

Ifo Business Climate Germany

Results of the Ifo Business Survey for May 2010

Ifo Business Climate Remains Almost Unchanged

The Ifo Business Climate for industry and trade in Germany remains at nearly the previous-month value. Both components of the indicator, the assessments of the business situation and the business expectations, show little movement in comparison to April. The firms are just as satisfied with their current business situation as they were in the previous month. Their business outlook has been appraised as minimally less favourable than in April. The economic recovery in Germany is robust.

In *manufacturing* the business climate has improved further. The business situation of the manufacturing firms is again more favourable than in the previous month. With regard to business developments in the coming six months, the firms are even more optimistic. In terms of foreign business, they again expect a more robust revival than previously. The firms plan only very isolated reductions in personnel.

The business climate in *retailing* and in *wholesaling* has clouded over somewhat. In both distribution sectors the survey participants are no longer as satisfied with their current business situation as they were in April. However, with regard to the six-month business outlook, the retailers are slightly less critical, whereas wholesalers are no longer as confident regarding future business as they were in the previous month.

In *construction* the business climate index has fallen again. Both the current business situation as well as the business outlook for the coming six months have been assessed as less favourable than in April by the surveyed contractors.

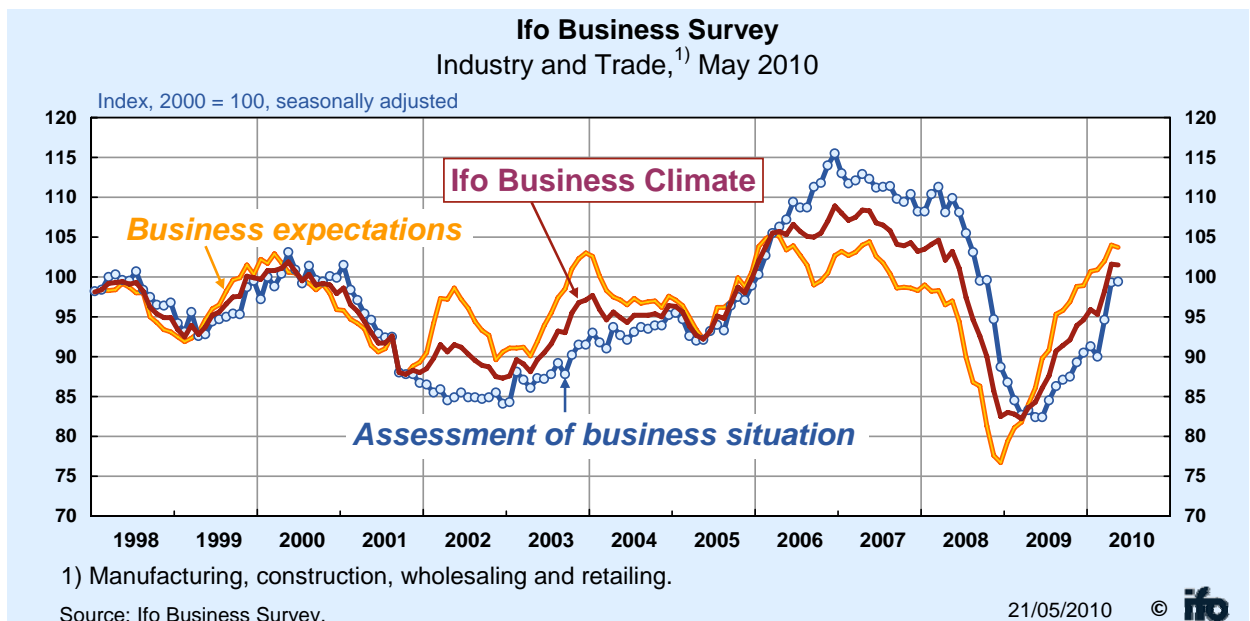
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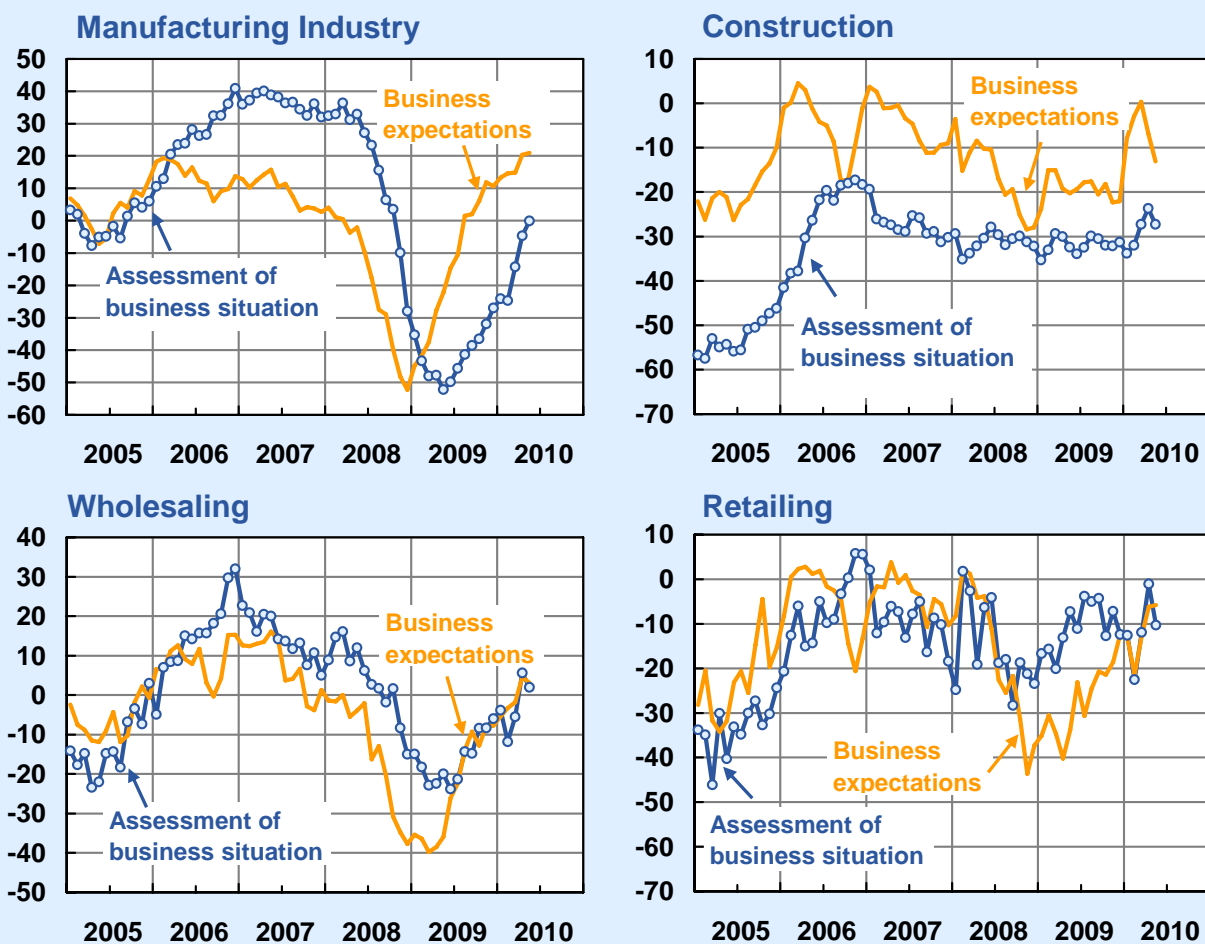
Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	05/09	06/09	07/09	08/09	09/09	10/09	11/09	12/09	01/10	02/10	03/10	04/10	05/10
Climate	84.3	86.1	87.6	90.7	91.4	92.1	93.9	94.6	95.9	95.3	98.2	101.6	101.5
Situation	82.4	82.4	84.5	86.3	87.1	87.5	89.3	90.5	91.3	90.0	94.6	99.3	99.4
Expectations	86.1	89.8	90.8	95.3	95.8	96.9	98.8	98.9	100.7	100.9	102.0	104.0	103.7

Source: Ifo Business Survey.



