

# Ifo Business Climate Germany

Results of the January 2009 Ifo Business Survey

## Ifo Business Climate Marginally Improved

The Ifo Business Climate for industry and trade in Germany improved very slightly in January. Following a strong decline in the last year, the Business Climate Index continues at a low level. The two components of the Business Climate changed in different ways: Whereas the firms again assessed the current situation as worse, they are a little less sceptical about their business in the next six months. A cyclical turnaround cannot be derived from this.

The firms in *manufacturing* report another worsened business situation. Fewer firms than in the past survey are negative regarding their business outlook in the next half year. But on the whole, the manufacturers continue to expect a very unfavourable business development. The business climate in manufacturing remains as poor as last month. With respect to exports, the surveyed firms also expect a largely unchanged downward trend. Capacity utilisation of machinery and equipment is considerably lower than last autumn. The firms are planning to reduce their staff.

In *retailing* the business climate improved. The retailers regard their present situation as well as their outlook less negatively than in December. The Business Climate Index in *wholesaling* and *construction* rose marginally. The wholesalers report a similar business situation as in December, are a bit less sceptical, however, about their future business. In construction the firms assessed their current situation as less favourable. Their business expectations for the next six months are less negative, however, than in December.

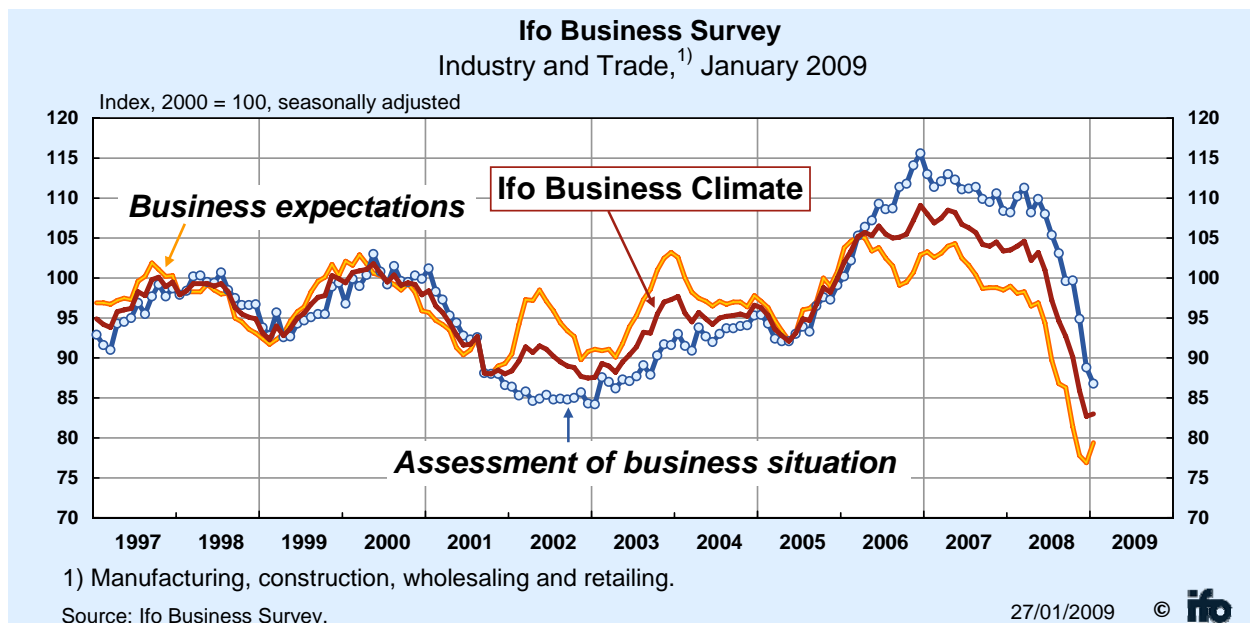
Hans-Werner Sinn

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

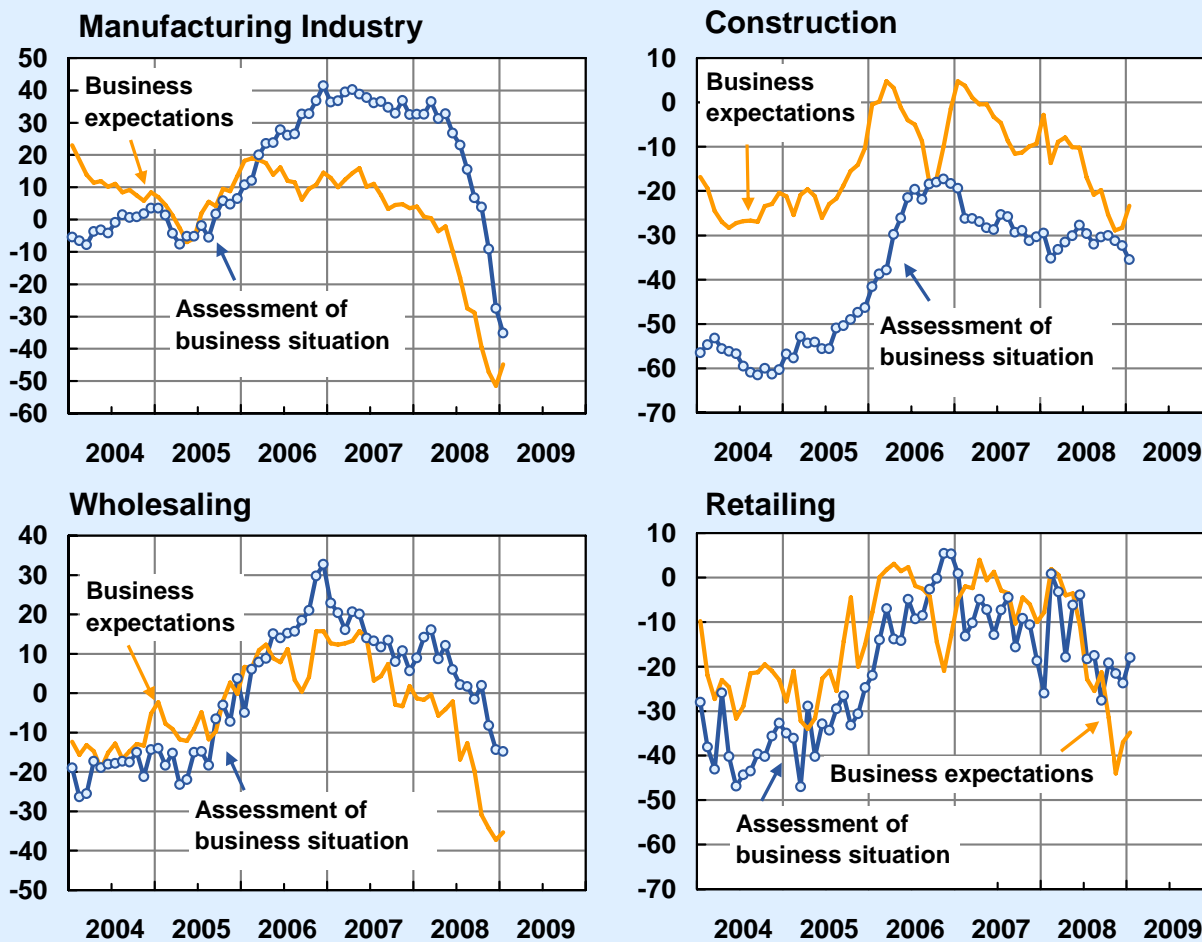
### Germany (Index, 2000 = 100, seasonally adjusted)

| Month/year          | 01/08 | 02/08 | 03/08 | 04/08 | 05/08 | 06/08 | 07/08 | 08/08 | 09/08 | 10/08 | 11/08 | 12/08 | 01/09 |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Climate</b>      | 103.5 | 104.0 | 104.6 | 102.2 | 103.2 | 101.0 | 97.2  | 94.6  | 92.7  | 90.1  | 85.9  | 82.7  | 83.0  |
| <b>Situation</b>    | 108.2 | 110.2 | 111.3 | 108.2 | 109.9 | 108.0 | 105.4 | 103.1 | 99.6  | 99.7  | 94.9  | 88.8  | 86.8  |
| <b>Expectations</b> | 99.0  | 98.1  | 98.3  | 96.5  | 96.9  | 94.4  | 89.7  | 86.8  | 86.3  | 81.4  | 77.8  | 76.9  | 79.4  |

Source: Ifo Business Survey



## Business Situation and Expectations by Sector January 2009; balances, seasonally adjusted



Source: Ifo Business Survey.

