

Ifo Business Climate Germany

Results of the Ifo Business Survey for January 2011

Further Improvement in the Ifo Business Climate

The Ifo Business Climate Index for German industry and trade rose further in January. The business climate has thus continued the positive development of the past year. The firms are just as satisfied with their current business as they were in December, and they have given more favourable assessments of their business prospects for the coming half year. The German economy has started the year with great vigour.

In *manufacturing* the business climate has clearly improved, having clouded over somewhat in the previous month. The manufacturing firms report an improved business situation and once again have given more favourable appraisals of their business outlook. Especially in exports, the survey participants see much greater opportunities. The firms have further increased the utilisation of their machines and equipment, and now capacity utilisation in manufacturing is above average. They also plan to increase the number of their staff.

The business climate in *retailing* and *wholesaling* has cooled off somewhat, following a significant improvement in both distributive sectors in December. Both retailers and wholesalers no longer assess their current business situation quite as favourably as in the past month. With regard to the six-month business outlook, their optimism has also weakened somewhat.

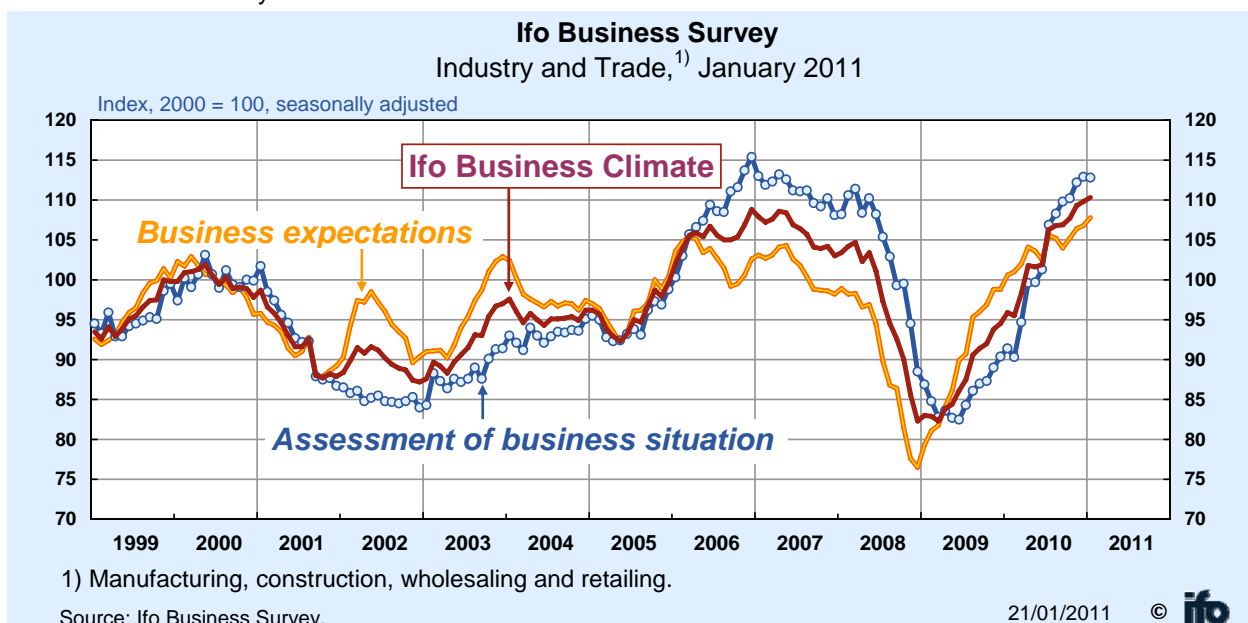
In *construction* the business climate index has risen once again. The surveyed contractors are more satisfied with their present business situation and also anticipate a clear improvement in business in the coming months.

