

# Ifo Business Climate Germany

Results of the Ifo Business Survey for February 2010

## Ifo Business Climate Index Falls Slightly

The Ifo Business Climate for industry and trade in Germany clouded over somewhat in February. For the first time in ten months, the business climate index has not risen. Responsible for this decline is especially the situation in retailing, which experienced a setback in February. On the whole, the firms have assessed their current business situation somewhat more unfavourably than in the previous month. They regard their business outlook for the coming half year slightly more favourably than in January. The economic recovery is expected to continue when winter is over.

In *manufacturing* the business climate index remains largely unchanged. The survey participants are marginally more dissatisfied with their current business situation than in January. However, with regard to business developments in the coming six months they are again more confident. They expect clear stimulus from export business. The industrial firms intend a clear slowdown in the pace of staff reductions.

In the two distribution sectors, wholesaling and retailing, the business climate has cooled noticeably. The *retailers* report a considerably worse business situation than in January. Also their business outlook for the near future is considerably more pessimistic than previously. In *wholesaling* the business climate index has not fallen as strongly as in retailing. The surveyed wholesalers are also clearly more dissatisfied with their current business situation, but they are less sceptical regarding the six-month business outlook than in January.

In *construction* the business climate index has risen once again. The surveyed contractors have assessed their current business situation somewhat more favourably than in January. However, current construction activity is strongly constrained by weather conditions. Contractors' business expectations are again more optimistic, their scepticism here having already clearly weakened in the past month.

