more reserved with regard to the six-month outlook than in April. In *wholesaling* and in *retailing*, the business climate index has recovered somewhat after clear declines in the previous month. Both wholesalers and retailers have assessed their current situation more favourably, and both are also somewhat more confident with regard to the six-month outlook.

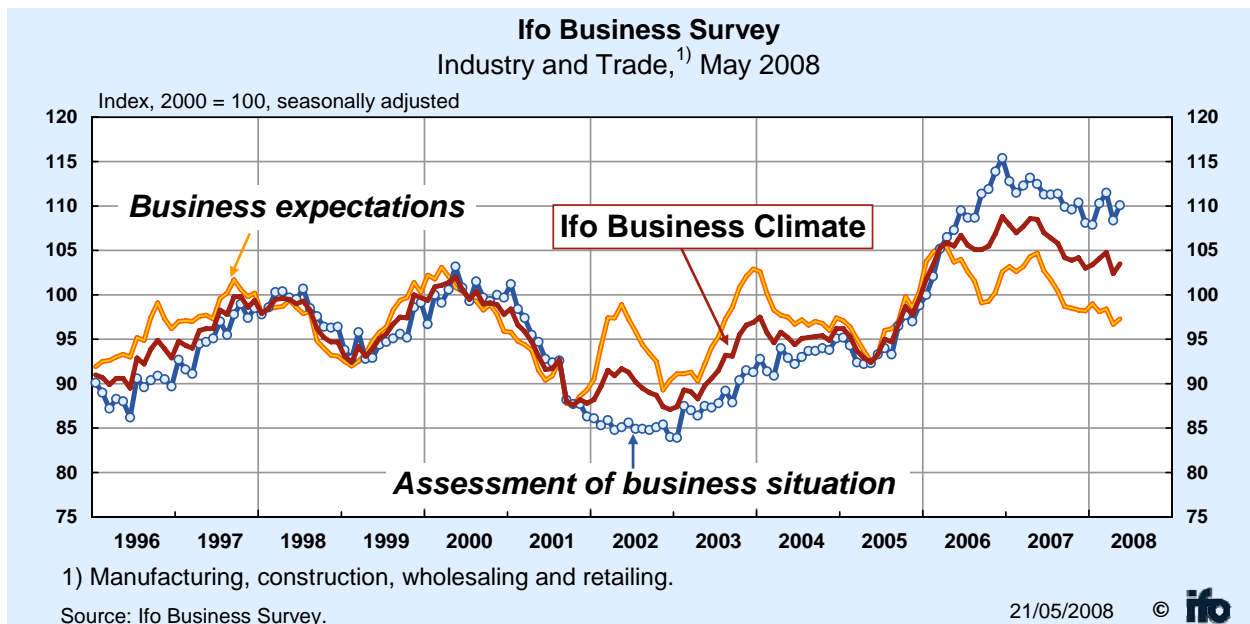
Hans-Werner Sinn

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

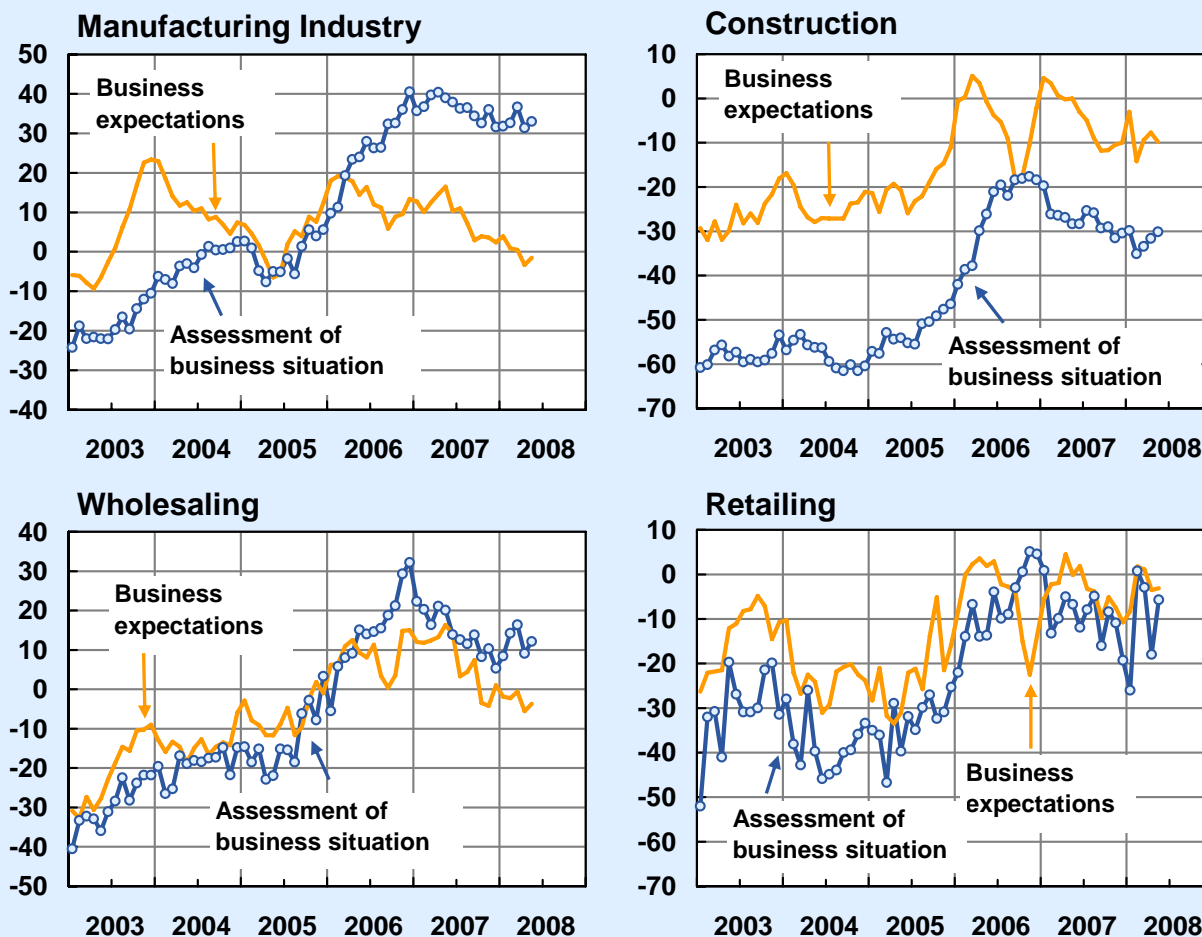
Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	05/07	06/07	07/07	08/07	09/07	10/07	11/07	12/07	01/08	02/08	03/08	04/08	05/08
Climate	108.5	107.0	106.4	105.8	104.2	103.9	104.2	103.0	103.4	104.1	104.8	102.4	103.5
Situation	112.5	111.3	111.3	111.4	109.9	109.6	110.4	108.1	107.9	110.3	111.5	108.4	110.1
Expectations	104.7	102.7	101.7	100.4	98.7	98.5	98.3	98.2	99.0	98.1	98.4	96.7	97.3

Source: Ifo Business Survey



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



Source: Ifo Business Survey.

21/05/2008 © ifo

Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	05/07	06/07	07/07	08/07	09/07	10/07	11/07	12/07	01/08	02/08	03/08	04/08	05/08
Trade and Industry	16.2	13.0	11.9	10.7	7.5	7.0	7.5	5.2	5.9	7.3	8.7	4.0	6.2
Manufacturing	27.4	23.7	23.3	21.4	18.1	17.8	19.2	16.5	17.4	16.2	17.9	13.3	15.0
Construction	-14.7	-16.1	-15.4	-17.5	-20.8	-20.5	-21.3	-20.5	-16.9	-25.0	-21.8	-20.0	-20.3
Wholesaling	18.2	14.0	7.9	7.9	10.6	2.2	2.9	3.1	3.2	5.8	7.7	1.6	4.0
Retailing	-3.4	-5.2	-5.5	-4.4	-12.9	-6.8	-9.2	-15.1	-17.4	1.3	-0.9	-10.9	-4.4

