

Ifo Business Climate Germany

Results of the Ifo Business Survey for March 2011

Slight Decline in the Ifo Business Climate Index

The Ifo Business Climate for German industry and trade clouded slightly in March after having previously improved nine times in succession. The decline is due solely to the expectations. Almost half of the responses were made after the Fukushima disaster. On the whole, the firms in Germany remain very confident. The current business situation has been assessed as more favourable than before. The business cycle traffic lights still signal “green”. The upswing in the German economy continues.

In *manufacturing* the business climate improved again slightly. The business situation has been given a clear plus, and the expectations a minus. Future export business is no longer assessed quite so optimistically as in February. More manufacturing firms now plan to increase staff numbers.

Retailers have reported a better business situation than in February. With regard to the six-month outlook, they are more cautious, however, so that on the whole the business climate in retailing is essentially unchanged. In *wholesaling* the business climate index fell slightly due to weakened expectations. The business situation is almost as good as in the past month.

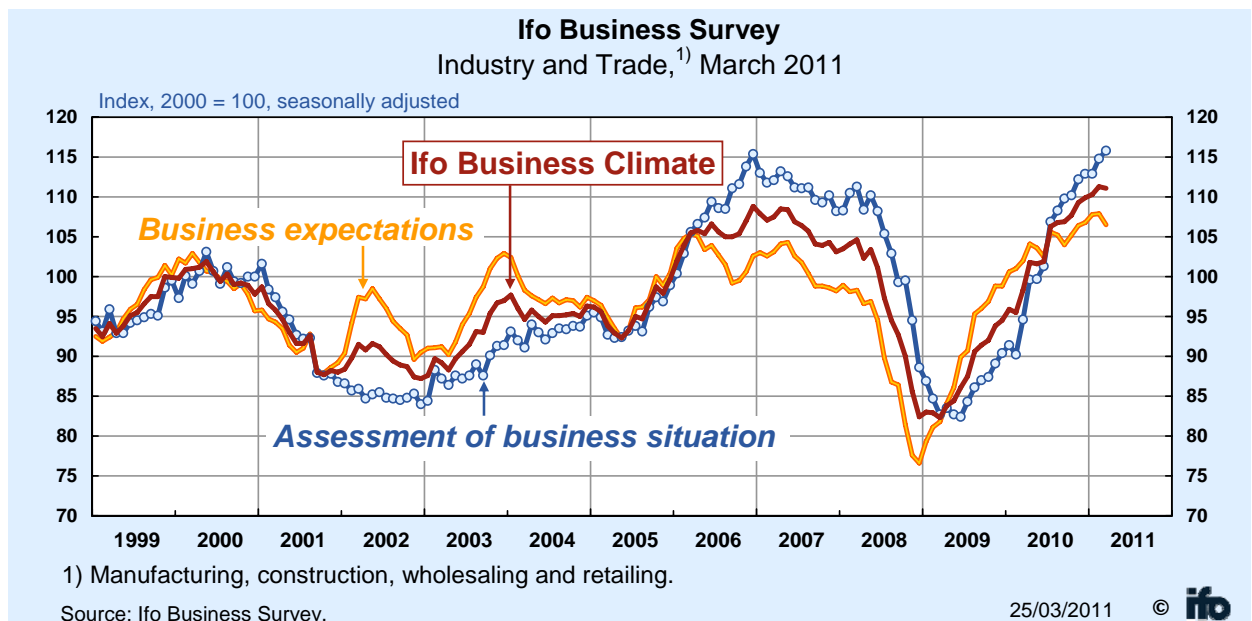
In the *construction* sector, the business climate is no longer as superb as in the previous month. The survey participants are somewhat less satisfied with their present business situation and less optimistic regarding the future. Nevertheless, the business climate in construction remains very favourable.

