

Ifo Business Climate Germany

Results of the Ifo Business Survey for February 2011

Ifo Business Climate Index Continues its Ascent

The Ifo Business Climate for German industry and trade improved in February for the ninth time in succession. More firms have reported a better business situation than in the previous month. With regard to their business prospects for the coming half year, they continue to be optimistic. The upswing in the German economy is robust.

In *manufacturing* the business climate index has risen once again. The current business situation for the manufacturing firms has shown further improvement. Their business expectations remain positive but have merely undergone a slight downward adjustment. Exporting firms once again anticipate stronger impulses from foreign business. Plans to increase staff numbers are clearly more expansionary.

Retailing is the only survey sector in which the business climate has cooled off somewhat. Retailers are no longer quite as satisfied with their present business situation as before, but with regard to further business developments they have expressed somewhat more confidence. A considerable improvement in the business climate occurred in *wholesaling*. Wholesalers' appraisals of current business and the six-month outlook were more positive than in January.

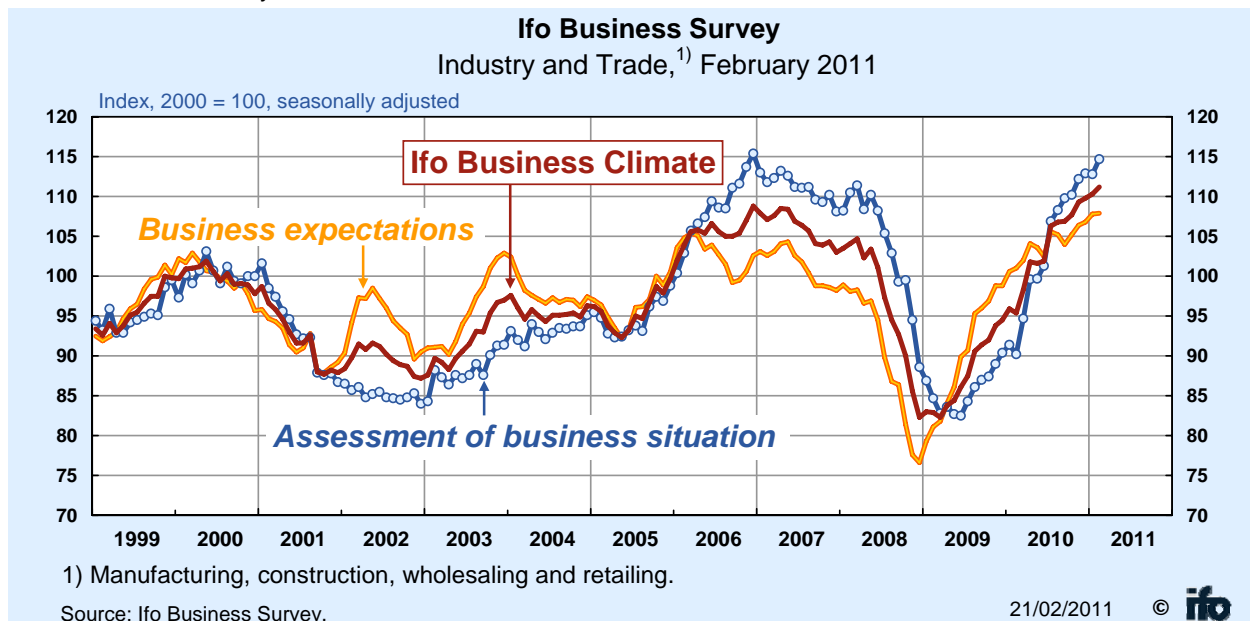
Firms in *construction* are clearly more satisfied with their present business situation, and they are only slightly less optimistic about business developments in the coming six months than in the previous survey. As a result, the business climate in construction has improved.