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

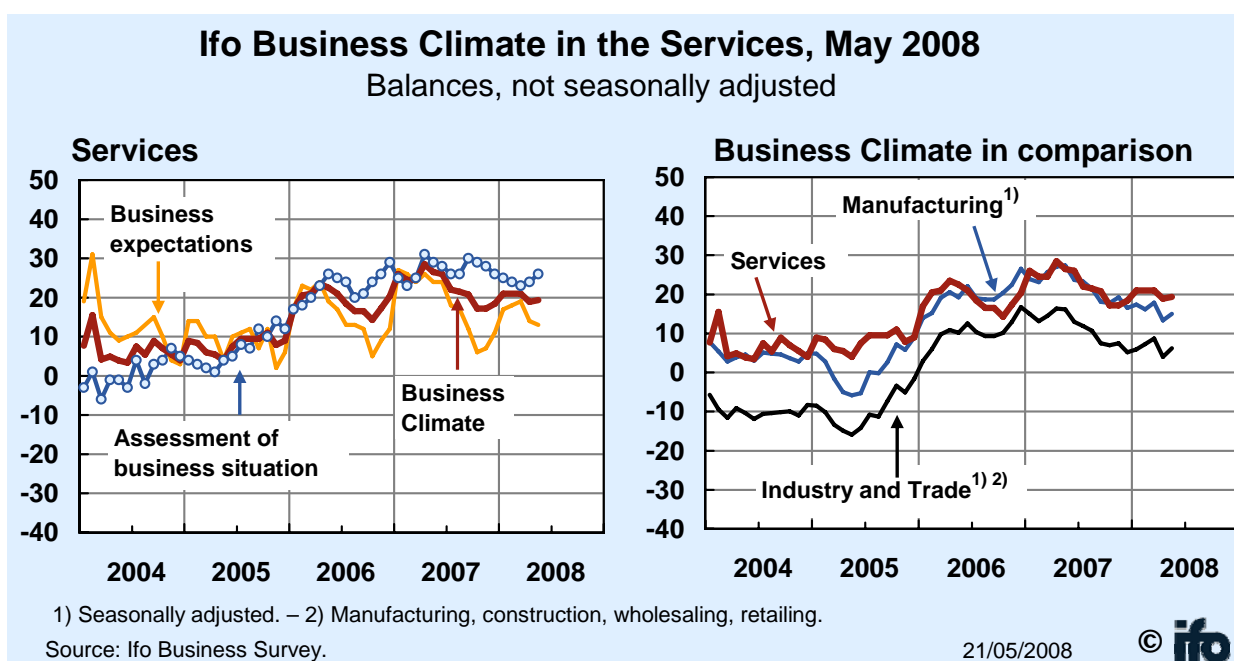
Results of the May 2008 Ifo Business Survey

Ifo Business Climate for the Service Sector Brightens Somewhat

The Ifo Business Climate indicator for the German service sector has risen somewhat in May, the survey participants having reported a more favourable current business situation. However, their business expectations for the next six months are slightly less positive than in April. For the third time in succession, they are somewhat less willing to hire additional staff.

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	05/07	06/07	07/07	08/07	09/07	10/07	11/07	12/07	01/08	02/08	03/08	04/08	05/08
Climate	26.5	26.0	22.0	21.5	20.8	17.2	17.2	18.4	21.0	21.0	21.0	18.9	19.4
Situation	29.0	28.0	26.0	26.0	30.0	29.0	28.0	26.0	25.0	24.0	23.0	24.0	26.0
Expectations	24.0	24.0	18.0	17.0	12.0	6.0	7.0	11.0	17.0	18.0	19.0	14.0	13.0

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.