Ifo Business Climate Germany

Results of the February 2009 Ifo Business Survey

Ifo Business Climate Somewhat Worsened

The Ifo Business Climate for industry and trade in Germany has worsened slightly in February, after having improved in the previous month. The worsening of the business situation that has been going on for months has continued in February. However, the survey participants are again less pessimistic regarding the business outlook for the coming six months. The expectations of the firms remain basically sceptical, nevertheless. On the whole the survey results do not signal a cyclical turning point.

In *manufacturing* the business climate index fell further. The business situation of the surveyed manufacturers has worsened again. The business outlook for the coming half year has been appraised slightly less negatively. Export business will continue to contract in their estimation. Personnel plans continue to point to staff reductions.

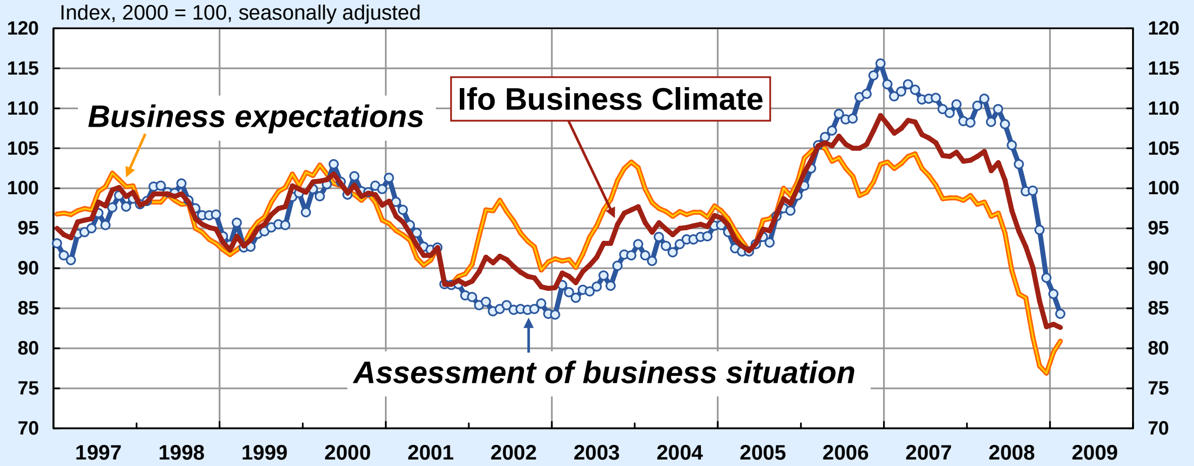
In *retailing* the business situation is somewhat more favourable and the six-month business outlook less pessimistic; the business climate has improved. This is especially due to car retailing where the government grant for scrapping an old car seems to be having an effect. The business climate also improved in *construction*. Both the current situation as well as the business outlook have been assessed more favourably by the survey participants. In *wholesaling*, however, the business climate has clouded further. The current business situation and the business outlook have been assessed more cautiously by the surveyed wholesalers.

Hans-Werner Sinn
President of the Ifo Institute for Economic Research at the University of Munich

Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	02/08	03/08	04/08	05/08	06/08	07/08	08/08	09/08	10/08	11/08	12/08	01/09	02/09
Climate	104.0	104.6	102.2	103.2	101.0	97.2	94.6	92.7	90.1	85.9	82.7	83.0	82.6
Situation	110.3	111.2	108.3	109.9	108.0	105.4	103.0	99.6	99.7	94.8	88.8	86.8	84.3
Expectations	98.0	98.3	96.5	96.9	94.4	89.7	86.8	86.3	81.4	77.8	76.9	79.5	80.9

Source: Ifo Business Survey



1) Manufacturing, construction, wholesaling and retailing.

