

Ifo Business Climate Germany

Results of the Ifo Business Survey for March 2010

Ifo Business Climate Much Brighter

The Ifo Business Climate for industry and trade in Germany has strongly improved in March. The firms have assessed especially their current business situation as significantly more favourable. In addition, their business expectations regarding the coming six months are somewhat more confident than in February. The brightening of the business climate is evident in all surveyed economic sectors. Spring has now too arrived in the German economy.

In *manufacturing* the business climate is clearly more friendly than in the previous month. The manufacturing firms have reported a considerably more favourable business situation. With regard to the six-month business outlook their confidence is nearly unchanged. They view their opportunities for exports just as promising as in February. Fewer manufacturing firms intend to reduce the employment than in the previous month.

In *construction* and in *wholesaling* the business climate index has risen. In both sectors the firms have assessed their current business situation more favourably than in February, and they are also less sceptical in terms of the six-month business outlook.

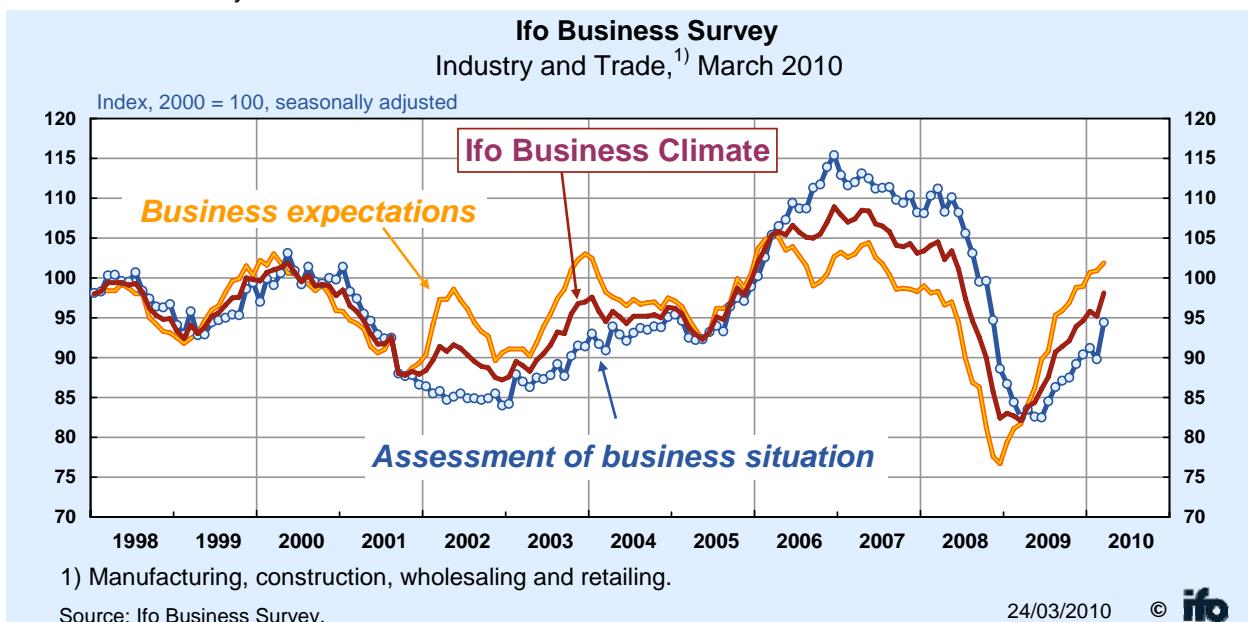
In *retailing* the business situation has improved considerably. Both the current business situation as well as the business outlook have been assessed by the survey participants considerably more favourable than in the previous month. The business climate index in retailing has now made up for the strong setback reported in February.

