

Ifo Business Climate Germany

Results of the May 2009 Ifo Business Survey

Improvement in the Ifo Business Climate

The Ifo Business Climate Index for industry and trade in Germany rose once again in May. Although the firms have again assessed their current business situation more unfavourably than in the previous month, they have given clearly fewer poor assessments of their six-month business outlook. This points to a gradual stabilisation of economic output at a low level.

In *manufacturing* the business climate remains unchanged. The manufacturers report a clearly poorer business situation than in April but they expect a not quite so unfavourable course of business in the coming half year. They see their export opportunities less negatively than in previous surveys. Personnel is to be reduced less strongly as previously planned.

In *wholesaling* and in *retailing* the business climate has improved. Retailers are no longer quite so dissatisfied with their current business situation and anticipate a less unfavourable six-month business outlook. Wholesalers have assessed both their current situation as well as their business prospects somewhat more favourably than in April.

The business climate in *construction* has worsened once again. The building contractors are less satisfied with their current business situation and have also given less favourable assessments of the business outlook than in April. In commercial construction the business climate has cooled markedly.

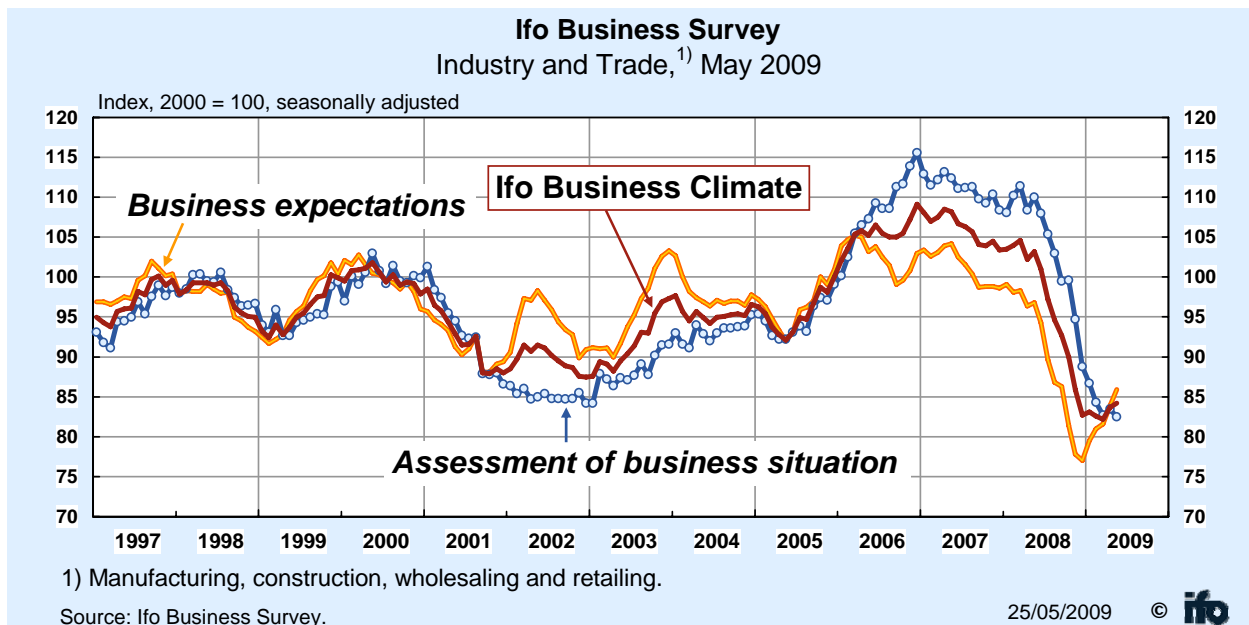
Hans-Werner Sinn

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

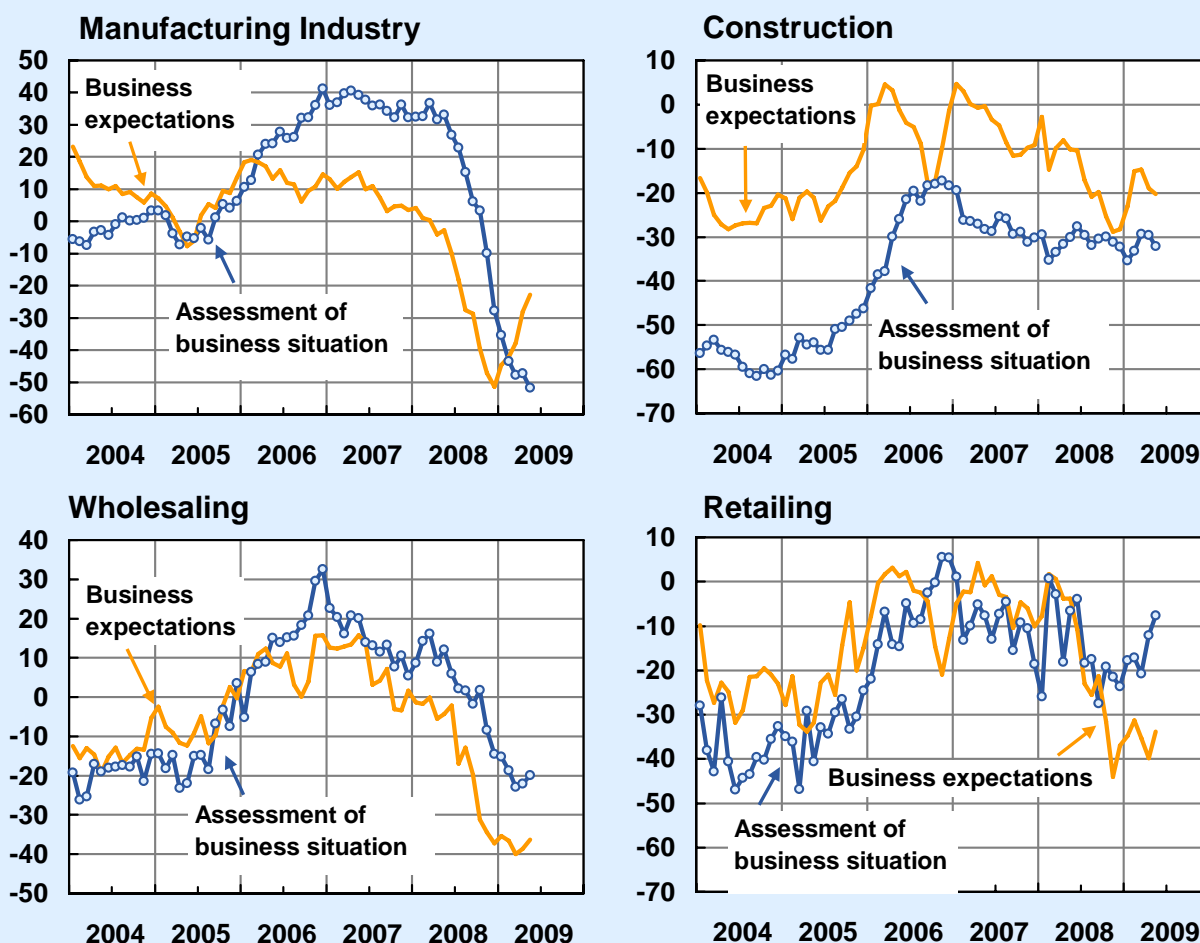
Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	05/08	06/08	07/08	08/08	09/08	10/08	11/08	12/08	01/09	02/09	03/09	04/09	05/09
Climate	103.2	101.0	97.2	94.6	92.7	90.0	85.9	82.7	83.1	82.6	82.2	83.7	84.2
Situation	110.0	108.0	105.4	103.0	99.5	99.6	94.7	88.8	86.7	84.3	82.7	83.5	82.5
Expectations	96.8	94.3	89.6	86.8	86.3	81.4	77.8	77.0	79.5	81.0	81.6	83.9	85.9

Source: Ifo Business Survey



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



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	05/08	06/08	07/08	08/08	09/08	10/08	11/08	12/08	01/09	02/09	03/09	04/09	05/09
Trade and Industry	5.7	1.2	-6.2	-11.5	-15.3	-20.6	-28.9	-35.2	-34.4	-35.4	-36.2	-33.1	-32.1
Manufacturing	14.5	7.6	1.4	-7.4	-12.1	-19.3	-29.5	-40.0	-40.0	-42.8	-42.9	-38.0	-38.0
Construction	-20.4	-19.2	-23.4	-26.5	-25.2	-27.6	-30.0	-30.3	-29.4	-24.4	-22.1	-24.3	-26.3
Wholesaling	3.8	1.9	-7.6	-5.7	-10.9	-15.4	-21.9	-26.3	-25.5	-27.9	-31.7	-30.6	-28.3
Retailing	-5.2	-7.4	-20.7	-21.6	-24.5	-25.5	-33.1	-30.4	-26.5	-24.3	-28.2	-26.5	-21.2

