

Ifo Business Climate Germany

Results of the September 2009 Ifo Business Survey

Ifo Business Climate Slightly Improved

The Ifo Business Climate for industry and trade in Germany has brightened further in September. Appraisals of the business situation and outlook have improved. However, by far the greater number of firms still assesses the business situation as poor. Only with regard to the six-month business outlook is there now nearly a balance between pessimists and optimists. In light of the catastrophic developments over the past twelve months, this is good news.

In *manufacturing* the business climate indicator has recovered somewhat. The manufacturing firms no longer regard their present business conditions quite so negatively as in the previous month. They also anticipate a somewhat more favourable course of business in the coming half year. With regard to exports, their scepticism has subsided. However, more firms are now planning to reduce the number of their employees.

In *wholesaling* and in *retailing* the business climate index has risen. In both distribution sectors, the survey participants are less critical regarding business developments in the coming half year. However, the wholesalers are nearly just as dissatisfied with their current business situation as in the previous month. In contrast, retailers have given slightly more favourable appraisals of their present business situation than in August, assessing it now as nearly satisfactory.

In *construction* the business climate has clouded over somewhat. Although the survey participants have assessed their present business similarly to that in August, with regard to business in the coming half year they are more sceptical than in the previous survey.

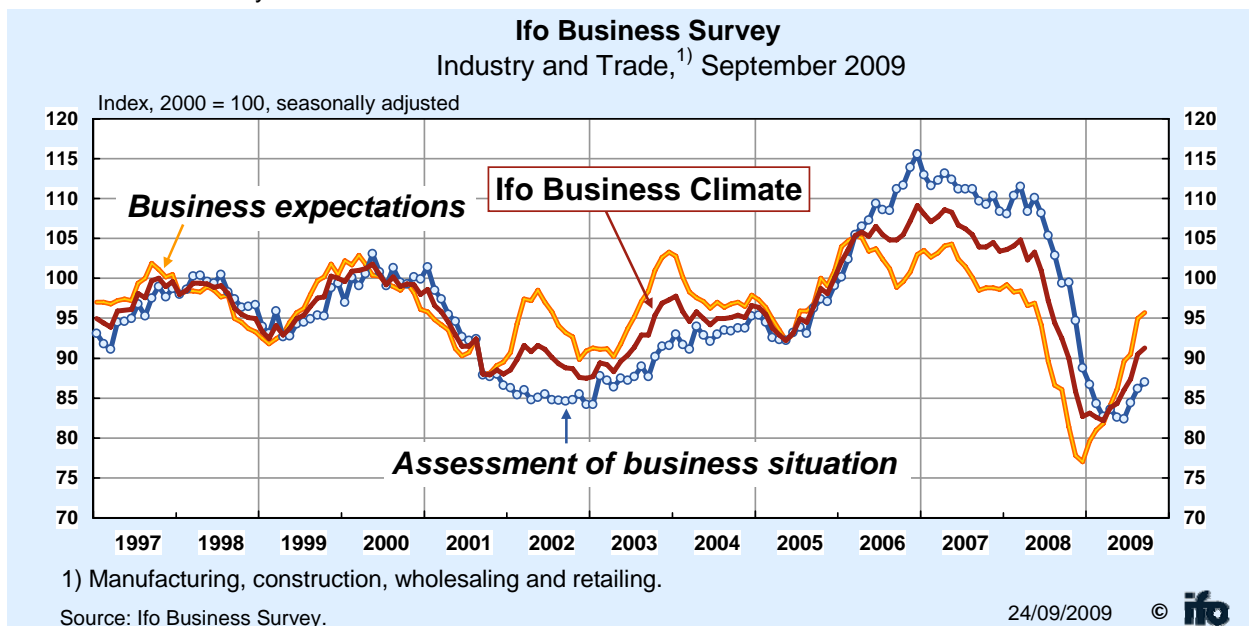
Hans-Werner Sinn

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

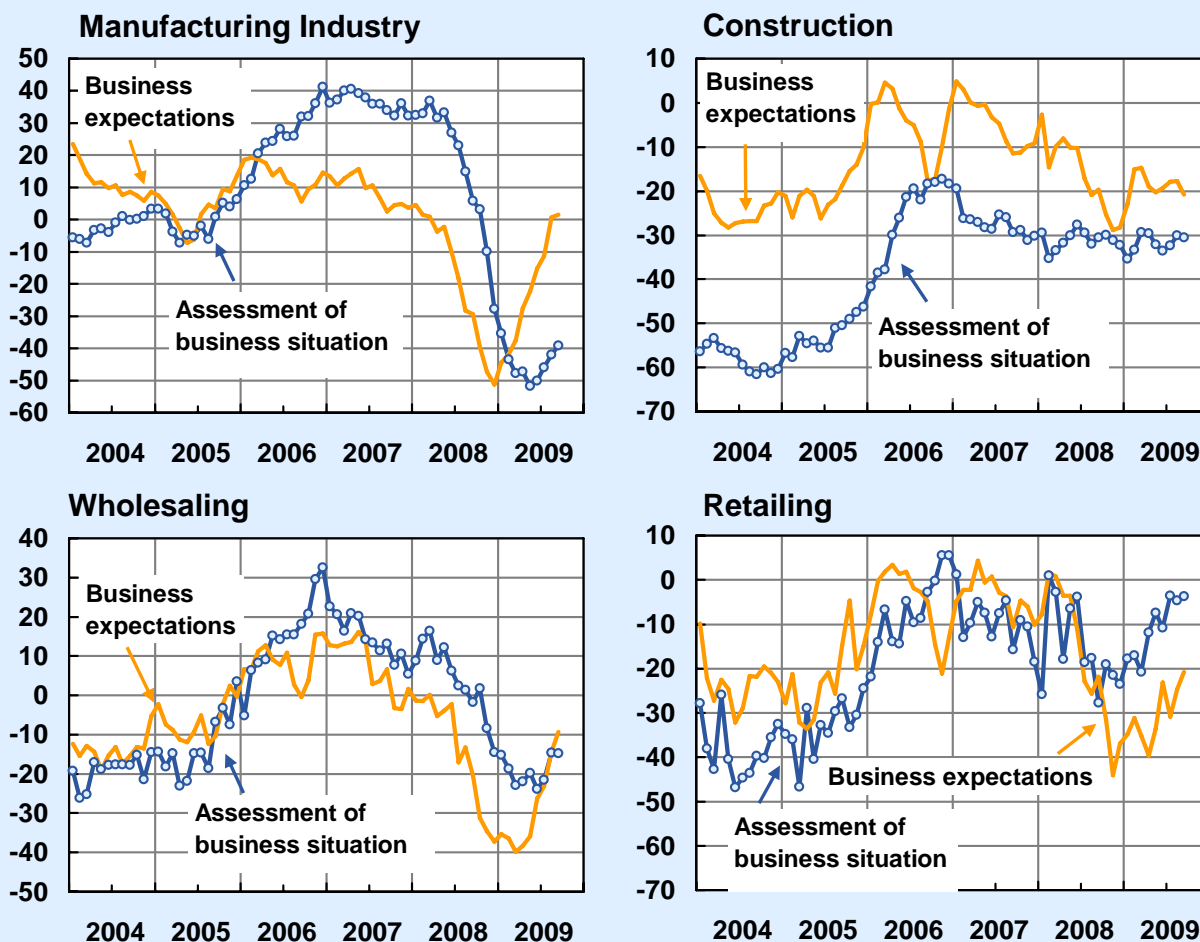
Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	09/08	10/08	11/08	12/08	01/09	02/09	03/09	04/09	05/09	06/09	07/09	08/09	09/09
Climate	92.5	90.0	85.8	82.7	83.1	82.6	82.2	83.8	84.3	86.0	87.4	90.5	91.3
Situation	99.4	99.5	94.7	88.8	86.7	84.3	82.7	83.6	82.6	82.4	84.4	86.2	87.0
Expectations	86.1	81.4	77.8	77.0	79.6	81.0	81.8	84.1	86.1	89.6	90.5	95.0	95.7

Source: Ifo Business Survey.