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

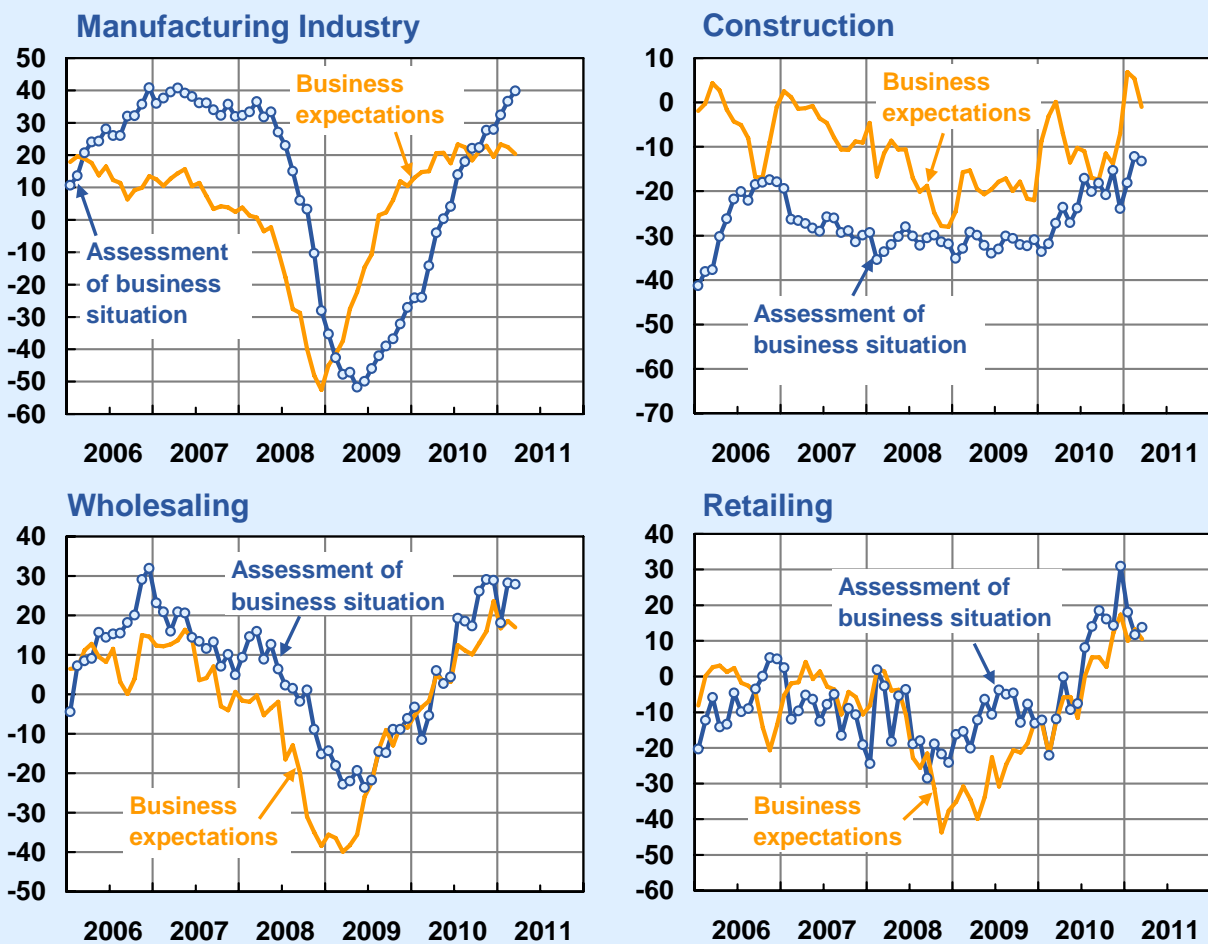
Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	03/10	04/10	05/10	06/10	07/10	08/10	09/10	10/10	11/10	12/10	01/11	02/11	03/11
Climate	98.3	101.8	101.6	101.9	106.3	106.8	106.9	107.7	109.3	109.9	110.3	111.3	111.1
Situation	94.6	99.6	99.7	101.3	106.9	108.3	109.8	110.2	112.2	112.9	112.9	114.8	115.8
Expectations	102.0	104.1	103.6	102.5	105.6	105.2	104.0	105.2	106.4	106.8	107.8	107.9	106.5

Source: Ifo Business Survey.