Source: Ifo Business Survey. 24/02/2009 © ifo

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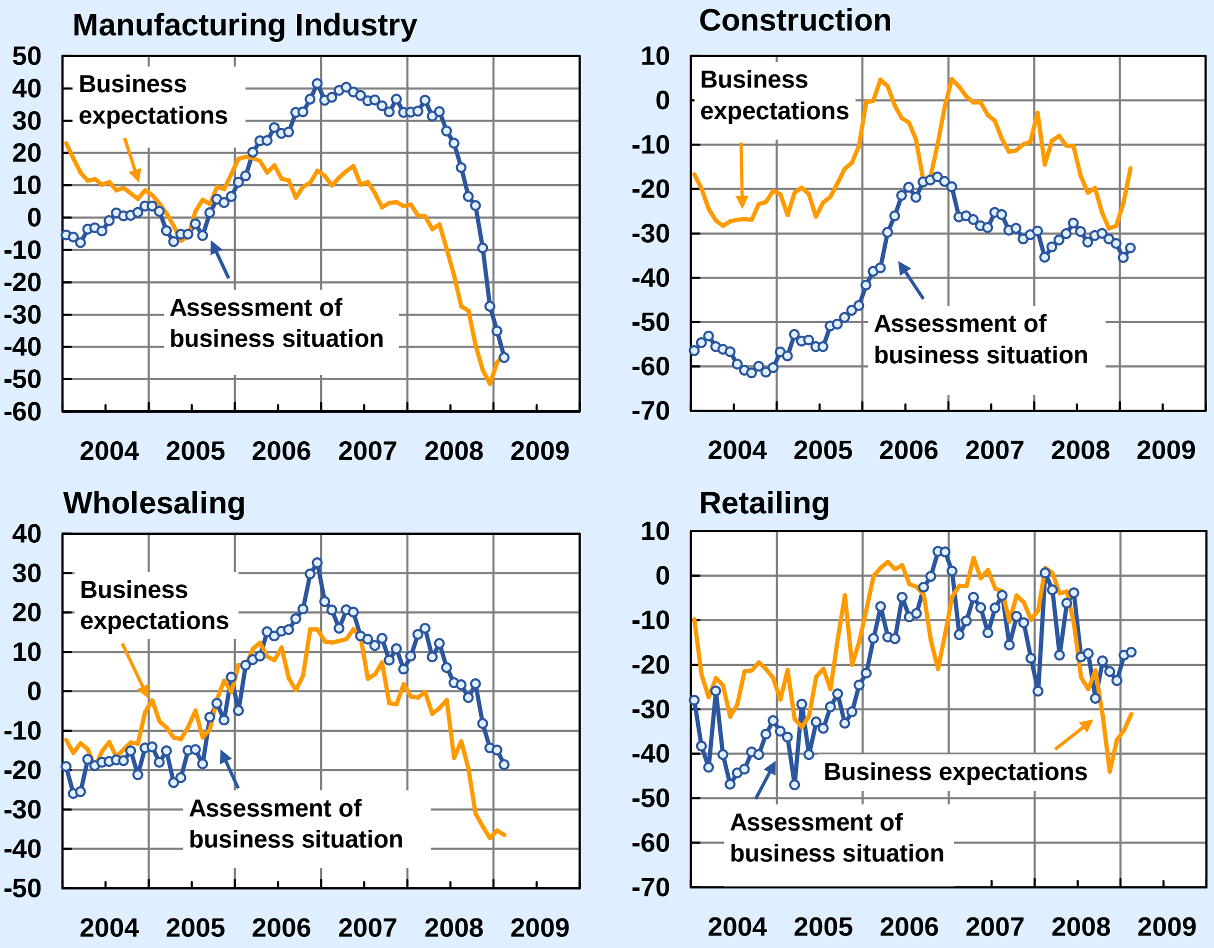
Business Situation and Expectations by Sector
February 2009; balances, seasonally adjusted



Source: Ifo Business Survey.

Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	02/08	03/08	04/08	05/08	06/08	07/08	08/08	09/08	10/08	11/08	12/08	01/09	02/09
Trade and Industry	7.3	8.5	3.8	5.8	1.3	-6.2	-11.4	-15.2	-20.5	-28.8	-35.2	-34.4	-35.4
Manufacturing	16.2	17.6	13.2	14.7	7.7	1.5	-7.3	-12.0	-19.2	-29.3	-39.9	-40.0	-42.8
Construction	-25.2	-21.5	-20.1	-20.4	-19.2	-23.4	-26.5	-25.2	-27.7	-30.1	-30.3	-29.5	-24.5
Wholesaling	6.3	7.7	1.4	3.8	1.9	-7.6	-5.7	-10.9	-15.3	-21.8	-26.2	-25.4	-27.8
Retailing	1.2	-1.3	-11.1	-4.9	-7.3	-20.6	-21.5	-24.5	-25.5	-33.2	-30.4	-26.5	-24.3

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 February 2009 Ifo Business Survey

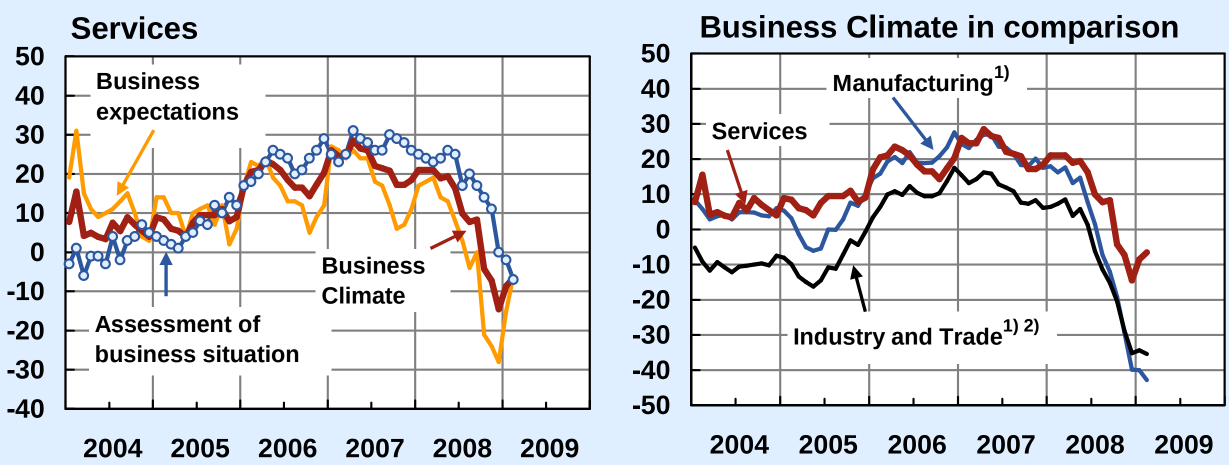
Business Climate in the Service Sector Somewhat Improved

The Ifo Business Climate Indicator in the German service sector has risen slightly in February. The improvement is solely the result of the estimation of future business by the service providers. The survey participants see the developments in the coming six months less sceptically than in January. However, they are less satisfied with their current business situation than they were in January. They continue to plan slight reductions in staff.

Hans-Werner Sinn
President of the Ifo Institute for Economic Research at the University of Munich

Ifo Business Climate in the Services, February 2009

Balances, not seasonally adjusted



1) Seasonally adjusted. – 2) Manufacturing, construction, wholesaling, retailing.

Source: Ifo Business Survey. 24/02/2009 © ifo

German Services Sector (Balances, not seasonally adjusted)

Month/Year	02/08	03/08	04/08	05/08	06/08	07/08	08/08	09/08	10/08	11/08	12/08	01/09	02/09
Climate	21.0	21.0	18.9	19.4	16.3	9.9	7.7	8.3	-4.3	-7.3	-14.5	-8.6	-6.5
Situation	24.0	23.0	24.0	26.0	25.0	17.0	20.0	17.0	14.0	11.0	0.0	-2.0	-7.0
Expectations	18.0	19.0	14.0	13.0	8.0	3.0	-4.0	0.0	-21.0	-24.0	-28.0	-15.0	-6.0

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.