Ifo Business Climate Germany

Results of the March 2009 Ifo Business Survey

Further Decline in the Ifo Business Climate Index

The Ifo Business Climate for industry and trade in Germany has cooled again somewhat in March. The firms have reported a further worsening of their current business situation. With regard to the business outlook for the coming six months, they are again slightly less pessimistic. However, the firms do not expect a significant improvement in their business situation. An economic turning point has not yet been reached, in the opinion of the survey participants.

In *manufacturing* the business climate remains largely unchanged. Behind this stable business climate are two countervailing factors. The survey participants are even more dissatisfied with their current business situation than in the previous month, but they are less negative in their business expectations. With regard to foreign business, the exporting firms are more pessimistic than they were in February. Even more manufacturing firms plan to reduce staff numbers.

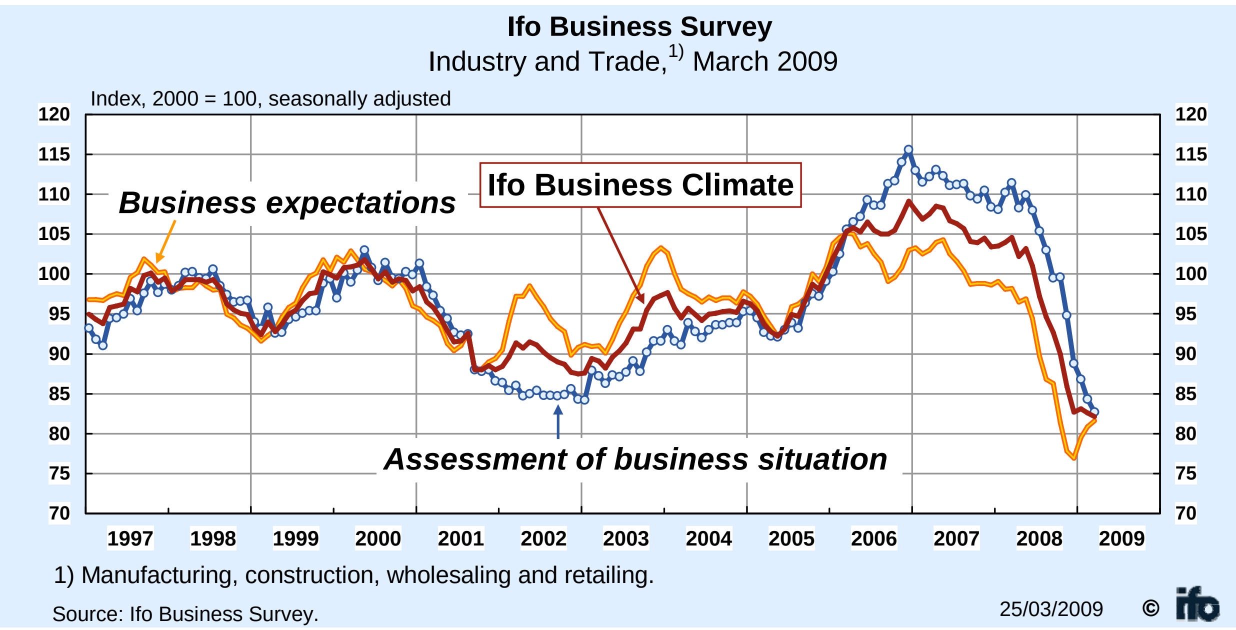
In *wholesaling* the business situation has worsened again in March, and the firms are also more pessimistic regarding the six-month outlook. As a result, the business climate has cooled further. The business climate also worsened in *retailing*. The retailers have given more reserved assessments of both their current business situation as well as the business outlook for the coming half year. In contrast, firms in *construction* have given more favourable assessments of their current business situation and their business outlook. Here, the business climate has improved.

