

Ifo Business Climate Germany

Results of the July 2009 Ifo Business Survey

Renewed Improvement in the Ifo Business Climate

The Ifo Business Climate Index for industry and trade in Germany rose again in July. The firms are no longer quite so dissatisfied with their current business situation as in the previous month. They are again less sceptical regarding business developments in the coming half year. It seems that the economy is gaining traction.

In *manufacturing* the business climate has improved. The firms report a business situation that is no longer quite so poor. With regard to the business outlook their estimations are yet again less critical. Their scepticism regarding foreign business has also weakened further. The utilisation of available machinery and equipment has, since Spring, not been further reduced, but overall the utilisation rate of technical capacities is clearly below average. The manufacturers have made little change in their personnel plans and intend to reduce staff further.

The business climate in *wholesaling* has brightened. The survey participants have assessed their current business situation less negatively. Also with regard to the business outlook, their pessimism has abated. *Retailers* have appraised their current business situation clearly more favourably than in the previous month and have ranked it as nearly satisfactory. Their business expectations for the coming half year, however, are more dampened than they were in June. For this reason, the business climate index in retailing has fallen slightly.

In *construction* the business climate is somewhat more favourable. The contractors are less dissatisfied with their present business than they were in June. Their caution regarding the six-month business outlook has weakened somewhat.

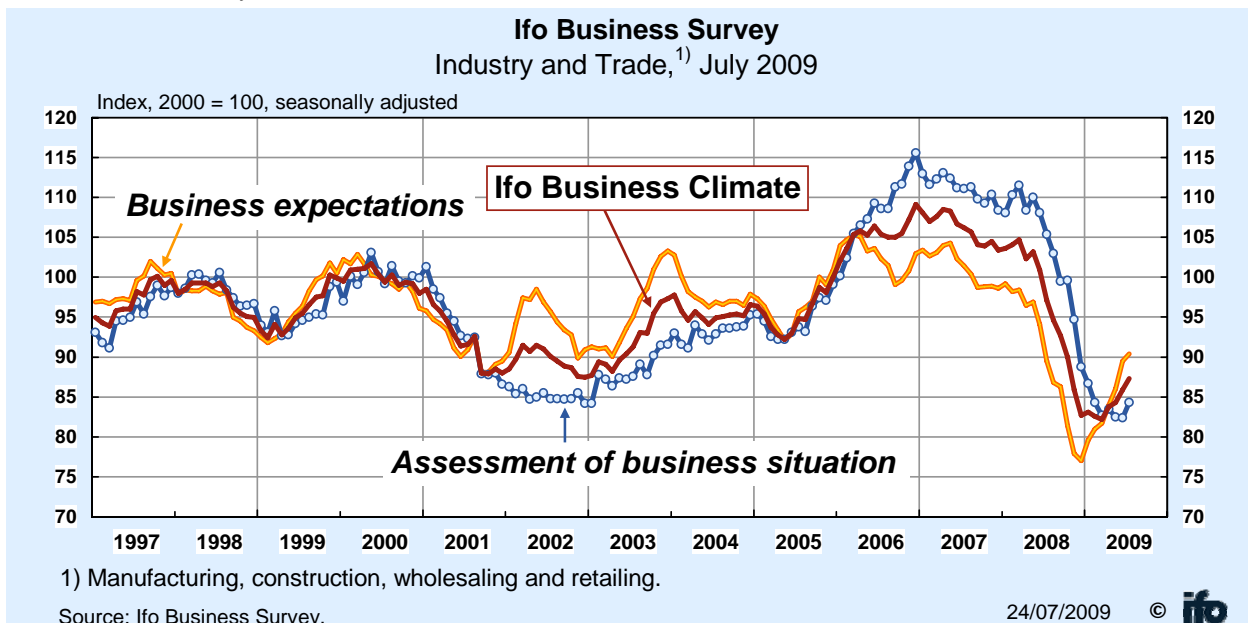
Hans-Werner Sinn

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

Germany (Index, 2000 = 100, seasonally adjusted)

