

# Ifo Business Climate Germany

Results of the September 2008 Ifo Business Survey

## Further Decline in Ifo Business Climate Index

The Ifo Business Climate for industry and trade in Germany has again cooled in September. The firms are considerably more dissatisfied with their current business situation than they were in August. The outlook for the coming six months has likewise been assessed somewhat more negatively. The downward trend in the Ifo Business Climate Index is proceeding in large steps.

In *manufacturing* the business climate index has again fallen. The firms have reported a considerably less favourable business situation, and more now anticipate a poorer business development over the coming six months. They are more reserved with regard to their export opportunities. Very few firms still plan to hire additional staff.

Only in *construction* has the business climate index risen slightly, with contractors appraising the current business situation as well as the six-month outlook somewhat more favourably. In *retailing*, however, the business climate has cooled for the fourth time in succession. Retailers have assessed the current business situation clearly more negatively, but they are not as pessimistic regarding the six-month outlook as they were in August. In *wholesaling*, the business climate has also worsened. Both the current situation as well as the business outlook have been assessed more cautiously by the wholesalers.

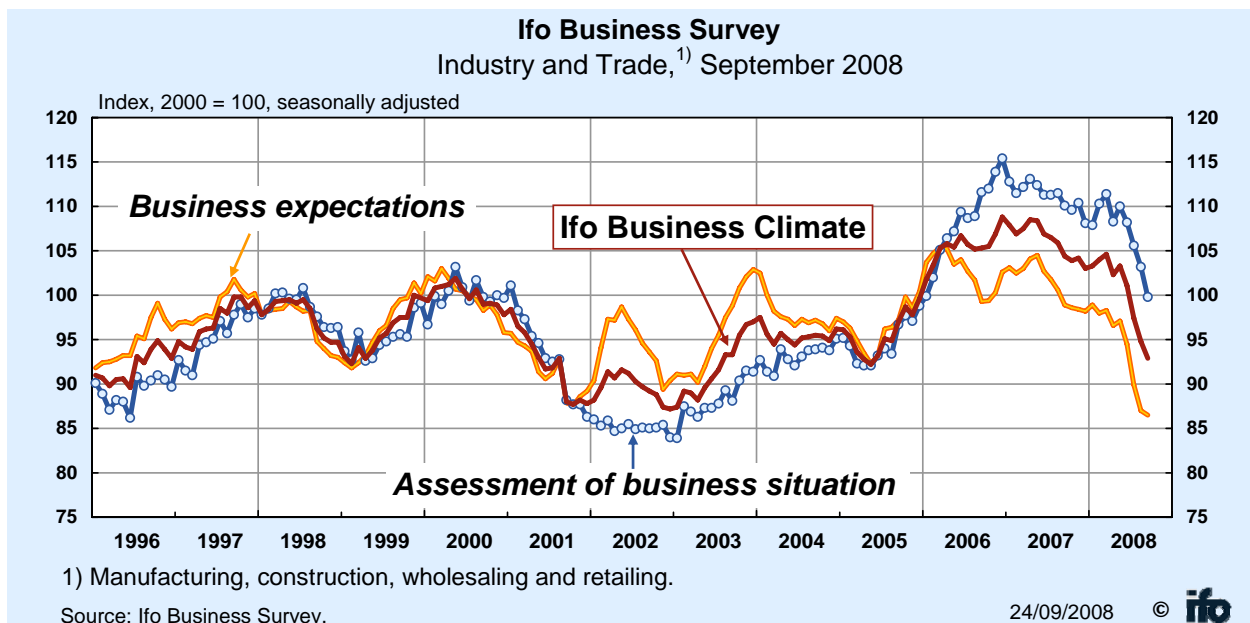
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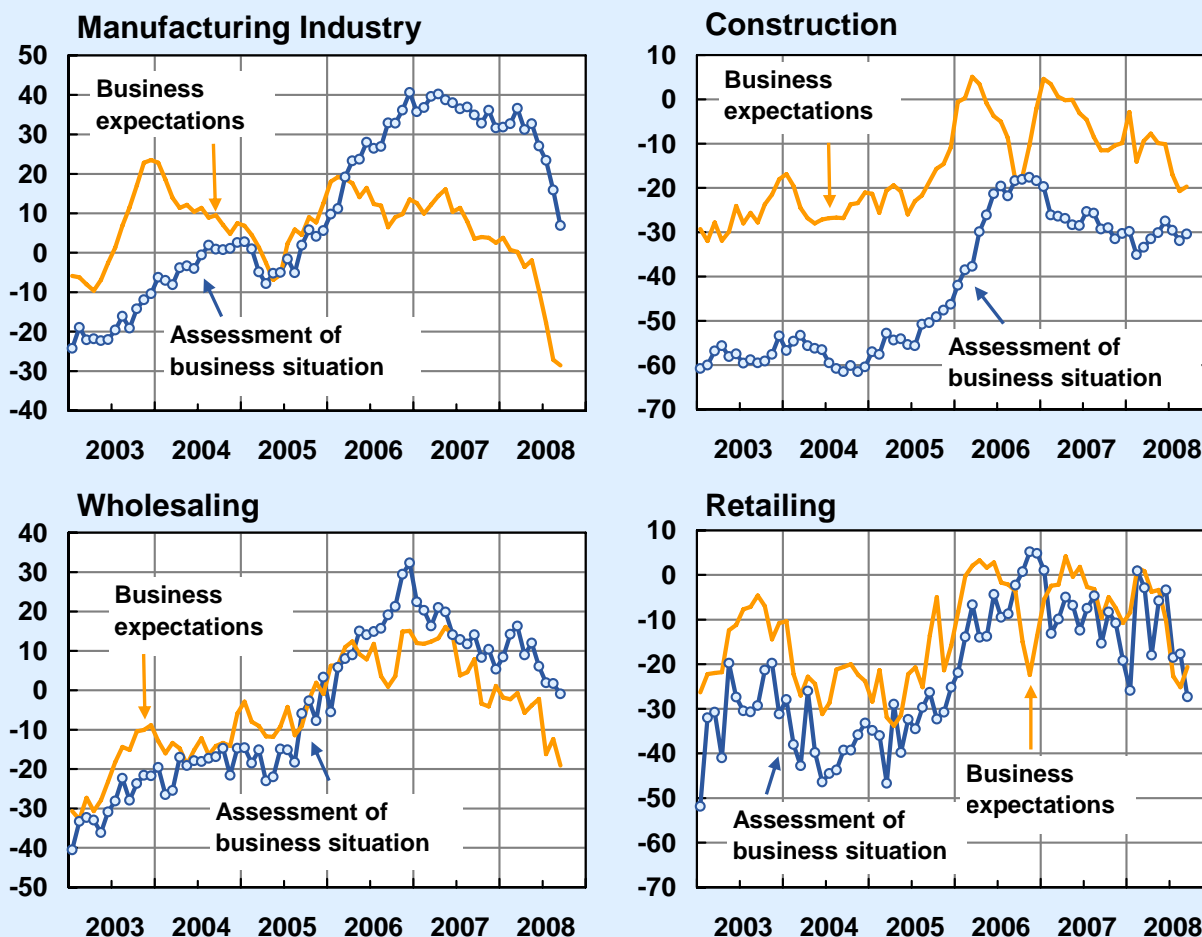
## Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	09/07	10/07	11/07	12/07	01/08	02/08	03/08	04/08	05/08	06/08	07/08	08/08	09/08
Climate	104.4	103.9	104.2	103.0	103.3	104.0	104.6	102.3	103.3	101.1	97.4	94.8	92.9
Situation	110.1	109.6	110.4	108.1	107.9	110.3	111.4	108.3	110.0	108.2	105.6	103.2	99.8
Expectations	98.9	98.6	98.4	98.2	98.9	98.0	98.3	96.6	97.1	94.5	89.9	87.0	86.5

Source: Ifo Business Survey



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



Source: Ifo Business Survey.