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

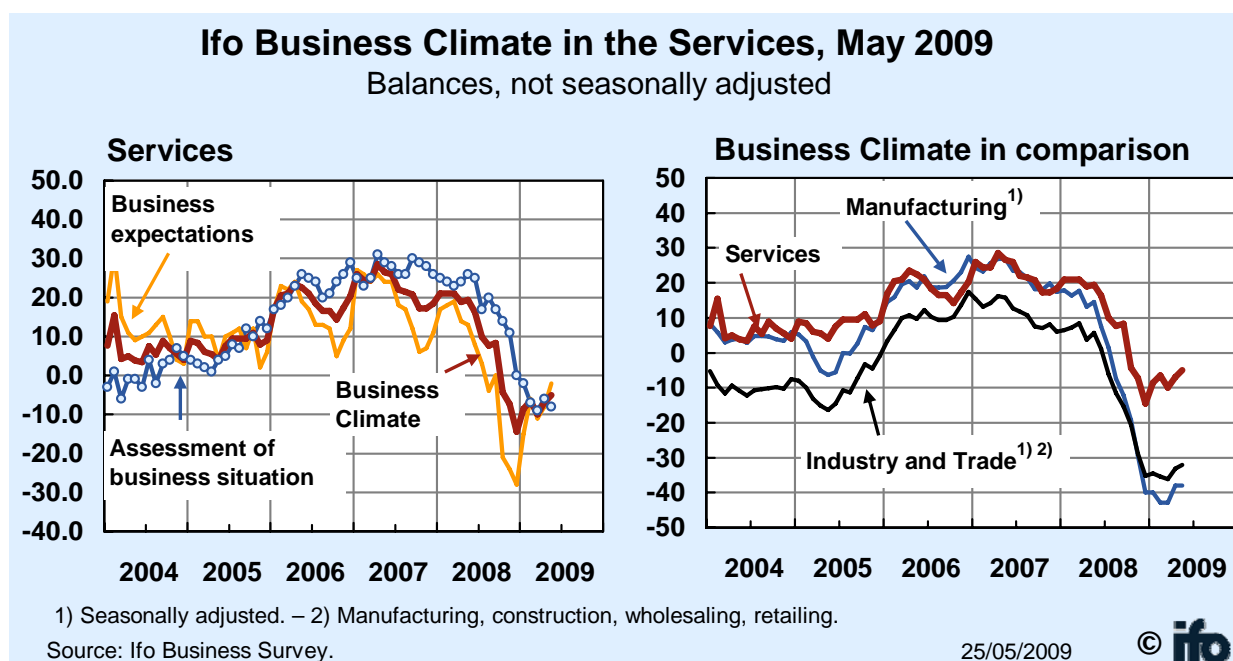
Results of the May 2009 Ifo Business Survey

Renewed Improvement of the Business Climate in the Services

The Ifo Business Climate Indicator in the German service sector has risen once more in May. Although the survey participants have again assessed their current business situation less unfavourably than in the previous month, with regard to the business outlook for the coming half year they are clearly less sceptical. Hardly any service providers anticipate a further worsening of their business. There are fewer indications of plans to reduce staff levels.

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	05/08	06/08	07/08	08/08	09/08	10/08	11/08	12/08	01/09	02/09	03/09	04/09	05/09
Climate	19.4	16.3	9.9	7.7	8.3	-4.3	-7.3	-14.5	-8.6	-6.5	-10.0	-7.0	-5.0
Situation	26.0	25.0	17.0	20.0	17.0	14.0	11.0	0.0	-2.0	-7.0	-9.0	-6.0	-8.0
Expectations	13.0	8.0	3.0	-4.0	0.0	-21.0	-24.0	-28.0	-15.0	-6.0	-11.0	-8.0	-2.0

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.