

Ifo Business Climate Germany

Results of the Ifo Business Survey for July 2010

Ifo Business Climate Index Rises Sharply

The Ifo Business Climate for industry and trade in Germany has risen sharply in July. This increase is the largest since German reunification. The firms have reported a considerably better business situation than in the previous month. Their business expectations for the coming half year are also more optimistic than in June. The German economy is in a party mood.

In *manufacturing* the business climate has brightened strongly. The business situation of the manufacturing firms has clearly improved. Moreover, the survey participants are now more optimistic with regard to the six-month business outlook. With regard to exports the firms see similarly favourable opportunities as in June. Available machinery and equipment is being utilised more strongly than in the spring. Capacity utilisation is now only slightly below the long-term average. Firms' employment plans are more favourable and point towards slight increases in staff levels.

Also in *wholesaling, retailing* and *construction* the business climate has brightened. An increasing number of wholesalers and retailers have assessed the current business situation as good. The business expectations of the survey participants for the coming six months are now more positive in both distribution sectors. The survey participants in construction have appraised the business situation considerably more favourably than in the previous month. Their six-month business outlook is slightly less confident than in June.

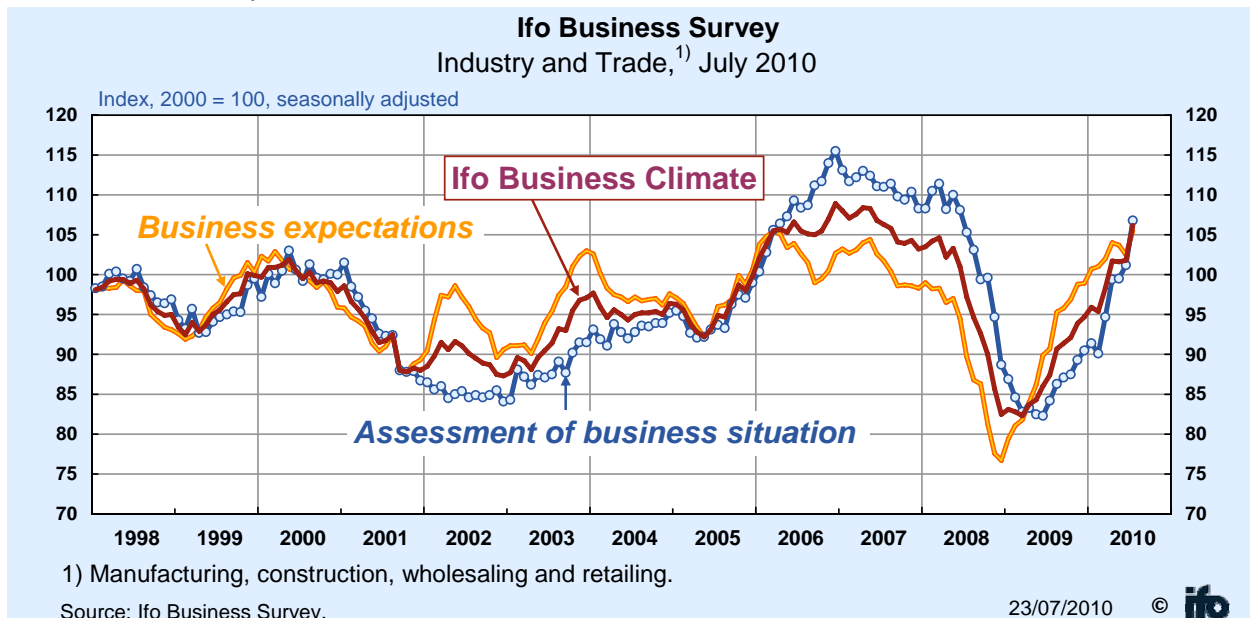
Hans-Werner Sinn

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

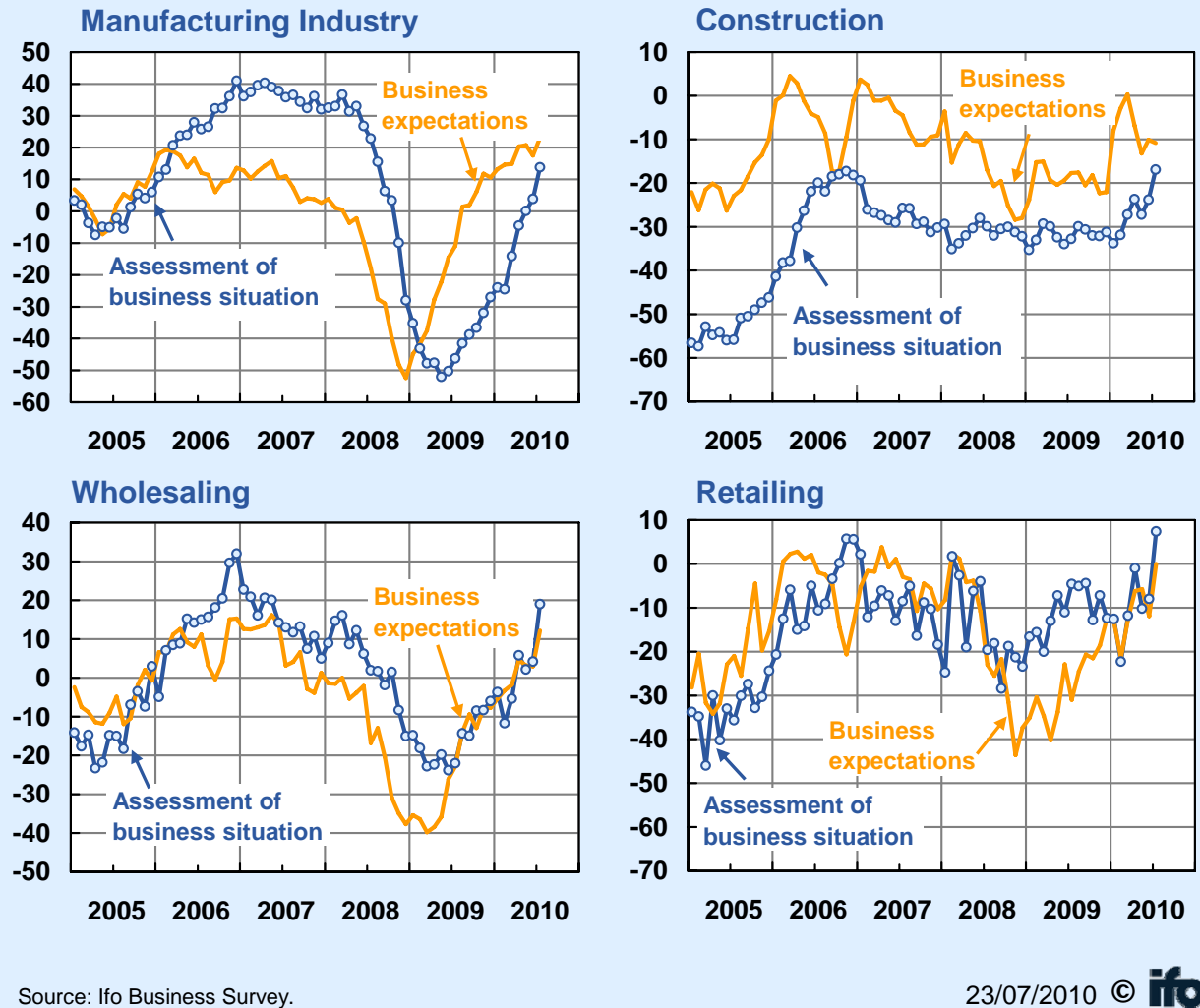
Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	07/09	08/09	09/09	10/09	11/09	12/09	01/10	02/10	03/10	04/10	05/10	06/10	07/10
Climate	87.4	90.7	91.4	92.1	93.9	94.7	95.9	95.4	98.3	101.7	101.6	101.8	106.2
Situation	84.2	86.3	87.1	87.5	89.3	90.5	91.4	90.1	94.7	99.4	99.5	101.2	106.8
Expectations	90.7	95.3	95.8	96.9	98.8	98.9	100.7	101.0	102.0	104.0	103.7	102.5	105.5

Source: Ifo Business Survey.



