Ifo Business Climate Germany

Results of the October 2009 Ifo Business Survey

Slight Improvement of the Ifo Business Climate

The Ifo Business Climate Index for industry and trade in Germany has risen further in October. The surveyed firms are slightly less dissatisfied with their current business situation than in September. They have again given more favourable appraisals of the business outlook for the coming six months. The economic recovery continues hesitantly.

In *manufacturing* the business climate is not quite as poor as it was in the previous month. The continuingly unfavourable business situation for manufacturers has improved slightly. With regard to the six-month business outlook, the survey participants are more confident than in September. Despite the appreciation of the euro, the firms see improved export opportunities. They are utilising their production capacities at a slightly higher pace than in the summer, although the utilisation rate is still far below average. The firms are planning to slow down the pace of staff reductions somewhat.

In *wholesaling* the business climate index has risen further. The survey participants report a clearly improved business situation in comparison to the previous month. Their appraisal of the business outlook is somewhat more critical, however. *Retailers* are more dissatisfied with their current business situation. They are also more sceptical regarding the six-month business outlook than in September. As a result, the business climate in retailing has worsened.

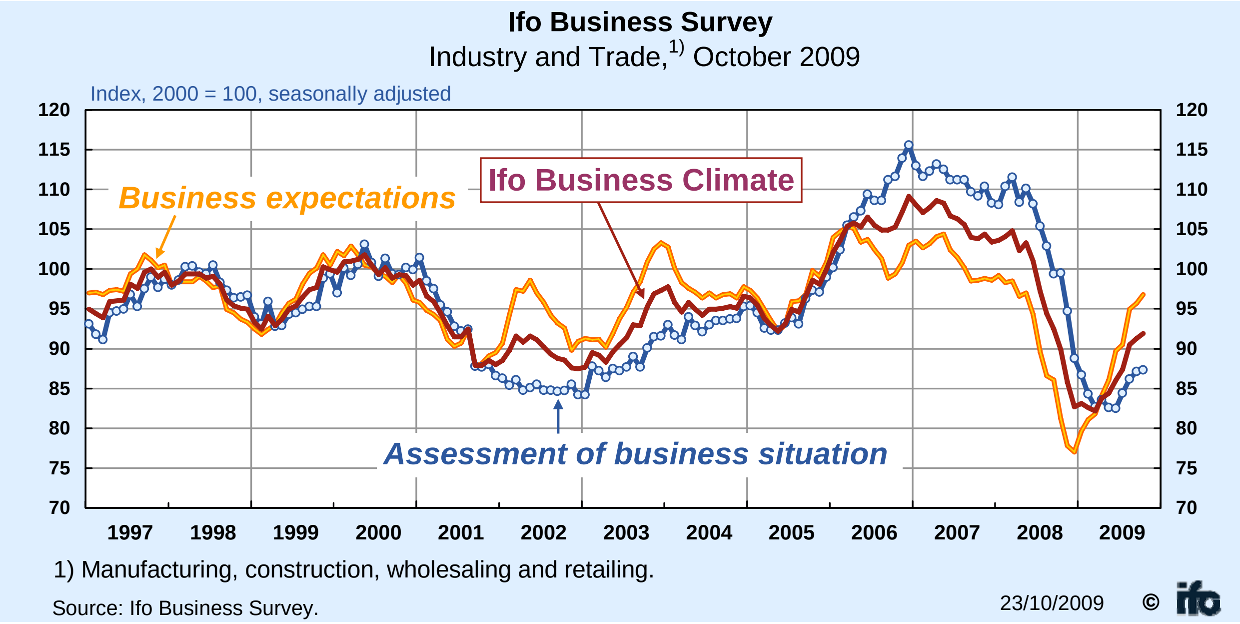
In *construction* the business climate remains largely unchanged. The firms are slightly more dissatisfied with their current business situation but have given more favourable assessments of their business outlook than in the previous month.

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

Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	10/08	11/08	12/08	01/09	02/09	03/09	04/09	05/09	06/09	07/09	08/09	09/09	10/09
Climate	89.9	85.8	82.7	83.1	82.6	82.2	83.8	84.4	86.0	87.4	90.5	91.3	91.9
Situation	99.5	94.7	88.8	86.7	84.3	82.7	83.6	82.6	82.5	84.4	86.2	87.1	87.3
Expectations	81.2	77.8	77.0	79.6	81.1	81.8	84.1	86.1	89.7	90.5	95.0	95.7	96.8

Source: Ifo Business Survey.



