

Ifo Business Climate Germany

Results of the June 2009 Ifo Business Survey

Ifo Business Climate Brightens Somewhat

The Ifo Business Climate for industry and trade in Germany improved once again in June. The brightening was solely the result of the firms' expectations – the pessimism of the survey participants with regard to the six-month business outlook has again weakened. Their dissatisfaction with the current business situation is just as strong as it was in May. The survey results confirm that the German economy is gradually stabilising.

In *manufacturing* the business climate indicator rose. The survey participants have appraised their current business situation somewhat less unfavourably than in the previous month. Nevertheless, the manufacturers are largely dissatisfied with their present situation. However, a further worsening of business in the coming six months is no longer expected quite so frequently as in the previous month. The decline in export business, according to the survey responses, will weaken somewhat. The firms' employment plans are less negative than they were in the previous month but are still clearly aimed at personnel reductions.

In *wholesaling* and in *retailing* the business climate has further improved. In both distribution sectors the brightening of the business climate is the result of firms' clearly less negative business expectations. However, wholesalers and retailers have given more unfavourable assessments of their current business situation than in May.

The business climate in *construction* remains nearly stable. The current business situation has been given somewhat worse appraisals by the firms. However, with regard to the business outlook they are less reserved than they were last month.

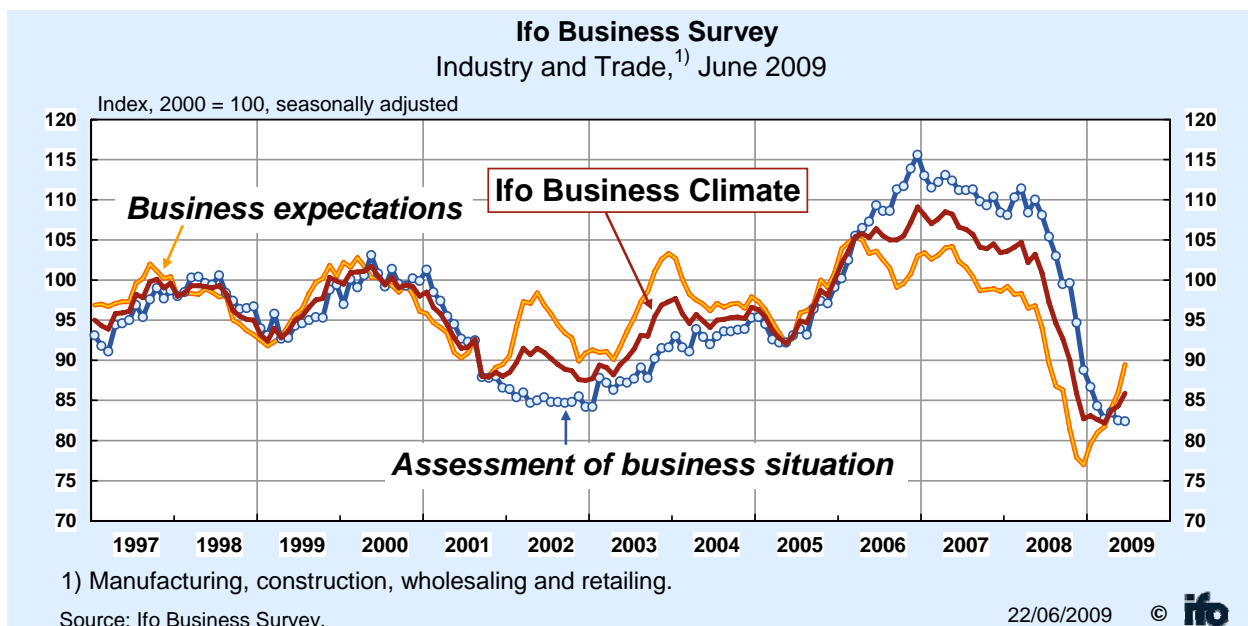
Hans-Werner Sinn

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

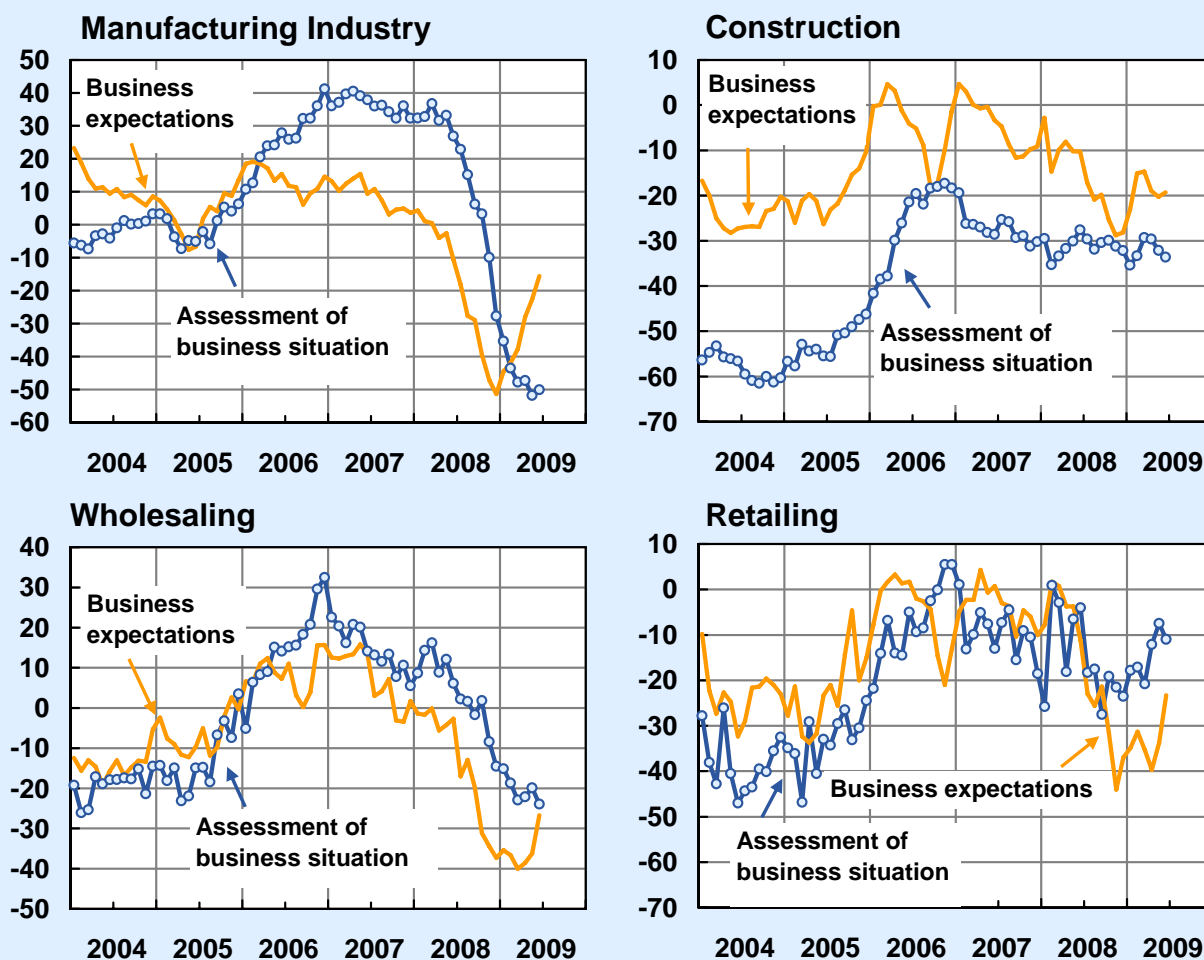
Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	06/08	07/08	08/08	09/08	10/08	11/08	12/08	01/09	02/09	03/09	04/09	05/09	06/09
Climate	100.9	97.2	94.6	92.7	90.0	85.9	82.7	83.1	82.6	82.2	83.7	84.3	85.9
Situation	108.1	105.4	103.0	99.5	99.6	94.7	88.8	86.7	84.3	82.7	83.5	82.5	82.4
Expectations	94.1	89.6	86.8	86.3	81.4	77.9	77.0	79.6	81.0	81.7	84.0	86.0	89.5

Source: Ifo Business Survey.



