

# Ifo Business Climate Germany

Results of the November 2008 Ifo Business Survey

## Clear Decline of the Ifo Business Climate

The Ifo Business Climate for industry and trade in Germany declined strikingly in November. The firms are considerably less satisfied with their current business situation and again anticipate an even more unfavourable business development in the coming six months. The business expectations of the surveyed firms have thus fallen continuously for the past six months. On the whole the economic downturn has worsened and will now have an impact on the labour market.

In *manufacturing* the business climate has cooled considerably. The firms have reported a clearly more unfavourable business situation in November and are again noticeably more sceptical regarding the six-month outlook. Export business is expected to weaken at an accelerated pace and plans call for reductions in staff.

In *retailing* as well as *wholesaling*, the business climate has worsened. In both distribution sectors, the survey participants are more dissatisfied with their current business situation. They are also more reserved with regard to the six-month outlook. Especially retailers are anticipating a much more negative business development in the coming six months. In *construction*, however, the business climate index fell only marginally. The firms have assessed their current business situation slightly less favourably than in October and they are somewhat more reserved regarding the business outlook.

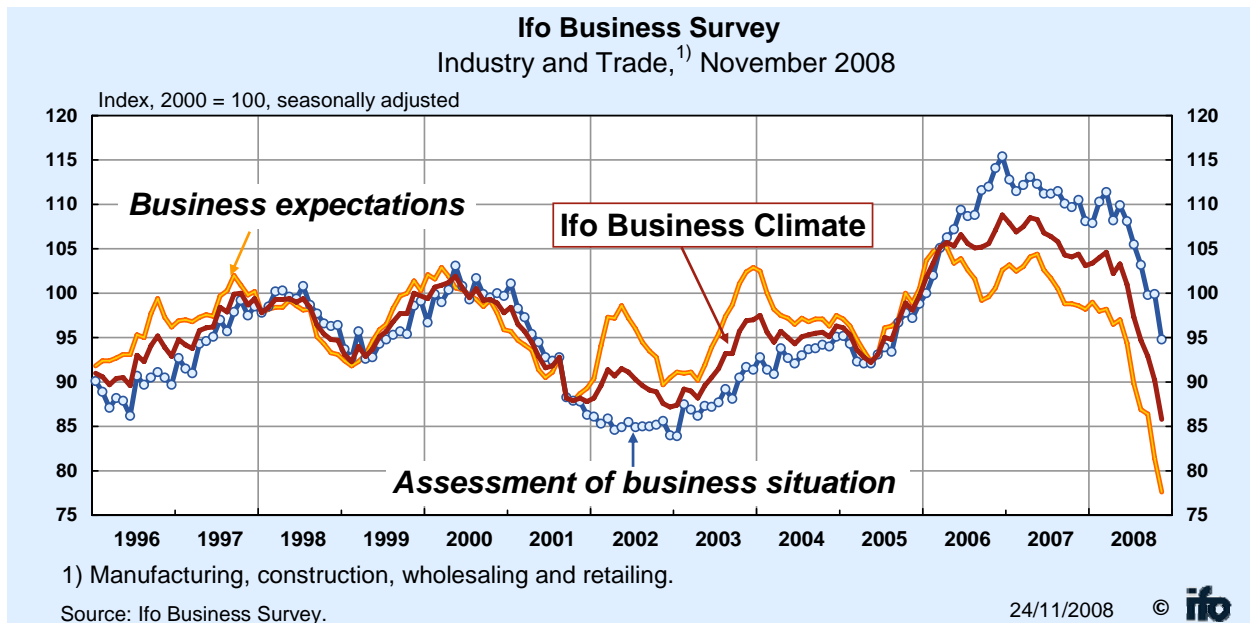
Hans-Werner Sinn

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

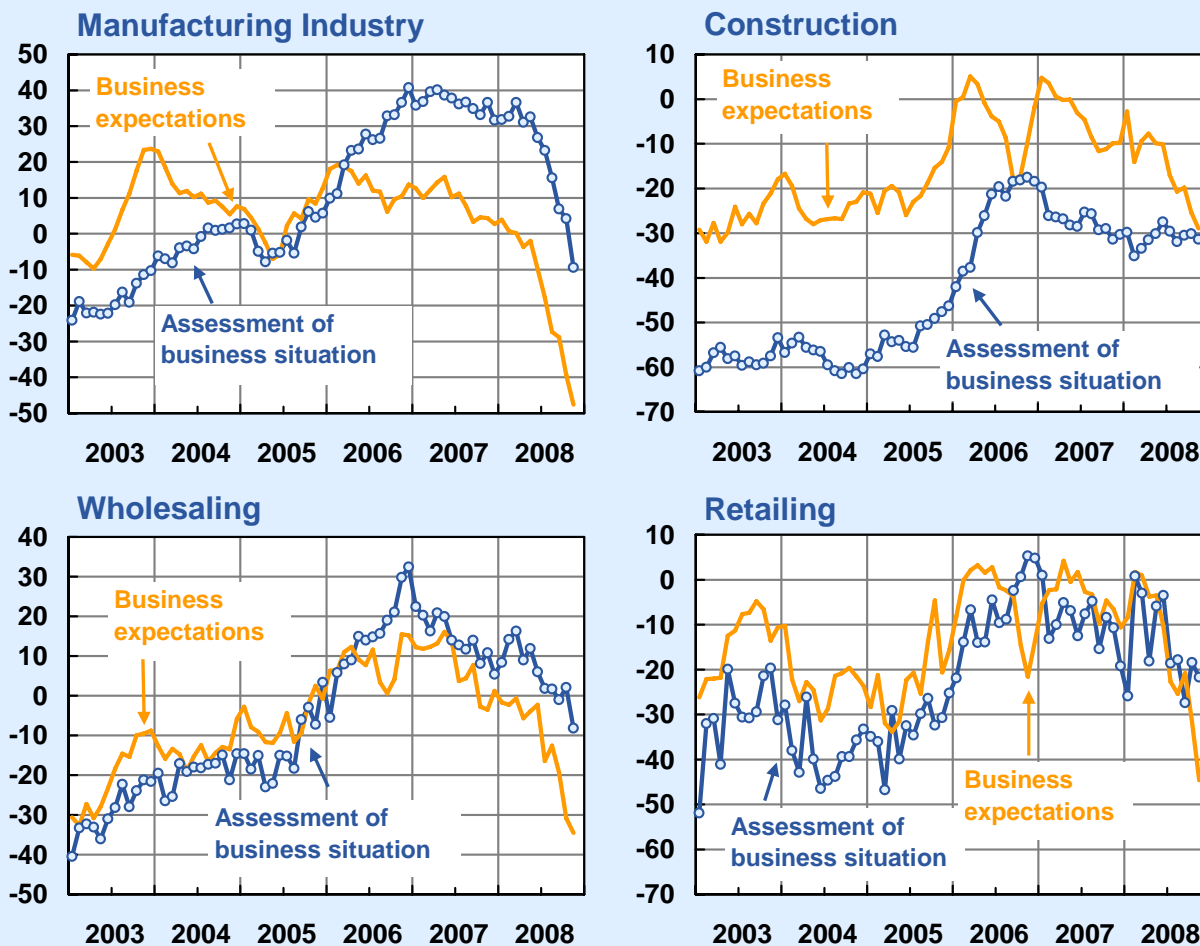
### Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	11/07	12/07	01/08	02/08	03/08	04/08	05/08	06/08	07/08	08/08	09/08	10/08	11/08
Climate	104.4	103.1	103.4	104.0	104.6	102.2	103.3	101.0	97.3	94.7	92.9	90.2	85.8
Situation	110.5	108.1	107.9	110.3	111.4	108.2	109.9	108.1	105.5	103.2	99.8	99.9	94.8
Expectations	98.6	98.2	99.0	98.0	98.2	96.5	97.0	94.4	89.8	86.9	86.4	81.4	77.6

Source: Ifo Business Survey



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



Source: Ifo Business Survey.