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

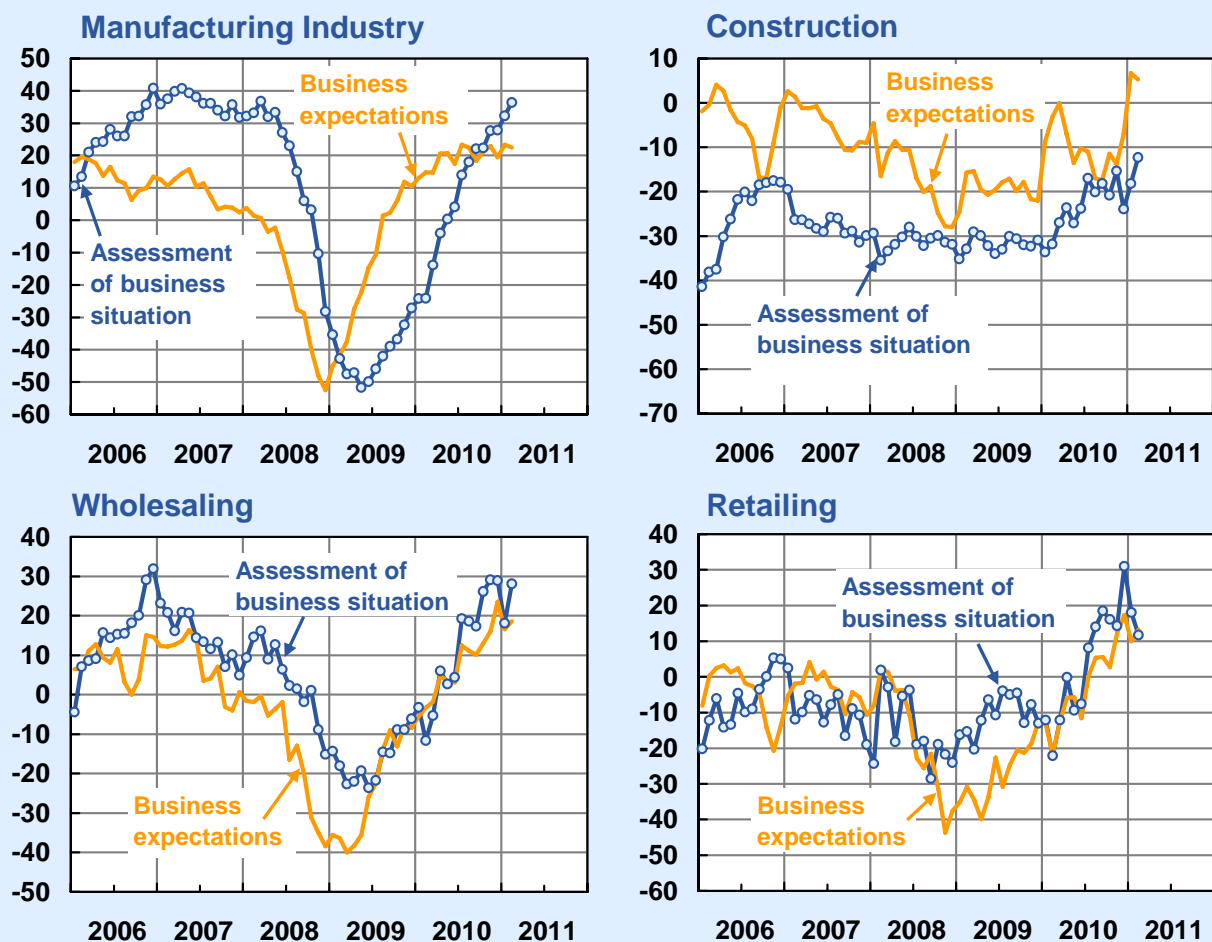
Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	02/10	03/10	04/10	05/10	06/10	07/10	08/10	09/10	10/10	11/10	12/10	01/11	02/11
Climate	95.4	98.3	101.8	101.6	101.9	106.3	106.8	106.9	107.7	109.3	109.8	110.3	111.2
Situation	90.2	94.7	99.6	99.7	101.3	106.9	108.3	109.8	110.2	112.2	112.9	112.8	114.7
Expectations	101.0	102.0	104.1	103.6	102.5	105.6	105.2	104.0	105.2	106.4	106.8	107.8	107.9

Source: Ifo Business Survey.