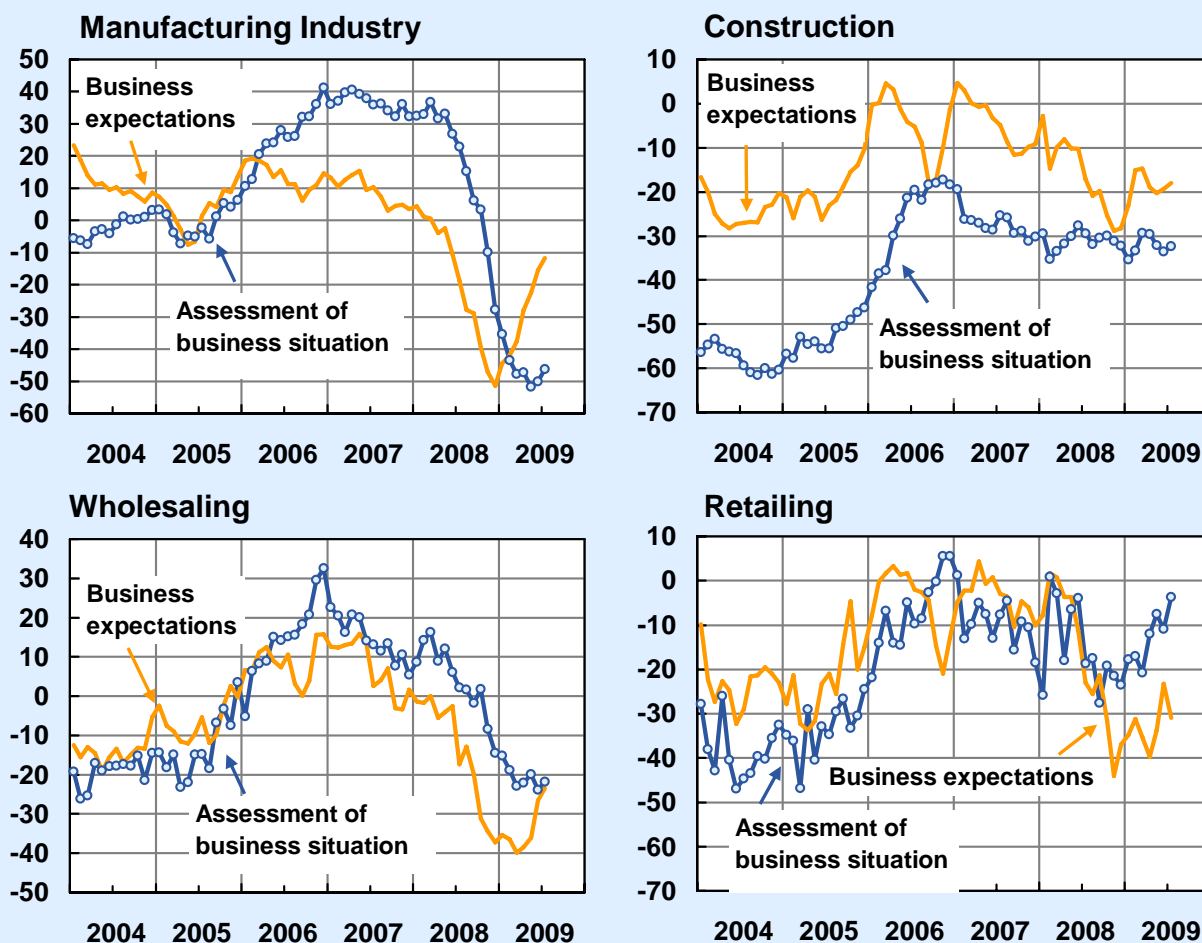
Month/year	07/08	08/08	09/08	10/08	11/08	12/08	01/09	02/09	03/09	04/09	05/09	06/09	07/09
Climate	97.1	94.6	92.7	90.0	85.9	82.7	83.1	82.6	82.2	83.8	84.3	85.9	87.3
Situation	105.4	103.0	99.5	99.6	94.7	88.8	86.7	84.3	82.7	83.5	82.5	82.4	84.3
Expectations	89.5	86.8	86.3	81.4	77.9	77.0	79.6	81.0	81.7	84.0	86.0	89.5	90.4

Source: Ifo Business Survey.