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

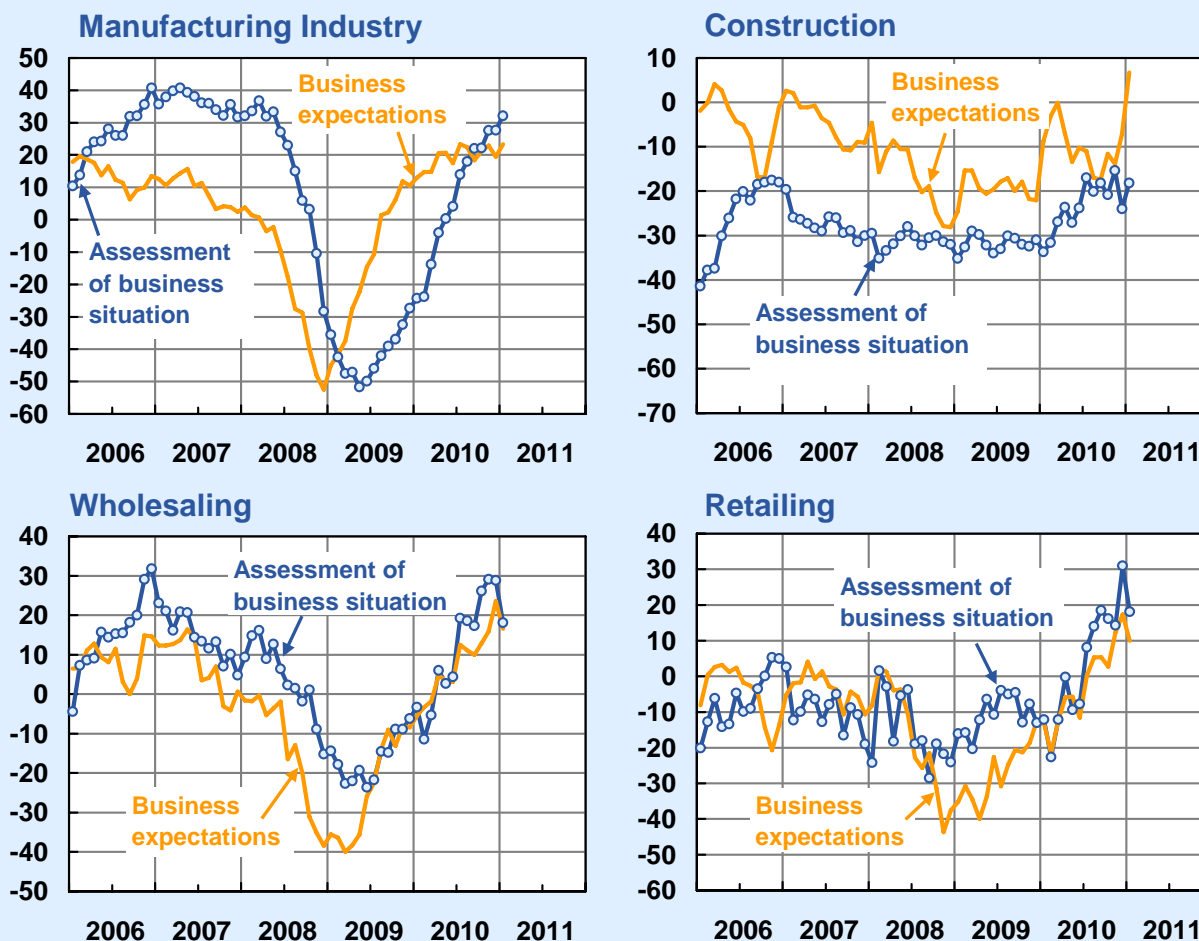
Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	01/10	02/10	03/10	04/10	05/10	06/10	07/10	08/10	09/10	10/10	11/10	12/10	01/11
Climate	95.9	95.5	98.3	101.8	101.6	101.9	106.3	106.8	106.9	107.7	109.3	109.8	110.3
Situation	91.4	90.3	94.7	99.6	99.7	101.3	106.9	108.3	109.8	110.2	112.2	112.9	112.8
Expectations	100.6	101.0	102.0	104.1	103.6	102.5	105.6	105.2	104.0	105.2	106.4	106.8	107.8

Source: Ifo Business Survey.