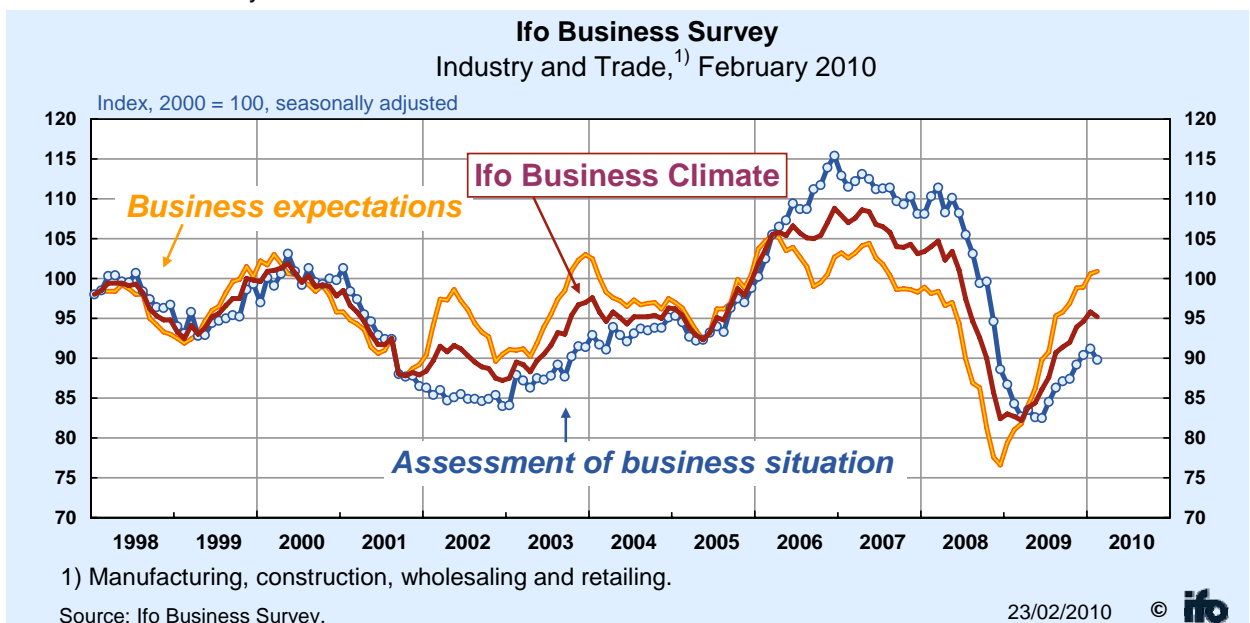
Hans-Werner Sinn

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

## Germany (Index, 2000 = 100, seasonally adjusted)

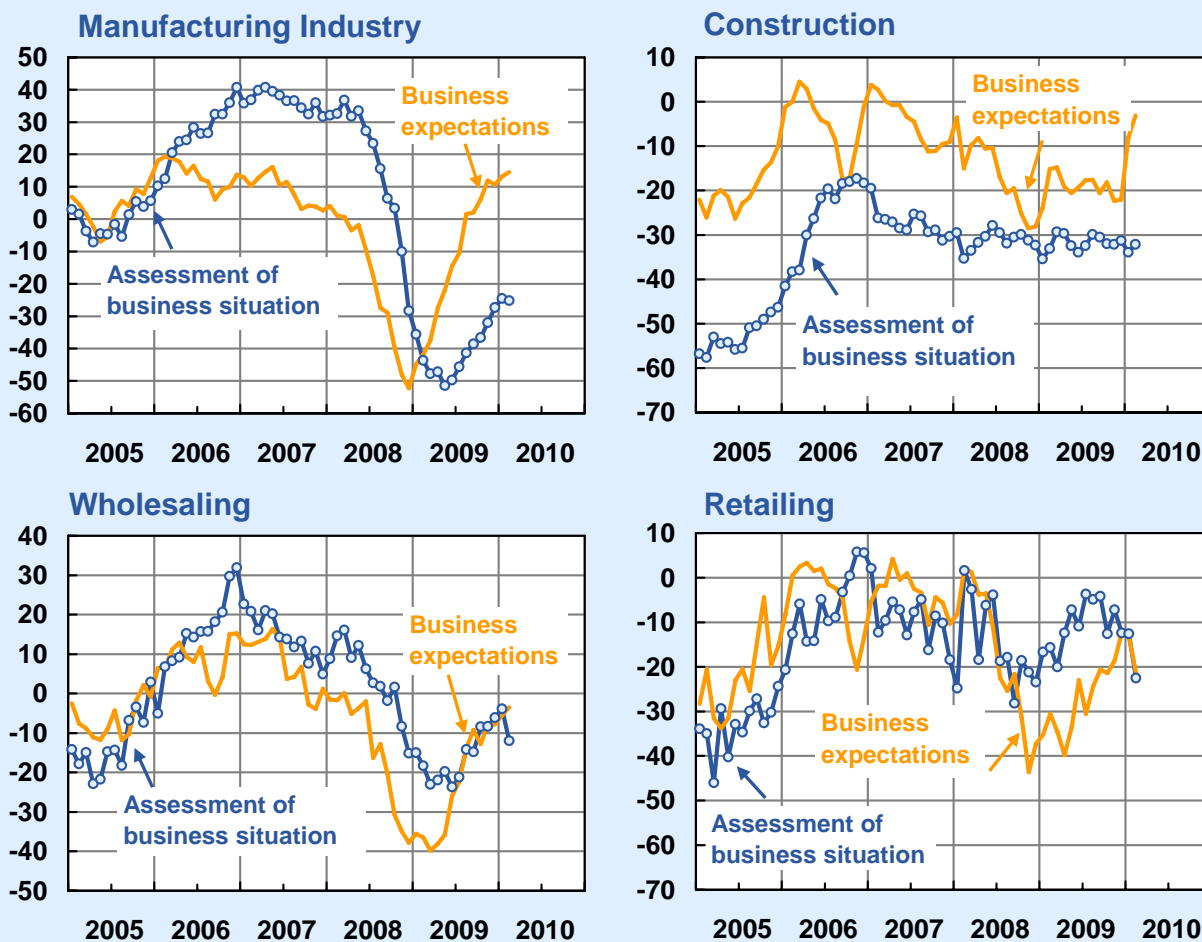
Month/year	02/09	03/09	04/09	05/09	06/09	07/09	08/09	09/09	10/09	11/09	12/09	01/10	02/10
<b>Climate</b>	82.7	82.2	83.8	84.4	86.1	87.6	90.7	91.4	92.0	93.9	94.6	95.8	95.2
<b>Situation</b>	84.3	82.7	83.5	82.6	82.5	84.5	86.3	87.1	87.4	89.2	90.4	91.2	89.8
<b>Expectations</b>	81.0	81.8	84.1	86.2	89.8	90.8	95.3	95.8	96.9	98.8	98.9	100.6	100.9

Source: Ifo Business Survey.



## Business Situation and Expectations by Sector

February 2010; balances, seasonally adjusted



Source: Ifo Business Survey.