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

Month/year	09/07	10/07	11/07	12/07	01/08	02/08	03/08	04/08	05/08	06/08	07/08	08/08	09/08
Trade and Industry	8.0	7.1	7.6	5.3	5.9	7.2	8.5	3.8	5.9	1.5	-5.9	-11.1	-14.8
Manufacturing	18.7	17.9	19.4	16.6	17.3	16.1	17.7	13.1	14.7	7.9	1.8	-6.8	-11.6
Construction	-20.6	-20.5	-21.2	-20.4	-16.9	-25.0	-21.8	-20.0	-20.3	-19.0	-23.4	-26.4	-25.2
Wholesaling	11.0	2.4	3.0	3.2	3.2	5.8	7.6	1.5	3.9	1.9	-7.4	-5.5	-10.3
Retailing	-12.5	-6.6	-9.1	-15.1	-17.4	1.2	-1.1	-11.0	-4.6	-6.8	-20.6	-21.5	-24.0

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

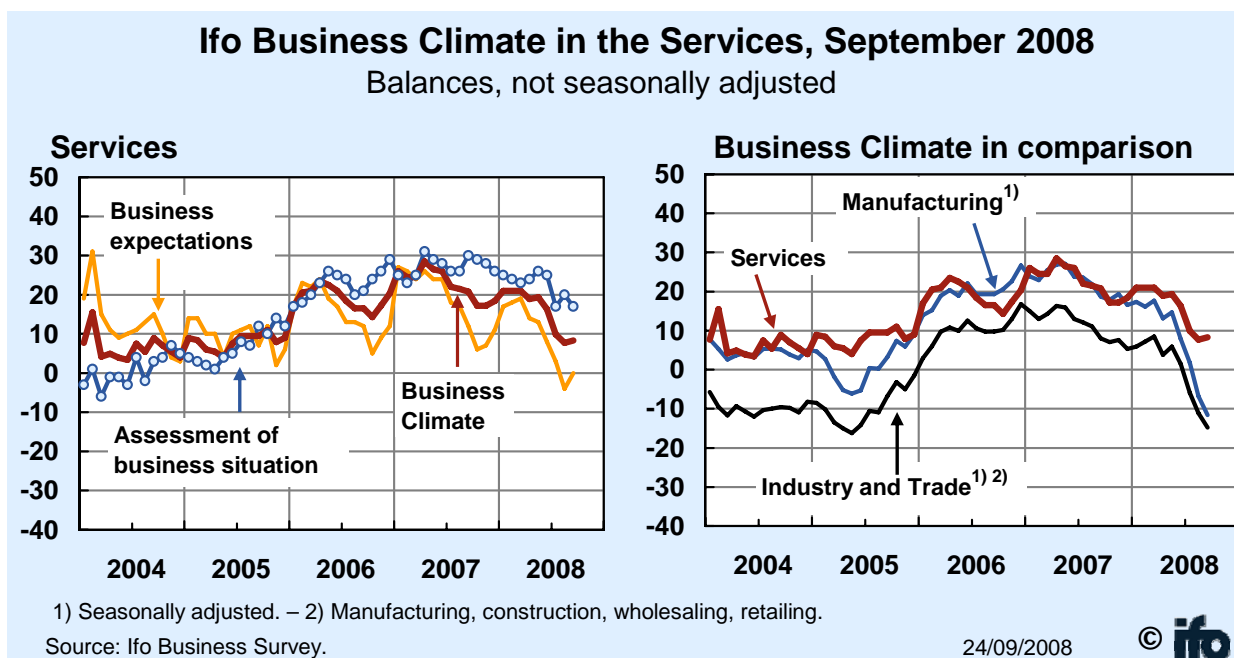
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### Stable Business Climate in the Service Sector

The Ifo Business Climate indicator in the German service sector remains nearly unchanged in September. The survey participants have assessed the current business situation as somewhat more unfavourable than in August. With regard to the six-month outlook, however, they are less sceptical. In the previous five surveys their business expectations had continually weakened. The service firms plan some increases in personnel. There is the impression that because of the labour market reforms in Germany the service sector is faring better than during the 2001 downturn.

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

Month/Year	09/07	10/07	11/07	12/07	01/08	02/08	03/08	04/08	05/08	06/08	07/08	08/08	09/08
<b>Climate</b>	20.8	17.2	17.2	18.4	21.0	21.0	21.0	18.9	19.4	16.3	9.9	7.7	8.3
<b>Situation</b>	30.0	29.0	28.0	26.0	25.0	24.0	23.0	24.0	26.0	25.0	17.0	20.0	17.0
<b>Expectations</b>	12.0	6.0	7.0	11.0	17.0	18.0	19.0	14.0	13.0	8.0	3.0	-4.0	0.0

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.