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

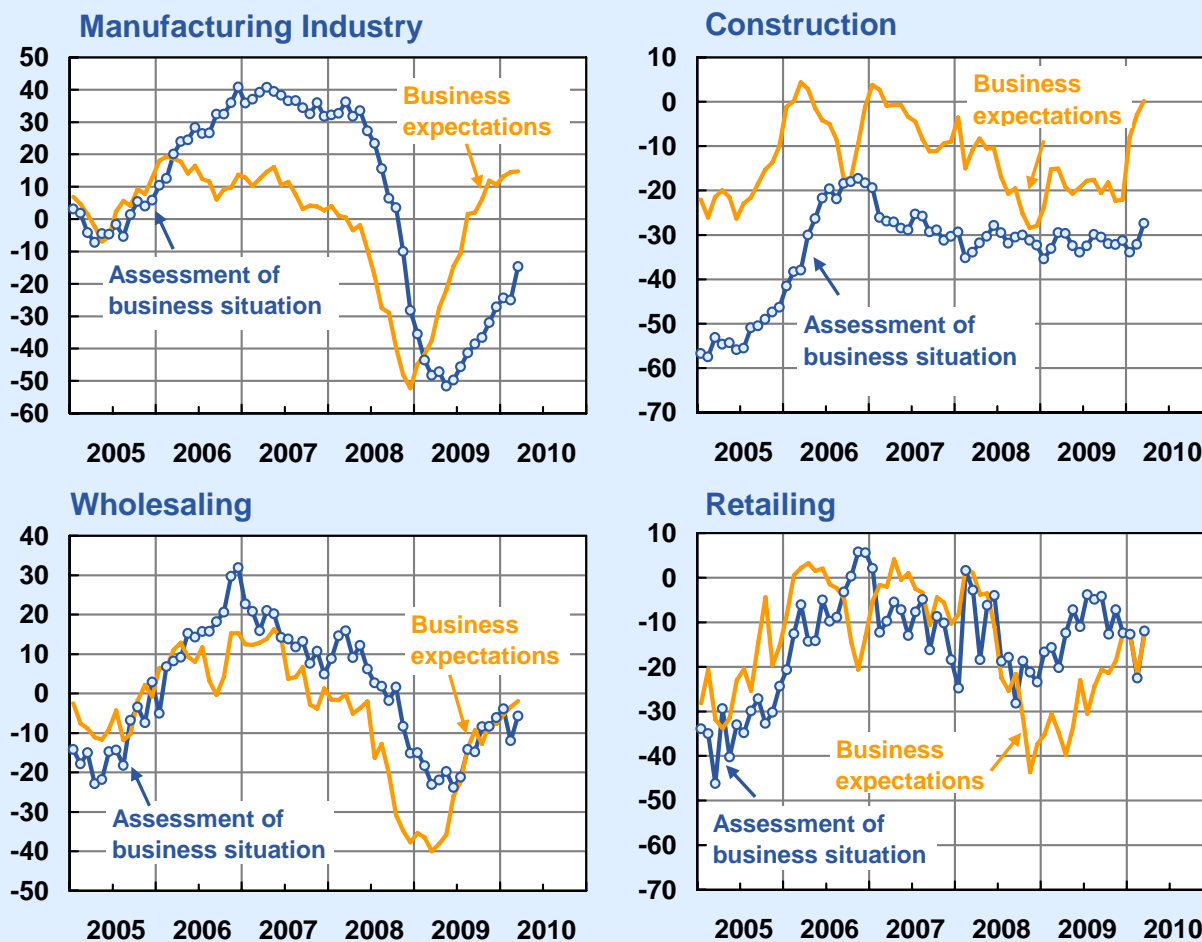
Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	03/09	04/09	05/09	06/09	07/09	08/09	09/09	10/09	11/09	12/09	01/10	02/10	03/10
Climate	82.1	83.8	84.4	86.1	87.6	90.7	91.4	92.1	93.9	94.6	95.8	95.2	98.1
Situation	82.5	83.5	82.6	82.5	84.5	86.3	87.1	87.5	89.2	90.4	91.2	89.8	94.4
Expectations	81.7	84.1	86.2	89.8	90.8	95.3	95.9	96.9	98.8	98.9	100.7	100.9	101.9

Source: Ifo Business Survey.



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



Source: Ifo Business Survey.