Business Situation and Expectations by Sector January 2011; balances, seasonally adjusted



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	01/10	02/10	03/10	04/10	05/10	06/10	07/10	08/10	09/10	10/10	11/10	12/10	01/11
Trade and Industry	-8.9	-9.7	-4.1	2.9	2.6	3.0	11.8	12.8	13.0	14.6	17.8	18.9	19.7
Manufacturing	-6.5	-5.5	0.0	7.9	10.3	10.7	18.6	20.2	20.2	21.7	25.2	23.5	27.7
Construction	-21.6	-17.9	-14.0	-15.5	-20.4	-17.1	-14.0	-18.6	-17.8	-16.2	-14.6	-15.7	-6.2
Wholesaling	-4.4	-7.4	-3.6	5.4	3.1	3.8	15.9	14.8	13.6	19.4	22.4	26.2	17.3
Retailing	-12.6	-22.1	-12.3	-3.0	-7.6	-9.7	4.1	9.6	11.9	9.3	13.3	24.1	14.0

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", "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

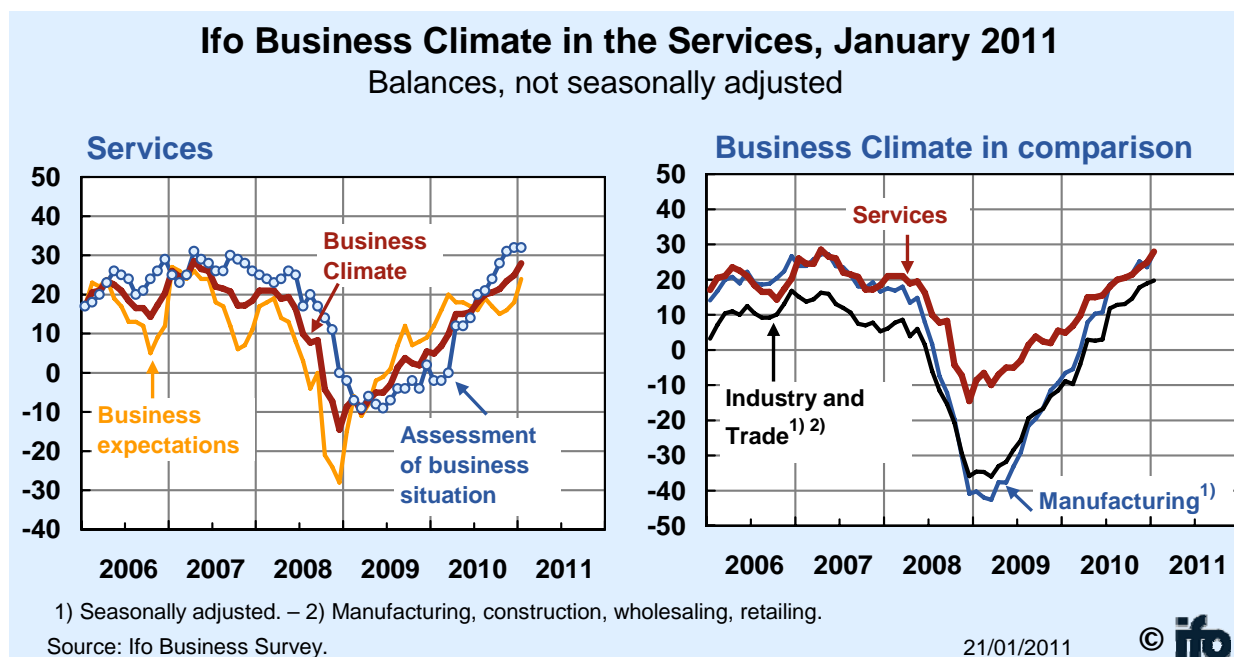
Results of the January 2011 Ifo Business Survey

Ifo Business Climate Indicator in the Service Sector Climbs Higher

The Ifo Business Climate indicator in the German service sector has risen in January for the eighth month in succession. The surveyed service providers report a business situation that remains favourable. Their business expectations for the coming six months are again more positive than in the previous month. More service providers plan to take on additional staff in the coming months.

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	01/10	02/10	03/10	04/10	05/10	06/10	07/10	08/10	09/10	10/10	11/10	12/10	01/11
Climate	4.9	6.8	9.8	15.0	15.0	15.5	18.0	20.0	20.5	21.4	23.4	24.9	28.0
Situation	-2.0	-2.0	0.0	12.0	12.0	14.0	20.0	21.0	24.0	28.0	31.0	32.0	32.0
Expectations	12.0	16.0	20.0	18.0	18.0	17.0	16.0	19.0	17.0	15.0	16.0	18.0	24.0

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.