Business Situation and Expectations by Sector

July 2009; balances, seasonally adjusted



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	07/08	08/08	09/08	10/08	11/08	12/08	01/09	02/09	03/09	04/09	05/09	06/09	07/09
Trade and Industry	-6.5	-11.6	-15.3	-20.6	-28.9	-35.2	-34.4	-35.3	-36.2	-33.1	-32.0	-28.8	-26.0
Manufacturing	1.0	-7.4	-12.2	-19.4	-29.5	-40.0	-39.9	-42.7	-42.8	-37.9	-37.8	-33.7	-29.8
Construction	-23.4	-26.5	-25.2	-27.6	-30.0	-30.2	-29.4	-24.4	-22.1	-24.4	-26.3	-26.6	-25.4
Wholesaling	-7.8	-5.8	-11.0	-15.4	-21.9	-26.3	-25.5	-27.9	-31.6	-30.5	-28.2	-25.2	-22.6
Retailing	-20.9	-21.6	-24.5	-25.5	-33.1	-30.4	-26.5	-24.3	-28.2	-26.4	-21.1	-17.2	-17.9

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

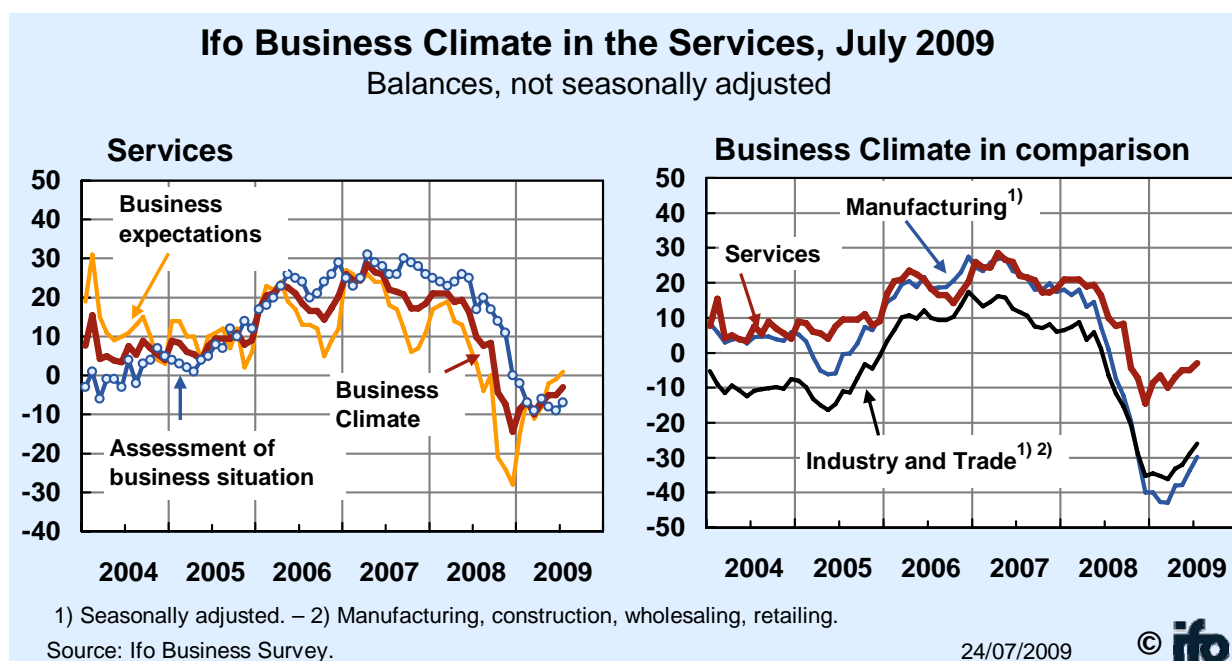
Results of the July 2009 Ifo Business Survey

Business Climate Indicator in the Services Rises

The Ifo Business Climate in the German service sector has improved in July. The current business situation has been assessed less unfavourably by the surveyed firms than in June. Their scepticism with regard to the six-month business outlook has also weakened further. The service providers anticipate a stable business situation in the coming months. Overall, their personnel plans point to no change in the number of employees.

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