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

Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	03/08	04/08	05/08	06/08	07/08	08/08	09/08	10/08	11/08	12/08	01/09	02/09	03/09
Climate	104.6	102.2	103.2	101.0	97.2	94.6	92.7	90.0	85.9	82.7	83.1	82.6	82.1
Situation	111.4	108.3	109.9	108.0	105.4	103.0	99.5	99.6	94.8	88.8	86.8	84.3	82.7
Expectations	98.2	96.5	96.9	94.4	89.7	86.8	86.3	81.4	77.8	76.9	79.5	80.9	81.6

Source: Ifo Business Survey



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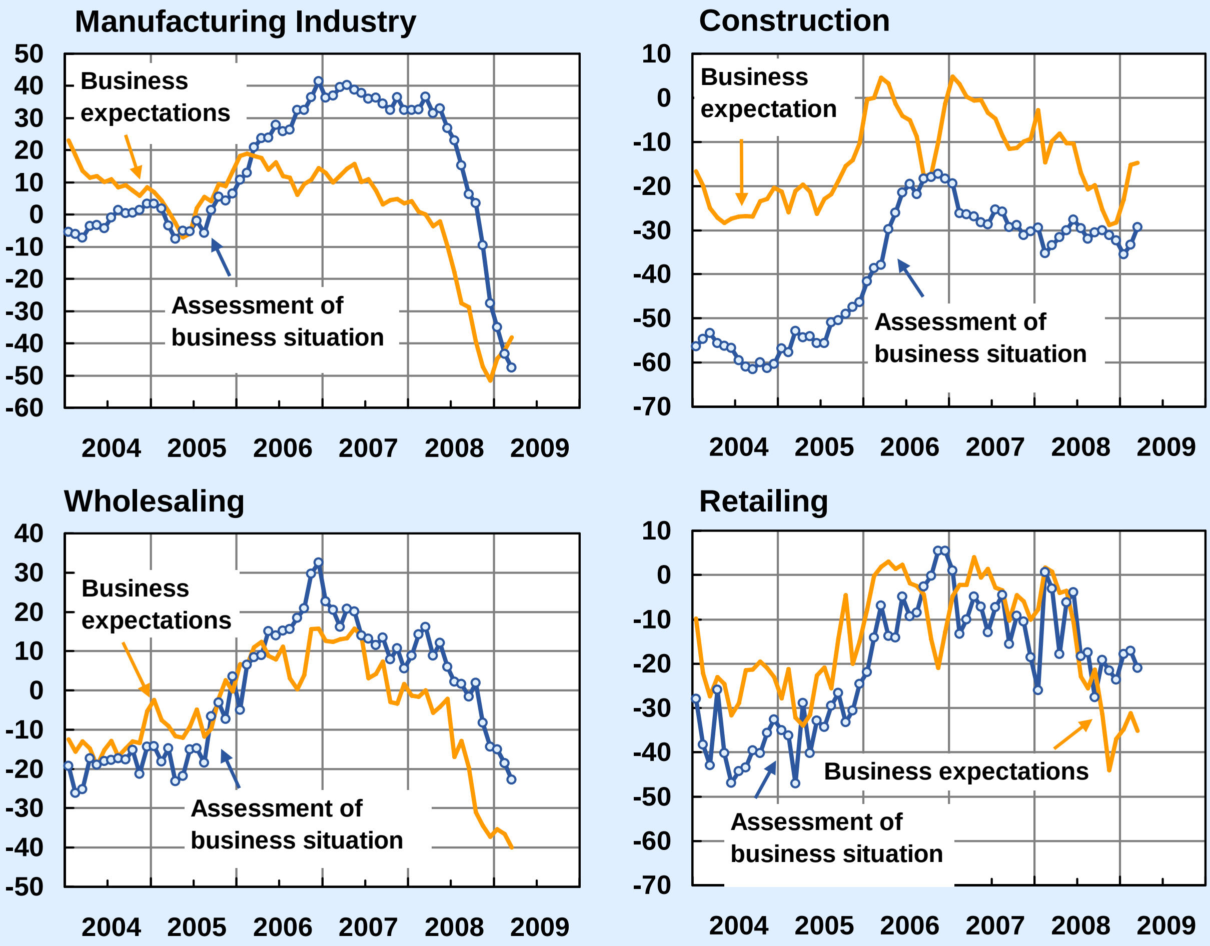
Business Situation and Expectations by Sector