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



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	05/09	06/09	07/09	08/09	09/09	10/09	11/09	12/09	01/10	02/10	03/10	04/10	05/10
Trade and Industry	-32.1	-28.5	-25.4	-19.2	-17.9	-16.5	-12.8	-11.4	-8.8	-10.1	-4.2	2.6	2.3
Manufacturing	-37.9	-33.1	-29.0	-21.3	-19.4	-16.4	-11.3	-9.1	-6.3	-6.0	-0.2	7.5	10.1
Construction	-26.5	-26.8	-25.3	-23.9	-25.6	-25.2	-27.3	-26.7	-21.3	-18.0	-14.0	-15.4	-20.4
Wholesaling	-28.1	-24.9	-21.8	-14.1	-12.1	-10.6	-8.1	-6.9	-4.6	-7.6	-3.7	5.1	2.6
Retailing	-21.0	-17.2	-17.7	-15.0	-12.7	-17.1	-13.0	-12.3	-12.9	-22.0	-12.3	-3.7	-8.1

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

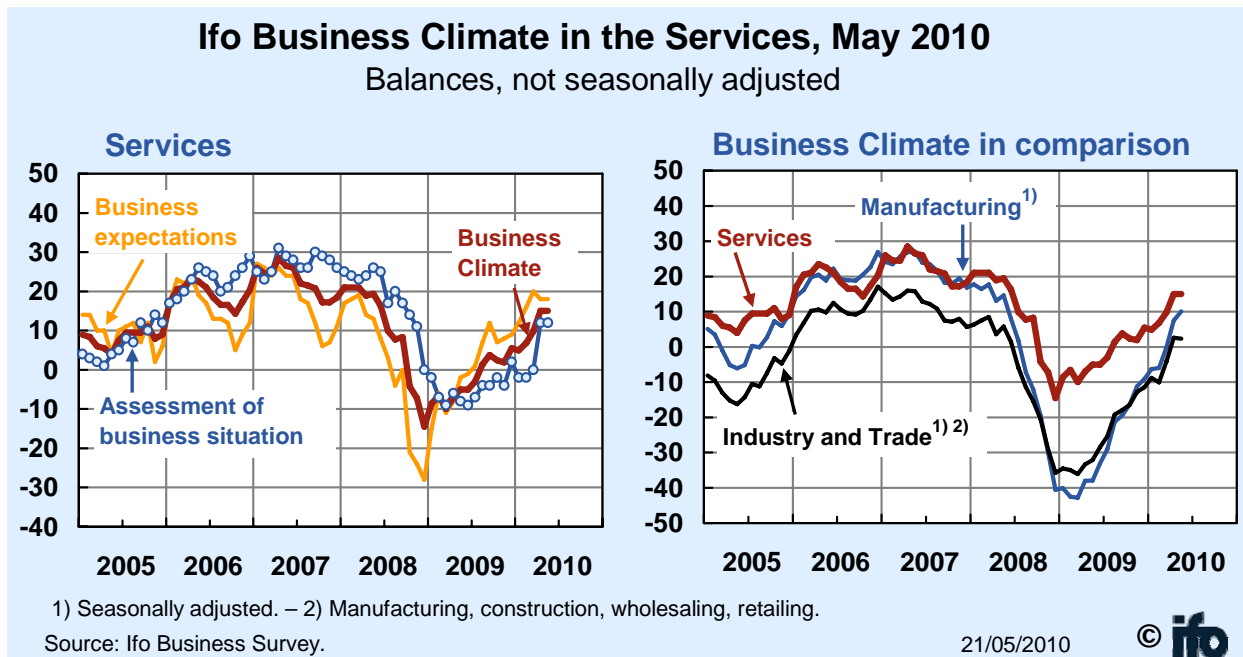
Results of the May 2010 Ifo Business Survey

Ifo Business Climate Indicator for the Services Unchanged

The Ifo Business Climate in the German service sector has stagnated in May at the previous-month value, having previously improved three times in succession. The surveyed service providers have assessed their business situation and their business outlook as just as good as in April. The firms still plan to increase employee numbers, although with somewhat more caution than previously.

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German Services Sector (Balances, not seasonally adjusted)

Month/Year	05/09	06/09	07/09	08/09	09/09	10/09	11/09	12/09	01/10	02/10	03/10	04/10	05/10
Climate	-5.0	-5.0	-3.0	1.4	3.8	2.4	1.9	5.5	4.9	6.8	9.8	15.0	15.0
Situation	-8.0	-9.0	-7.0	-4.0	-4.0	-2.0	-4.0	2.0	-2.0	-2.0	0.0	12.0	12.0
Expectations	-2.0	-1.0	1.0	7.0	12.0	7.0	8.0	9.0	12.0	16.0	20.0	18.0	18.0

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.