

Ifo Business Climate Germany

Results of the Ifo Business Survey for January 2010

Further Brightening of the Ifo Business Climate

The Ifo Business Climate for industry and trade in Germany brightened once again in January. The current business situation of the firms has further improved. With regard to the business outlook for the coming half year the surveyed firms are more confident than before. The economic recovery continues at the beginning of the New Year.

In *manufacturing* the business climate index has risen noticeably. For the eighth time in succession, the firms have assessed their business situation as less unfavourable. Their business expectations have also brightened. For their export business they anticipate a clear revival. Although the utilisation of machinery and equipment is still below average, the rate is higher than three months ago. The personnel plans of the manufacturing firms are still geared to some staff reductions.

In *retailing* a nearly unchanged business situation has been reported, with retailers somewhat more reserved regarding the six-month outlook than in December. As a result, the business climate in retailing remains largely unchanged.

The business climate in *wholesaling* has brightened further. The survey participants are once again more satisfied with their business situation. They are also less critical regarding business development in the coming half year.

In *construction* the business climate index has risen strongly. Although the surveyed contractors have given slightly more unfavourable assessments of their current business situation than in December, they are clearly less sceptical regarding business in the near future. Currently, however, many firms are complaining about the weather-related constraints on construction activity.

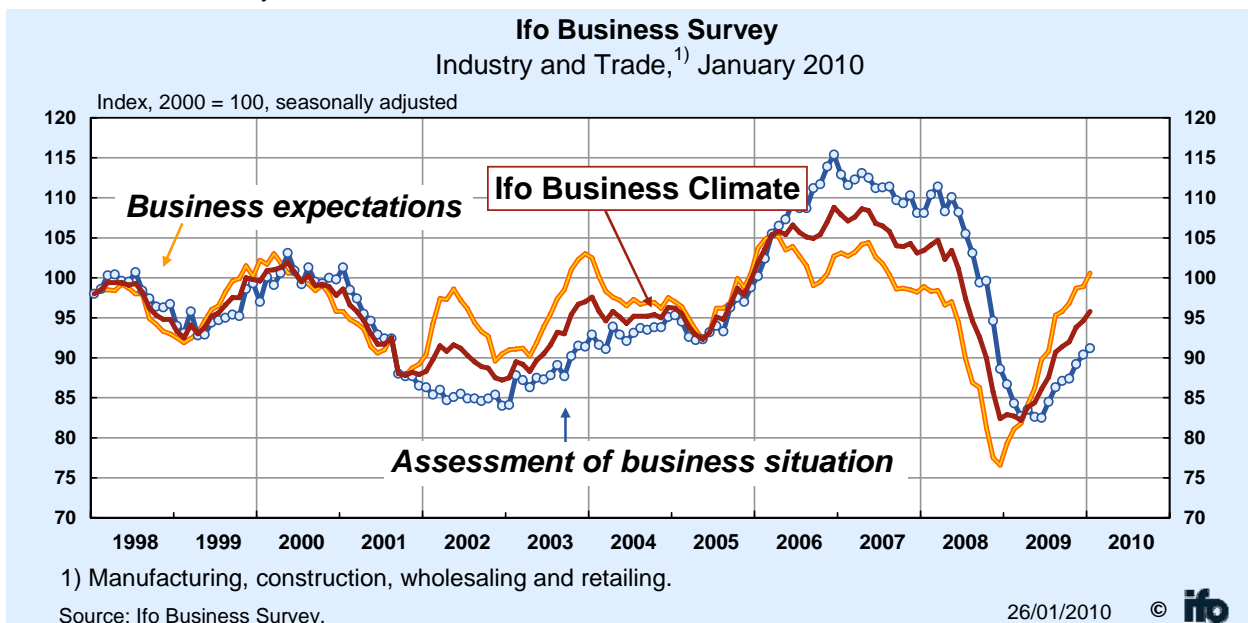
Hans-Werner Sinn

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

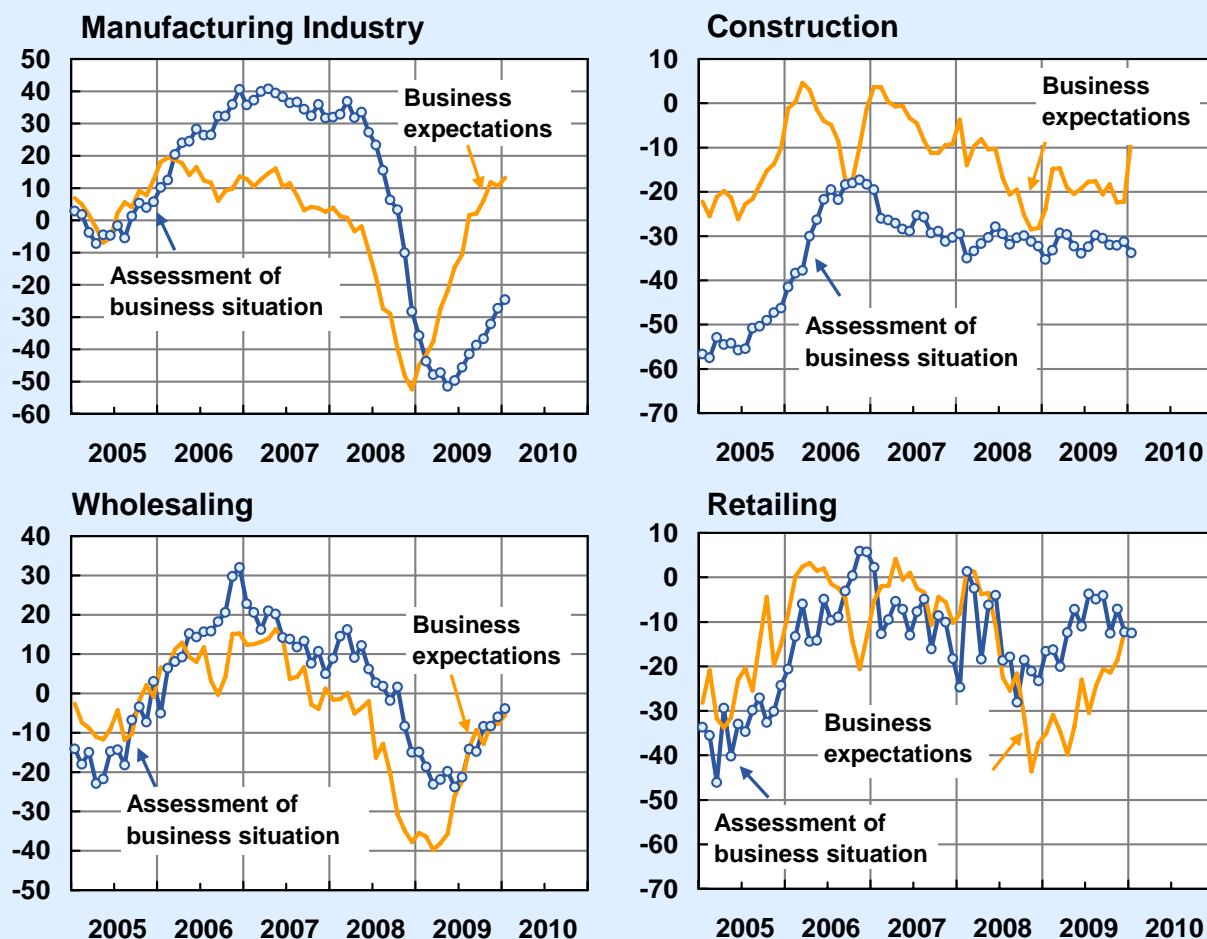
Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	01/09	02/09	03/09	04/09	05/09	06/09	07/09	08/09	09/09	10/09	11/09	12/09	01/10
Climate	82.9	82.7	82.2	83.8	84.4	86.1	87.6	90.7	91.4	92.0	93.8	94.6	95.8
Situation	86.7	84.3	82.7	83.5	82.6	82.5	84.5	86.3	87.1	87.4	89.2	90.4	91.2
Expectations	79.3	81.1	81.8	84.1	86.2	89.8	90.8	95.3	95.8	96.8	98.7	98.9	100.6

Source: Ifo Business Survey.