March 2009; balances, seasonally adjusted



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	03/08	04/08	05/08	06/08	07/08	08/08	09/08	10/08	11/08	12/08	01/09	02/09	03/09
Trade and Industry	8.5	3.8	5.8	1.3	-6.2	-11.5	-15.2	-20.5	-28.8	-35.2	-34.4	-35.4	-36.3
Manufacturing	17.6	13.2	14.7	7.6	1.4	-7.3	-12.0	-19.3	-29.4	-40.0	-40.0	-42.8	-42.9
Construction	-22.0	-20.2	-20.5	-19.2	-23.4	-26.5	-25.2	-27.7	-30.1	-30.3	-29.4	-24.5	-22.2
Wholesaling	8.0	1.4	3.8	1.9	-7.6	-5.7	-10.9	-15.3	-21.8	-26.2	-25.5	-27.9	-31.6
Retailing	-1.2	-11.1	-4.9	-7.3	-20.6	-21.5	-24.5	-25.5	-33.2	-30.4	-26.5	-24.3	-28.2

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 March 2009 Ifo Business Survey

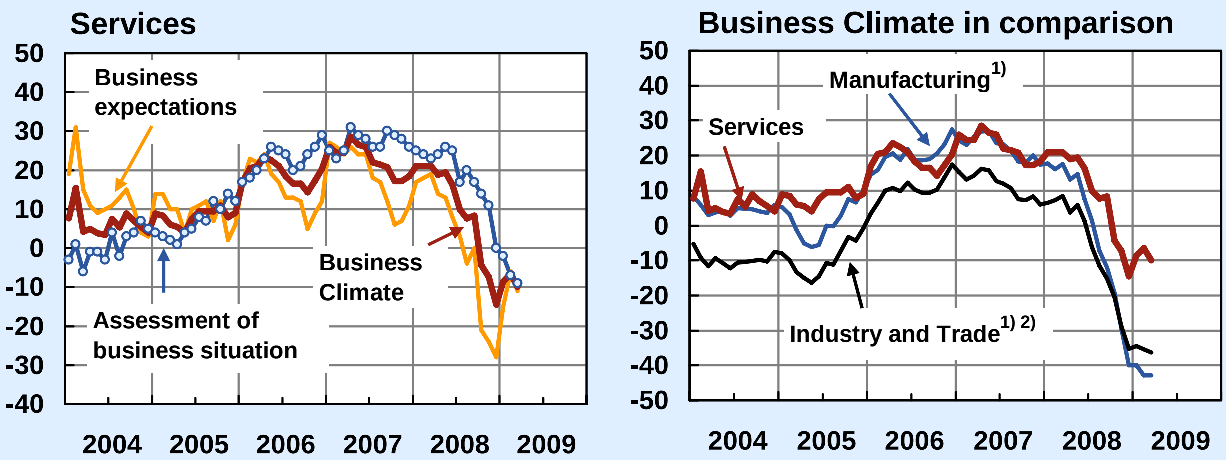
Business Climate in the Services Worsens Further

The Ifo Business Climate indicator in the German service sector has fallen in March, having recovered slightly in the previous two months. The surveyed service providers have again assessed their current business situation more pessimistically. Their business expectations for the coming half years are more unfavourable, following a weakening in their pessimism in the previous two months. The firms still plan to reduce staff numbers somewhat.

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

Ifo Business Climate in the Services, March 2009

Balances, not seasonally adjusted



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

Source: Ifo Business Survey. 25/03/2009

German Services Sector (Balances, not seasonally adjusted)

Month/Year	03/08	04/08	05/08	06/08	07/08	08/08	09/08	10/08	11/08	12/08	01/09	02/09	03/09
Climate	21.0	18.9	19.4	16.3	9.9	7.7	8.3	-4.3	-7.3	-14.5	-8.6	-6.5	-10.0
Situation	23.0	24.0	26.0	25.0	17.0	20.0	17.0	14.0	11.0	0.0	-2.0	-7.0	-9.0
Expectations	19.0	14.0	13.0	8.0	3.0	-4.0	0.0	-21.0	-24.0	-28.0	-15.0	-6.0	-11.0

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.