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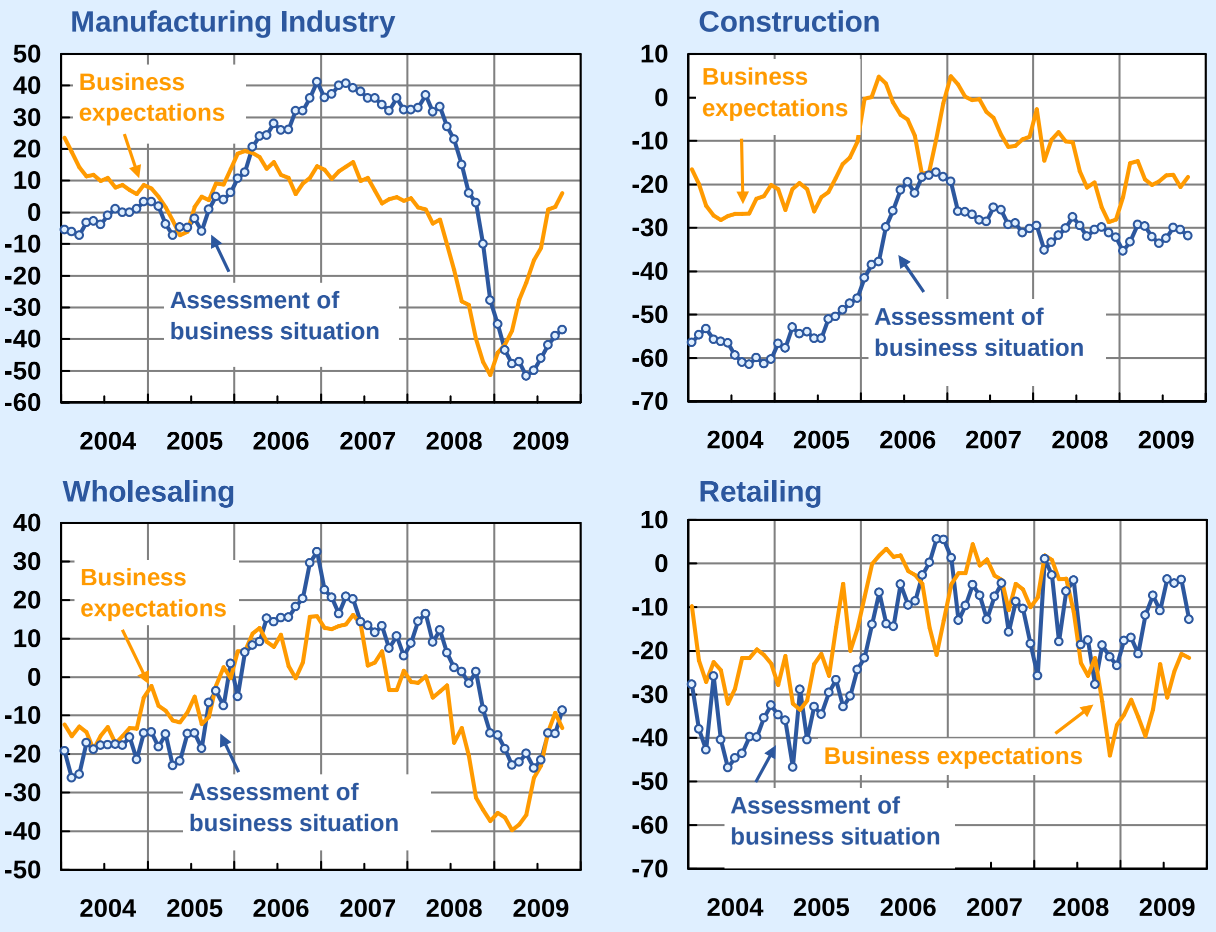
Business Situation and Expectations by Sector
October 2009; balances, seasonally adjusted



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	10/08	11/08	12/08	01/09	02/09	03/09	04/09	05/09	06/09	07/09	08/09	09/09	10/09
Trade and Industry	-20.8	-28.9	-35.2	-34.3	-35.3	-36.1	-32.9	-31.9	-28.6	-25.8	-19.6	-18.0	-16.7
Manufacturing	-19.7	-29.6	-40.0	-39.9	-42.6	-42.7	-37.7	-37.6	-33.4	-29.5	-21.8	-19.8	-16.7
Construction	-27.6	-30.0	-30.2	-29.3	-24.4	-22.1	-24.3	-26.3	-26.6	-25.3	-24.0	-25.7	-25.2
Wholesaling	-15.6	-21.9	-26.3	-25.5	-27.8	-31.5	-30.3	-28.0	-25.0	-22.3	-14.4	-12.1	-10.9
Retailing	-25.4	-33.1	-30.3	-26.4	-24.2	-28.1	-26.3	-20.9	-17.1	-17.7	-14.9	-12.4	-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.