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



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	09/08	10/08	11/08	12/08	01/09	02/09	03/09	04/09	05/09	06/09	07/09	08/09	09/09
Trade and Industry	-15.6	-20.6	-28.9	-35.2	-34.4	-35.3	-36.1	-33.0	-31.9	-28.6	-25.8	-19.7	-18.1
Manufacturing	-12.6	-19.4	-29.6	-40.0	-39.9	-42.7	-42.7	-37.7	-37.7	-33.5	-29.6	-21.9	-19.9
Construction	-25.2	-27.6	-30.0	-30.2	-29.3	-24.4	-22.1	-24.3	-26.3	-26.6	-25.3	-24.0	-25.7
Wholesaling	-11.4	-15.4	-21.9	-26.3	-25.5	-27.8	-31.6	-30.4	-28.0	-25.0	-22.4	-14.5	-12.2
Retailing	-24.7	-25.5	-33.1	-30.4	-26.5	-24.2	-28.1	-26.3	-21.0	-17.1	-17.7	-14.9	-12.4

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

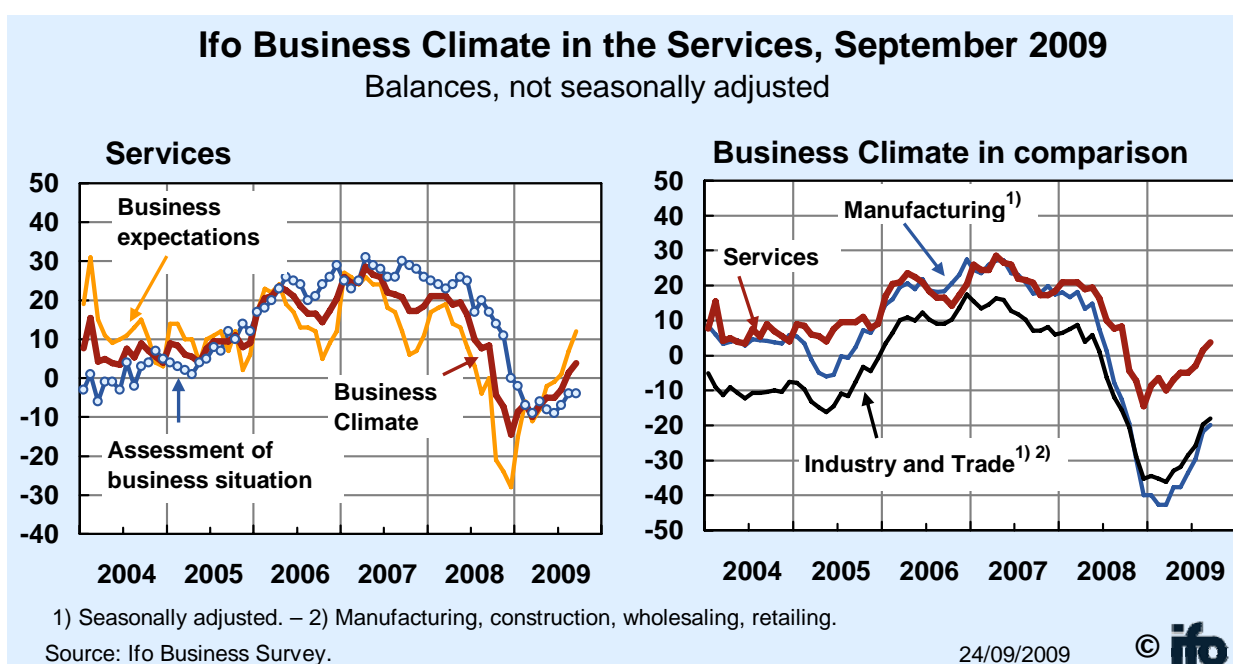
Results of the September 2009 Ifo Business Survey

Business Climate in the Services Brightens

The Ifo Business Climate Indicator in the German service sector has risen once again in September. The current business situation remains unchanged over the previous month, according to the survey responses. However, a growing number of service providers expect more favourable business developments in the coming six months. Nevertheless, in their personnel plans the firms are more cautious than they were in August.

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German Services Sector (Balances, not seasonally adjusted)

Month/Year	09/08	10/08	11/08	12/08	01/09	02/09	03/09	04/09	05/09	06/09	07/09	08/09	09/09
Climate	8.3	-4.3	-7.3	-14.5	-8.6	-6.5	-10.0	-7.0	-5.0	-5.0	-3.0	1.4	3.8
Situation	17.0	14.0	11.0	0.0	-2.0	-7.0	-9.0	-6.0	-8.0	-9.0	-7.0	-4.0	-4.0
Expectations	0.0	-21.0	-24.0	-28.0	-15.0	-6.0	-11.0	-8.0	-2.0	-1.0	1.0	7.0	12.0

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.