24/03/2010 © ifo

Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	03/09	04/09	05/09	06/09	07/09	08/09	09/09	10/09	11/09	12/09	01/10	02/10	03/10
Trade and Industry	-36.3	-32.9	-31.8	-28.4	-25.4	-19.2	-17.8	-16.5	-12.9	-11.4	-8.9	-10.2	-4.4
Manufacturing	-43.0	-37.6	-37.4	-33.1	-29.0	-21.2	-19.4	-16.4	-11.3	-9.2	-6.5	-6.2	-0.5
Construction	-22.4	-24.5	-26.6	-26.8	-25.3	-23.8	-25.6	-25.2	-27.3	-26.7	-21.4	-18.1	-14.1
Wholesaling	-31.7	-30.2	-27.9	-24.9	-21.8	-14.0	-12.0	-10.6	-8.1	-6.9	-4.7	-7.7	-3.8
Retailing	-27.7	-26.7	-20.8	-17.1	-17.6	-14.9	-12.6	-17.1	-13.0	-12.4	-12.9	-22.0	-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

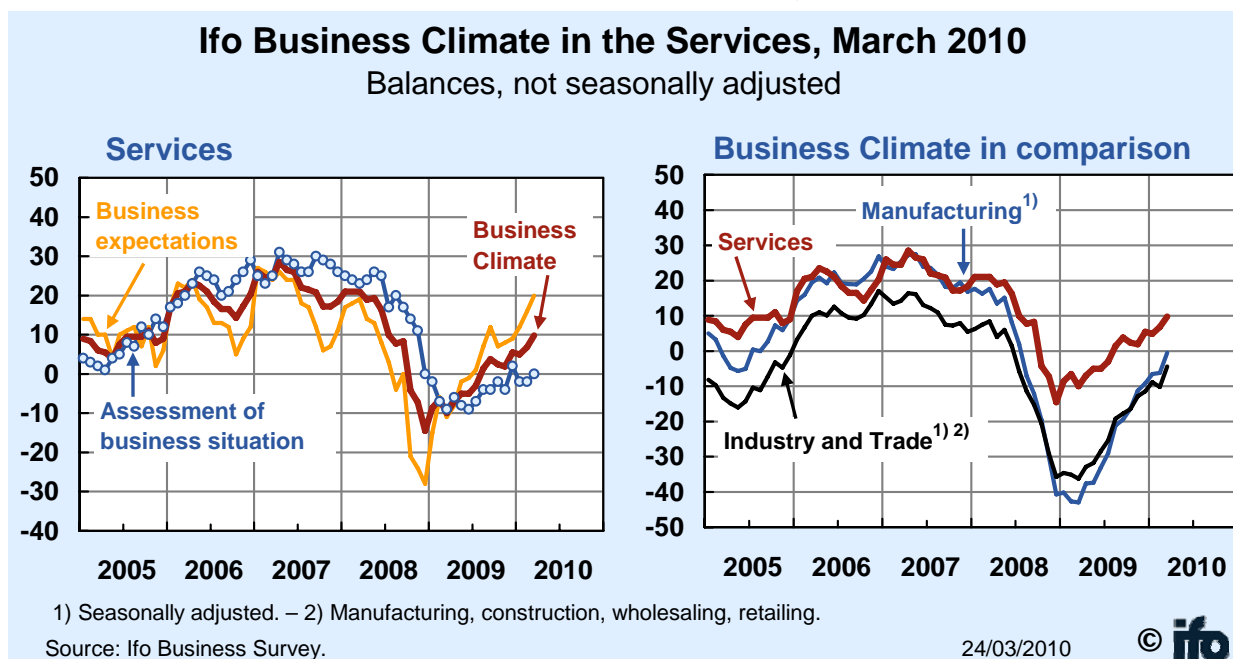
Results of the March 2010 Ifo Business Survey

Improved Ifo Business Climate in the Services

The Ifo Business Climate Indicator in the service sector in Germany has clearly risen in March and is now at the highest level since July 2008. The surveyed service providers are currently somewhat more satisfied with their business situation than in the previous month. They also again regard the six-month business outlook more optimistically. The service firms' employment plans are marked by less caution.

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	03/09	04/09	05/09	06/09	07/09	08/09	09/09	10/09	11/09	12/09	01/10	02/10	03/10
Climate	-10.0	-7.0	-5.0	-5.0	-3.0	1.4	3.8	2.4	1.9	5.5	4.9	6.8	9.8
Situation	-9.0	-6.0	-8.0	-9.0	-7.0	-4.0	-4.0	-2.0	-4.0	2.0	-2.0	-2.0	0.0
Expectations	-11.0	-8.0	-2.0	-1.0	1.0	7.0	12.0	7.0	8.0	9.0	12.0	16.0	20.0

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.