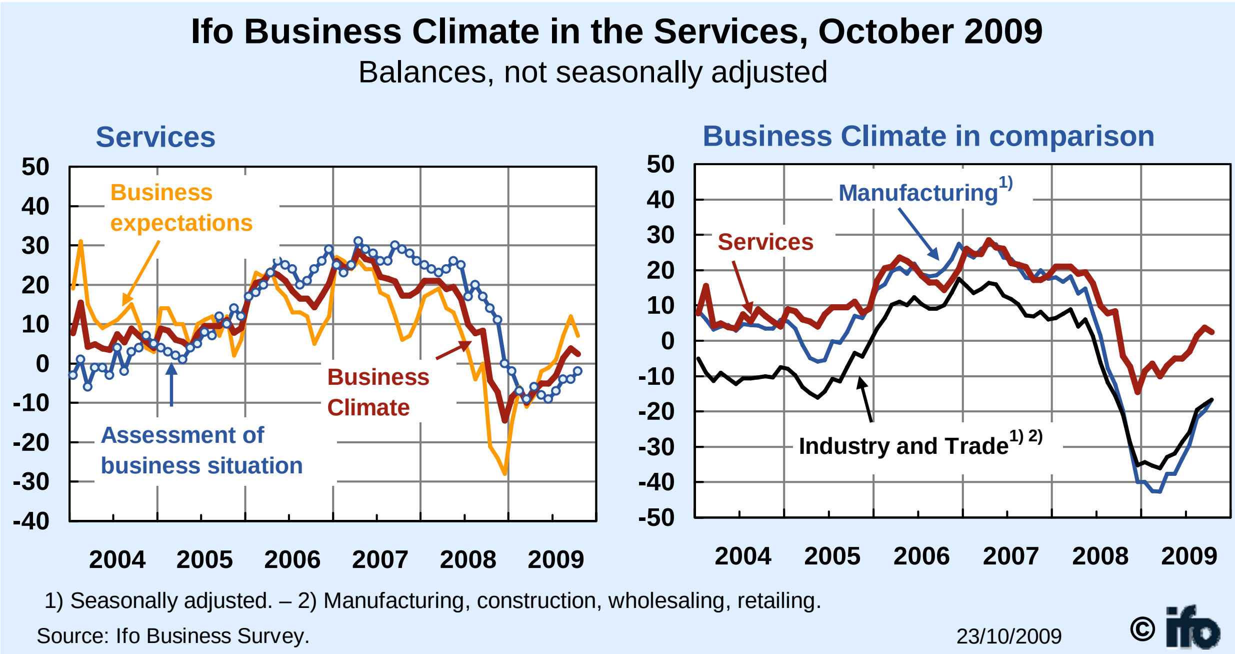
Ifo Business Climate in the German Service Sector

Results of the October 2009 Ifo Business Survey

Business Climate in the Services Cloudier

The Ifo Business Climate Indicator in the German service sector has fallen in October. This is the first worsening of the business climate in the services in six months. The expectations of the firms were solely responsible for the decline. They have given less positive appraisals of the six-month business outlook than in September. In contrast, they have given more favourable assessments of their current business situation than in the previous month. The personnel plans of the service providers, however, were just as cautious as in September.

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	10/08	11/08	12/08	01/09	02/09	03/09	04/09	05/09	06/09	07/09	08/09	09/09	10/09
Climate	-4.3	-7.3	-14.5	-8.6	-6.5	-10.0	-7.0	-5.0	-5.0	-3.0	1.4	3.8	2.4
Situation	14.0	11.0	0.0	-2.0	-7.0	-9.0	-6.0	-8.0	-9.0	-7.0	-4.0	-4.0	-2.0
Expectations	-21.0	-24.0	-28.0	-15.0	-6.0	-11.0	-8.0	-2.0	-1.0	1.0	7.0	12.0	7.0

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.