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



Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	07/09	08/09	09/09	10/09	11/09	12/09	01/10	02/10	03/10	04/10	05/10	06/10	07/10
Trade and Industry	-25.9	-19.3	-17.9	-16.6	-12.9	-11.4	-8.8	-10.0	-4.2	2.6	2.4	2.9	11.6
Manufacturing	-29.5	-21.3	-19.5	-16.5	-11.3	-9.1	-6.3	-5.9	-0.1	7.6	10.2	10.6	18.4
Construction	-25.4	-23.9	-25.6	-25.2	-27.3	-26.7	-21.3	-18.0	-14.0	-15.4	-20.4	-17.1	-13.9
Wholesaling	-22.4	-14.1	-12.1	-10.7	-8.1	-6.9	-4.5	-7.6	-3.6	5.2	2.7	3.6	15.6
Retailing	-18.3	-15.1	-12.7	-17.2	-13.0	-12.3	-12.9	-21.9	-12.2	-3.6	-8.0	-9.9	3.7

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”, “satisfactory” 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

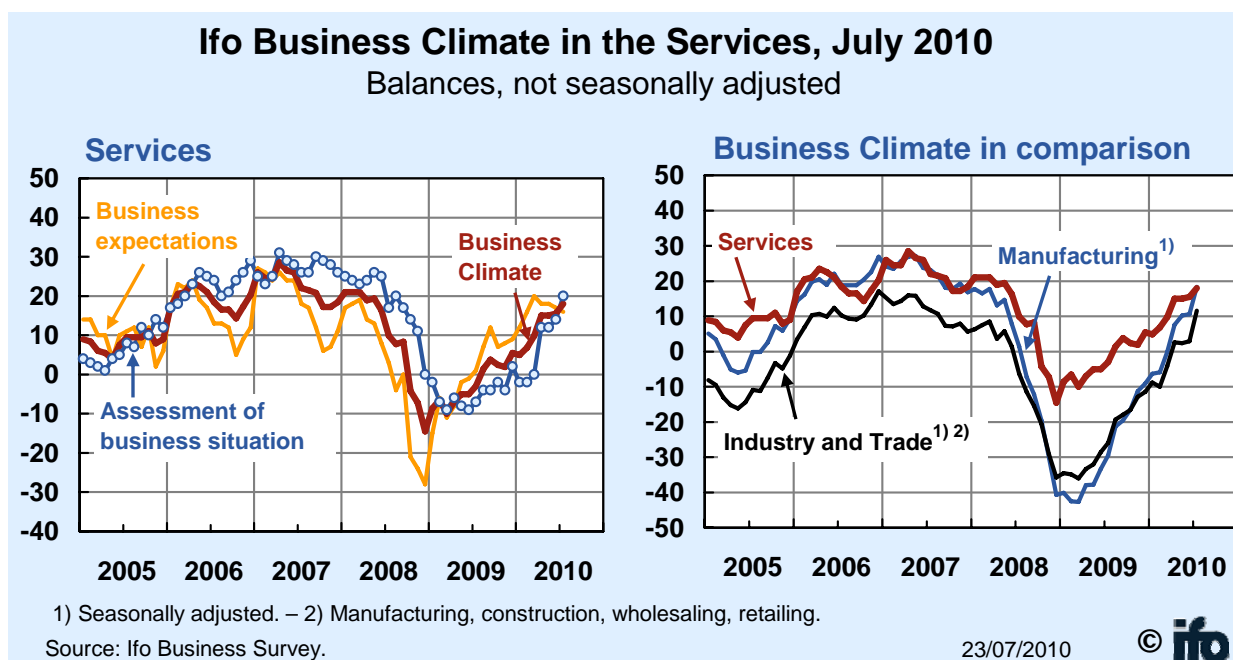
Results of the July 2010 Ifo Business Survey

Ifo Business Climate for the Services Brightens

The Ifo Business Climate in the German service sector is more favourable than in the previous month. The surveyed service providers are noticeably more satisfied with their present business situation. They are also similarly confident regarding the six-month business outlook as before. Employment plans remain aimed at increases in staff levels.

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	07/09	08/09	09/09	10/09	11/09	12/09	01/10	02/10	03/10	04/10	05/10	06/10	07/10
Climate	-3.0	1.4	3.8	2.4	1.9	5.5	4.9	6.8	9.8	15.0	15.0	15.5	18.0
Situation	-7.0	-4.0	-4.0	-2.0	-4.0	2.0	-2.0	-2.0	0.0	12.0	12.0	14.0	20.0
Expectations	1.0	7.0	12.0	7.0	8.0	9.0	12.0	16.0	20.0	18.0	18.0	17.0	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.