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



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	02/10	03/10	04/10	05/10	06/10	07/10	08/10	09/10	10/10	11/10	12/10	01/11	02/11
Trade and Industry	-9.8	-4.1	2.9	2.6	3.0	11.8	12.8	13.0	14.6	17.8	18.9	19.8	21.7
Manufacturing	-5.6	0.0	7.9	10.3	10.7	18.6	20.2	20.2	21.7	25.3	23.6	27.7	29.4
Construction	-18.1	-14.0	-15.5	-20.4	-17.1	-14.0	-18.5	-17.8	-16.2	-14.6	-15.7	-6.1	-3.7
Wholesaling	-7.5	-3.6	5.4	3.1	3.8	15.9	14.8	13.6	19.4	22.4	26.2	17.4	23.3
Retailing	-21.9	-12.3	-3.0	-7.5	-9.6	4.1	9.6	11.9	9.3	13.3	24.1	14.0	12.5

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

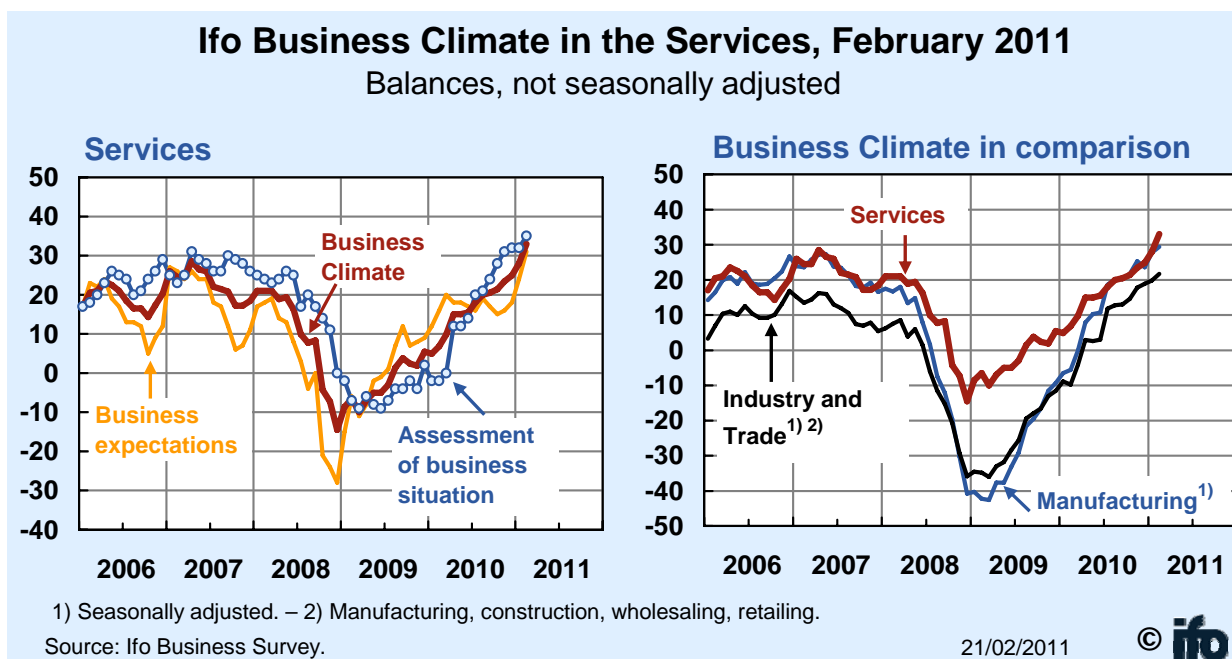
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Further Increase in the Ifo Business Climate Indicator in the Service Sector

The Ifo Business Climate in the German service sector has improved significantly in February. The surveyed service providers have once again given more positive appraisals to the current business situation. Moreover, they remain optimistic regarding the business outlook. More of the firms plan to take on additional staff. The upward trend in the services continues.

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	02/10	03/10	04/10	05/10	06/10	07/10	08/10	09/10	10/10	11/10	12/10	01/11	02/11
Climate	6.8	9.8	15.0	15.0	15.5	18.0	20.0	20.5	21.4	23.4	24.9	28.0	33.0
Situation	-2.0	0.0	12.0	12.0	14.0	20.0	21.0	24.0	28.0	31.0	32.0	32.0	35.0
Expectations	16.0	20.0	18.0	18.0	17.0	16.0	19.0	17.0	15.0	16.0	18.0	24.0	31.0

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.