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

Month/year	11/07	12/07	01/08	02/08	03/08	04/08	05/08	06/08	07/08	08/08	09/08	10/08	11/08
Trade and Industry	8.1	5.4	6.0	7.2	8.5	3.8	5.8	1.4	-6.1	-11.3	-14.9	-20.2	-29.0
Manufacturing	19.9	16.7	17.4	16.1	17.6	13.0	14.6	7.7	1.6	-7.0	-11.8	-18.9	-29.6
Construction	-21.0	-20.4	-16.8	-24.9	-21.8	-20.0	-20.3	-19.0	-23.4	-26.4	-25.2	-27.7	-30.2
Wholesaling	3.5	3.3	3.3	5.8	7.6	1.5	3.8	1.8	-7.5	-5.6	-10.4	-15.1	-21.8
Retailing	-8.7	-15.0	-17.3	1.3	-1.1	-11.1	-4.7	-6.9	-20.7	-21.6	-24.1	-25.1	-33.5

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

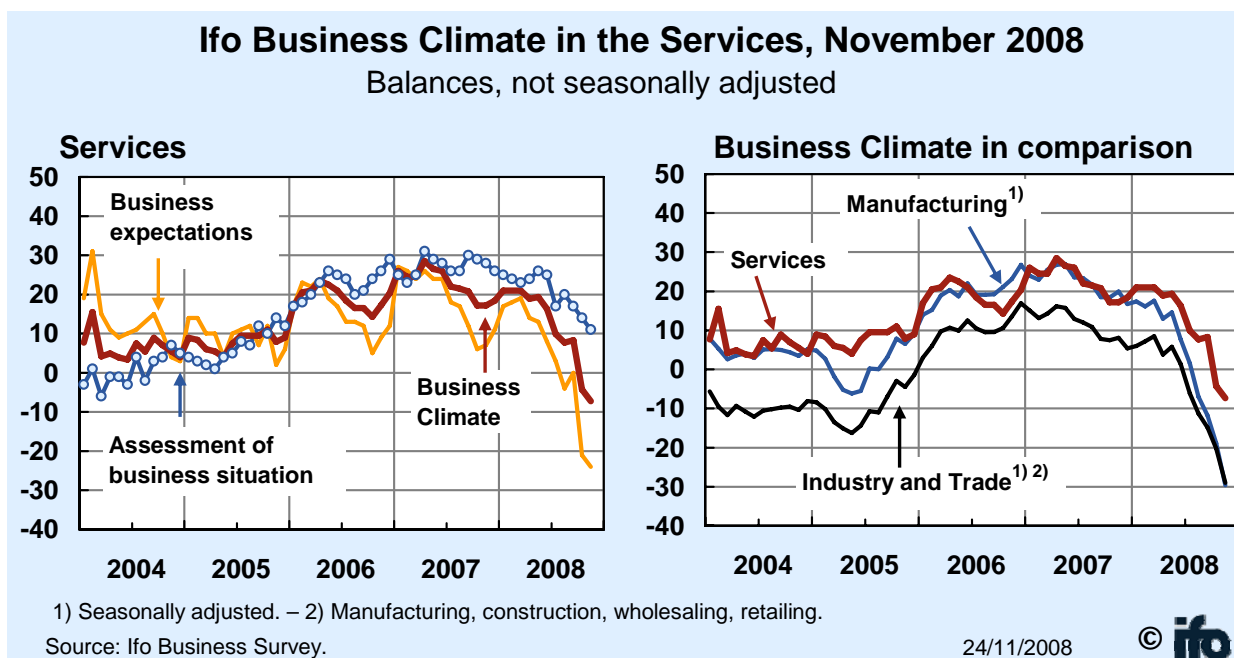
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### Cooling of the Business Climate in the Service Sector

The Ifo Business Climate in the German service sector has worsened again in November. The surveyed service providers are again less satisfied with their current business situation. Their business outlook for the coming six months is even more pessimistic than in October. A marked decline in the business climate indicator has occurred in the producer-oriented services of goods transport as well as job placement and worker posting, which includes temporary employment firms. On the whole, the service companies no longer plan to hire additional staff. For this reason the services will provide almost no more positive stimulus to the labour market.

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	11/07	12/07	01/08	02/08	03/08	04/08	05/08	06/08	07/08	08/08	09/08	10/08	11/08
<b>Climate</b>	17.2	18.4	21.0	21.0	21.0	18.9	19.4	16.3	9.9	7.7	8.3	-4.3	-7.3
<b>Situation</b>	28.0	26.0	25.0	24.0	23.0	24.0	26.0	25.0	17.0	20.0	17.0	14.0	11.0
<b>Expectations</b>	7.0	11.0	17.0	18.0	19.0	14.0	13.0	8.0	3.0	-4.0	0.0	-21.0	-24.0

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.