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



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	03/10	04/10	05/10	06/10	07/10	08/10	09/10	10/10	11/10	12/10	01/11	02/11	03/11
Trade and Industry	-4.1	2.9	2.6	3.0	11.8	12.8	13.0	14.6	17.9	18.9	19.8	21.7	21.4
Manufacturing	-0.1	7.9	10.3	10.7	18.6	20.2	20.2	21.8	25.3	23.6	27.8	29.4	29.9
Construction	-14.0	-15.5	-20.4	-17.1	-14.0	-18.5	-17.8	-16.2	-14.6	-15.6	-6.1	-3.6	-7.2
Wholesaling	-3.6	5.4	3.1	3.8	15.9	14.8	13.6	19.4	22.4	26.2	17.4	23.3	22.4
Retailing	-12.2	-3.0	-7.5	-9.6	4.1	9.6	11.9	9.3	13.3	24.1	13.9	12.5	12.1

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”, “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 March 2011 Ifo Business Survey

Ifo Business Climate Indicator in the Service Sector Falls

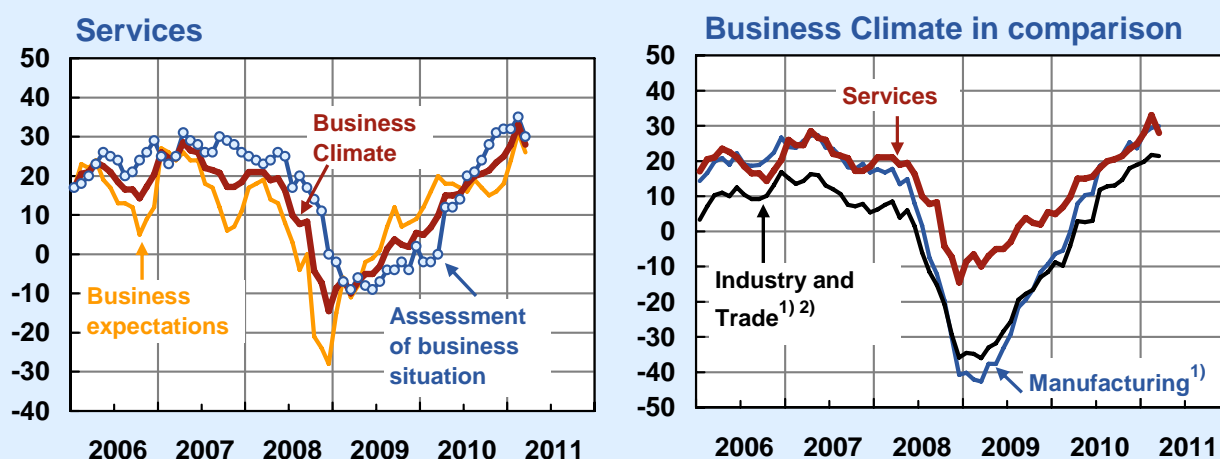
The Ifo Business Climate in the German service sector has clouded over somewhat in March. The service providers have assessed their current business situation as no longer quite so favourable as before. Their expectations for business in the coming half year have also weakened. Nevertheless, they remain quite optimistic regarding the near future. Their personnel plans still call for increases in staff levels.

Hans-Werner Sinn

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

Ifo Business Climate in the Services, March 2011

Balances, not seasonally adjusted



1) Seasonally adjusted. – 2) Manufacturing, construction, wholesaling, retailing.

Source: Ifo Business Survey.

25/03/2011



German Services Sector (balances, not seasonally adjusted)

Month/Year	03/10	04/10	05/10	06/10	07/10	08/10	09/10	10/10	11/10	12/10	01/11	02/11	03/11
Climate	9.8	15.0	15.0	15.5	18.0	20.0	20.5	21.4	23.4	24.9	28.0	33.0	28.0
Situation	0.0	12.0	12.0	14.0	20.0	21.0	24.0	28.0	31.0	32.0	32.0	35.0	30.0
Expectations	20.0	18.0	18.0	17.0	16.0	19.0	17.0	15.0	16.0	18.0	24.0	31.0	26.0

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.