27/01/2009 © ifo

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

| Month/year         | 01/08 | 02/08 | 03/08 | 04/08 | 05/08 | 06/08 | 07/08 | 08/08 | 09/08 | 10/08 | 11/08 | 12/08 | 01/09 |
|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Trade and Industry | 6.4   | 7.3   | 8.6   | 3.8   | 5.8   | 1.3   | -6.1  | -11.4 | -15.1 | -20.4 | -28.7 | -35.2 | -34.5 |
| Manufacturing      | 17.8  | 16.1  | 17.7  | 13.2  | 14.7  | 7.7   | 1.5   | -7.2  | -11.9 | -19.1 | -29.2 | -39.9 | -40.1 |
| Construction       | -16.7 | -24.8 | -21.5 | -20.1 | -20.4 | -19.2 | -23.4 | -26.5 | -25.2 | -27.7 | -30.1 | -30.3 | -29.5 |
| Wholesaling        | 3.8   | 6.1   | 7.7   | 1.4   | 3.8   | 1.9   | -7.5  | -5.6  | -10.8 | -15.2 | -21.7 | -26.1 | -25.3 |
| Retailing          | -17.1 | 1.4   | -1.3  | -11.1 | -4.9  | -7.3  | -20.6 | -21.5 | -24.5 | -25.5 | -33.2 | -30.4 | -26.6 |

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

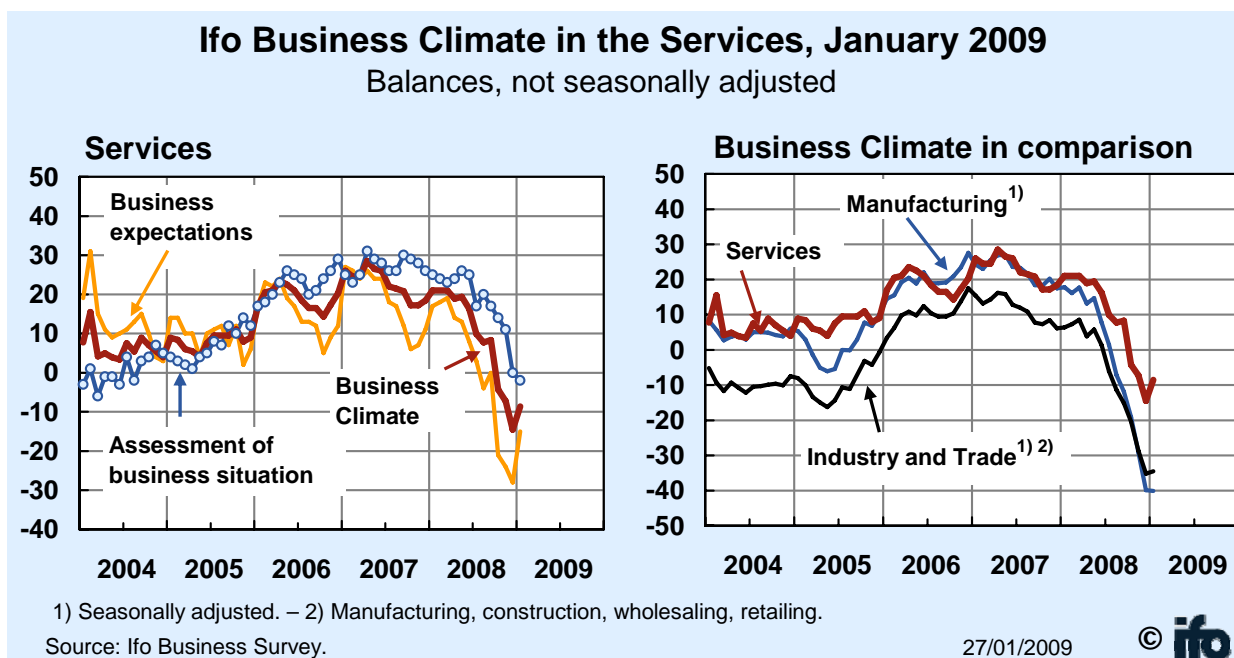
Results of the January 2009 Ifo Business Survey

### Business Climate Indicator in the Service Sector Slightly Improved

The Ifo Business Climate in the German service sector is less unfavourable in January than in the preceding month. The two components of the business climate indicator moved in opposite directions, however: The firms are again less content with their present business situation than in December. However, the pessimism regarding the development in the coming six months has declined a little. The firms are planning to reduce less staff than in December.

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          | 01/08 | 02/08 | 03/08 | 04/08 | 05/08 | 06/08 | 07/08 | 08/08 | 09/08 | 10/08 | 11/08 | 12/08 | 01/09 |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Climate</b>      | 21.0  | 21.0  | 21.0  | 18.9  | 19.4  | 16.3  | 9.9   | 7.7   | 8.3   | -4.3  | -7.3  | -14.5 | -8.6  |
| <b>Situation</b>    | 25.0  | 24.0  | 23.0  | 24.0  | 26.0  | 25.0  | 17.0  | 20.0  | 17.0  | 14.0  | 11.0  | 0.0   | -2.0  |
| <b>Expectations</b> | 17.0  | 18.0  | 19.0  | 14.0  | 13.0  | 8.0   | 3.0   | -4.0  | 0.0   | -21.0 | -24.0 | -28.0 | -15.0 |

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.