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



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	06/08	07/08	08/08	09/08	10/08	11/08	12/08	01/09	02/09	03/09	04/09	05/09	06/09
Trade and Industry	1.0	-6.3	-11.5	-15.3	-20.6	-28.9	-35.2	-34.4	-35.4	-36.2	-33.1	-32.1	-28.9
Manufacturing	7.3	1.3	-7.4	-12.2	-19.3	-29.5	-40.0	-40.0	-42.7	-42.9	-37.9	-37.9	-33.8
Construction	-19.2	-23.4	-26.5	-25.2	-27.6	-30.0	-30.2	-29.4	-24.4	-22.1	-24.4	-26.3	-26.6
Wholesaling	1.7	-7.6	-5.8	-11.0	-15.4	-21.9	-26.3	-25.5	-27.9	-31.7	-30.5	-28.2	-25.3
Retailing	-7.7	-20.7	-21.6	-24.5	-25.5	-33.1	-30.4	-26.5	-24.3	-28.2	-26.5	-21.1	-17.3

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

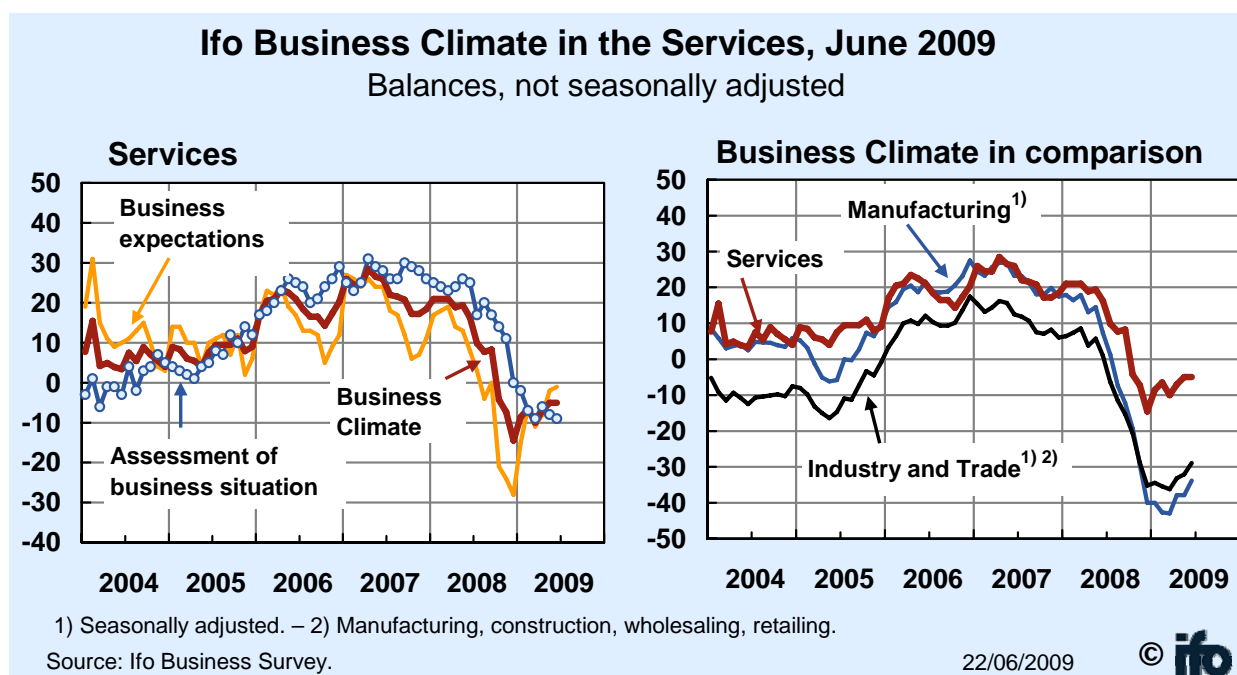
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Business Climate in the Services Unchanged

The Ifo Business Climate Indicator in the German service sector remains at the previous month's level. Although the survey participants are more dissatisfied with their current business situation than in the previous month, they are less critical with regard to the business outlook. They expect a largely stable course of business in the coming half year. In their employment plans, however, the service providers are cautious, as the tendency to reduce personnel has strengthened somewhat.

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German Services Sector (Balances, not seasonally adjusted)

Month/Year	06/08	07/08	08/08	09/08	10/08	11/08	12/08	01/09	02/09	03/09	04/09	05/09	06/09
Climate	16.3	9.9	7.7	8.3	-4.3	-7.3	-14.5	-8.6	-6.5	-10.0	-7.0	-5.0	-5.0
Situation	25.0	17.0	20.0	17.0	14.0	11.0	0.0	-2.0	-7.0	-9.0	-6.0	-8.0	-9.0
Expectations	8.0	3.0	-4.0	0.0	-21.0	-24.0	-28.0	-15.0	-6.0	-11.0	-8.0	-2.0	-1.0

Source: Ifo Business Survey.

Explanatory note: The Ifo Business Survey in the Services is based on ca. 2,500 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.