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### Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	02/09	03/09	04/09	05/09	06/09	07/09	08/09	09/09	10/09	11/09	12/09	01/10	02/10
Trade and Industry	-35.2	-36.0	-32.9	-31.7	-28.4	-25.4	-19.2	-17.8	-16.5	-12.9	-11.5	-9.0	-10.3
Manufacturing	-42.8	-42.7	-37.6	-37.4	-33.0	-29.0	-21.2	-19.4	-16.4	-11.3	-9.2	-6.5	-6.4
Construction	-24.4	-22.2	-24.5	-26.6	-26.8	-25.2	-23.8	-25.6	-25.2	-27.3	-26.8	-21.4	-18.1
Wholesaling	-27.7	-31.6	-30.2	-27.9	-24.9	-21.8	-14.0	-12.0	-10.6	-8.1	-6.9	-4.7	-7.8
Retailing	-23.3	-27.5	-26.6	-20.8	-17.1	-17.6	-14.9	-12.6	-17.1	-13.0	-12.3	-12.9	-22.0

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

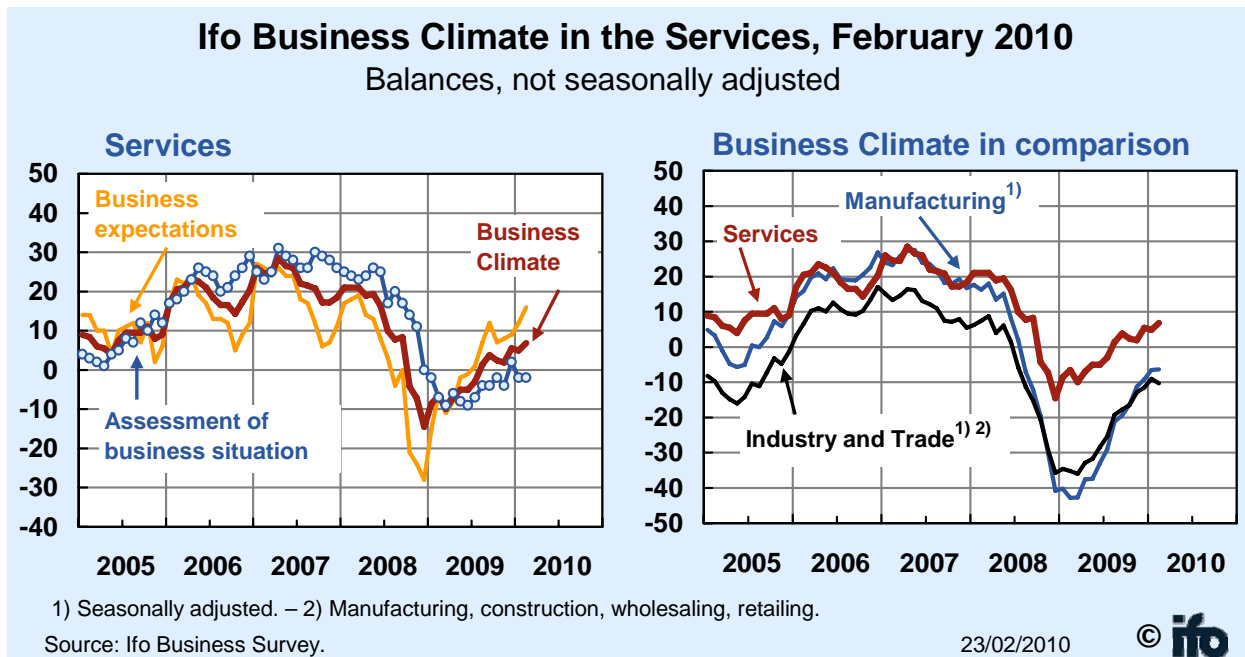
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### Ifo Business Climate for the Services Slightly Improved

The Ifo Business Climate in the German service sector has brightened in February. Although the surveyed service providers have assessed their current business situation as unchanged, with regard to the six-month business outlook they are more confident than they were in January. Also the employment outlook has further improved, according to the survey responses.

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	02/09	03/09	04/09	05/09	06/09	07/09	08/09	09/09	10/09	11/09	12/09	01/10	02/10
<b>Climate</b>	-6.5	-10.0	-7.0	-5.0	-5.0	-3.0	1.4	3.8	2.4	1.9	5.5	4.9	6.8
<b>Situation</b>	-7.0	-9.0	-6.0	-8.0	-9.0	-7.0	-4.0	-4.0	-2.0	-4.0	2.0	-2.0	-2.0
<b>Expectations</b>	-6.0	-11.0	-8.0	-2.0	-1.0	1.0	7.0	12.0	7.0	8.0	9.0	12.0	16.0

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.