Business Situation and Expectations by Sector January 2010; balances, seasonally adjusted



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	01/09	02/09	03/09	04/09	05/09	06/09	07/09	08/09	09/09	10/09	11/09	12/09	01/10
Trade and Industry	-34.7	-35.2	-36.1	-32.9	-31.7	-28.4	-25.4	-19.2	-17.8	-16.5	-12.9	-11.5	-9.0
Manufacturing	-40.4	-42.7	-42.8	-37.6	-37.4	-33.1	-29.0	-21.2	-19.4	-16.5	-11.4	-9.3	-6.6
Construction	-29.7	-24.2	-22.1	-24.4	-26.5	-26.7	-25.2	-23.8	-25.6	-25.2	-27.3	-26.8	-21.5
Wholesaling	-25.5	-27.8	-31.6	-30.2	-27.9	-24.9	-21.8	-14.0	-12.0	-10.6	-8.1	-6.9	-4.7
Retailing	-26.1	-23.7	-27.5	-26.7	-20.8	-17.1	-17.6	-14.9	-12.6	-17.0	-12.9	-12.3	-12.8

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

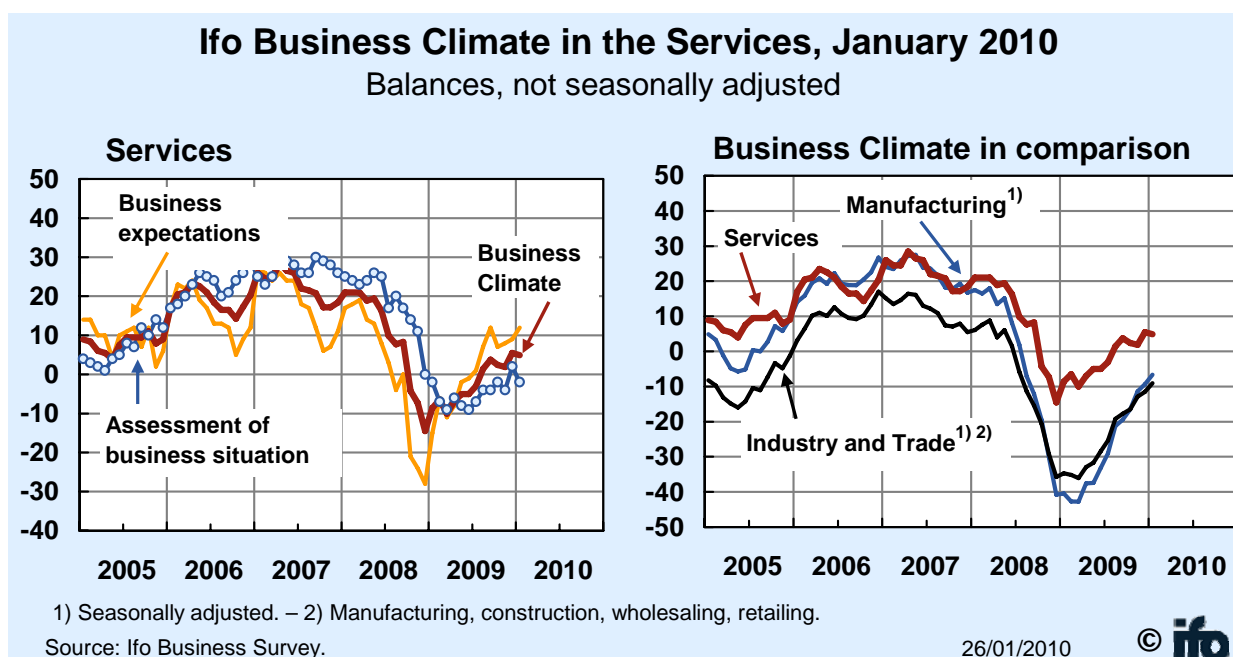
Results of the January 2010 Ifo Business Survey

Ifo Business Climate for the Services Nearly Unchanged

The Ifo Business Climate in the German service sector has worsened only slightly in January. The indicator had, however, reached a high for the year in December. In January the surveyed service providers have assessed their current business situation somewhat more unfavourably. However, they are more confident than before regarding business development in the coming half year. Personnel plans are again less restrictive.

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German Services Sector (Balances, not seasonally adjusted)

Month/Year	01/09	02/09	03/09	04/09	05/09	06/09	07/09	08/09	09/09	10/09	11/09	12/09	01/10
Climate	-8.6	-6.5	-10.0	-7.0	-5.0	-5.0	-3.0	1.4	3.8	2.4	1.9	5.5	4.9
Situation	-2.0	-7.0	-9.0	-6.0	-8.0	-9.0	-7.0	-4.0	-4.0	-2.0	-4.0	2.0	-2.0
Expectations	-15.0	-6.0	-11.0	-8.0	-2.0	-1.0	1.0	7.0	12.0	7.0	8.0	9.0	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.