

# Ifo Business Climate Germany

Results of the Ifo Business Survey for April 2011

## Worsening of the Ifo Business Climate

The Ifo Business Climate Index for German industry and trade fell in April, marking the second decline in succession. As in the previous month, the weakening is solely due to the firms' less positive expectations for the future course of their business. In contrast, the current business situation has improved again, according to the survey responses. Despite considerable risks at the international level, the situation of the firms in Germany remains excellent.

In *manufacturing* the business climate clouded over slightly, but remains very good. The firms are less optimistic regarding the business outlook than in March. With their current business situation, however, they are somewhat more satisfied. In export business the firms again see improved opportunities. The available technical capacities are being utilised to a greater extent than at the beginning of the year; the capacity utilisation rate is thus clearly above its long-term average. Firms plan to increase staff numbers somewhat more cautiously than in the past month.

In *retailing* and in *wholesaling*, the business climate has clouded over once again. In both distribution sectors, the business situation and the business expectations are more unfavourable than in the previous month.

The business climate has brightened again in the *construction* sector. The survey participants are clearly more satisfied with their present business situation. However, they are somewhat more cautious in assessing the business outlook than they were in March.

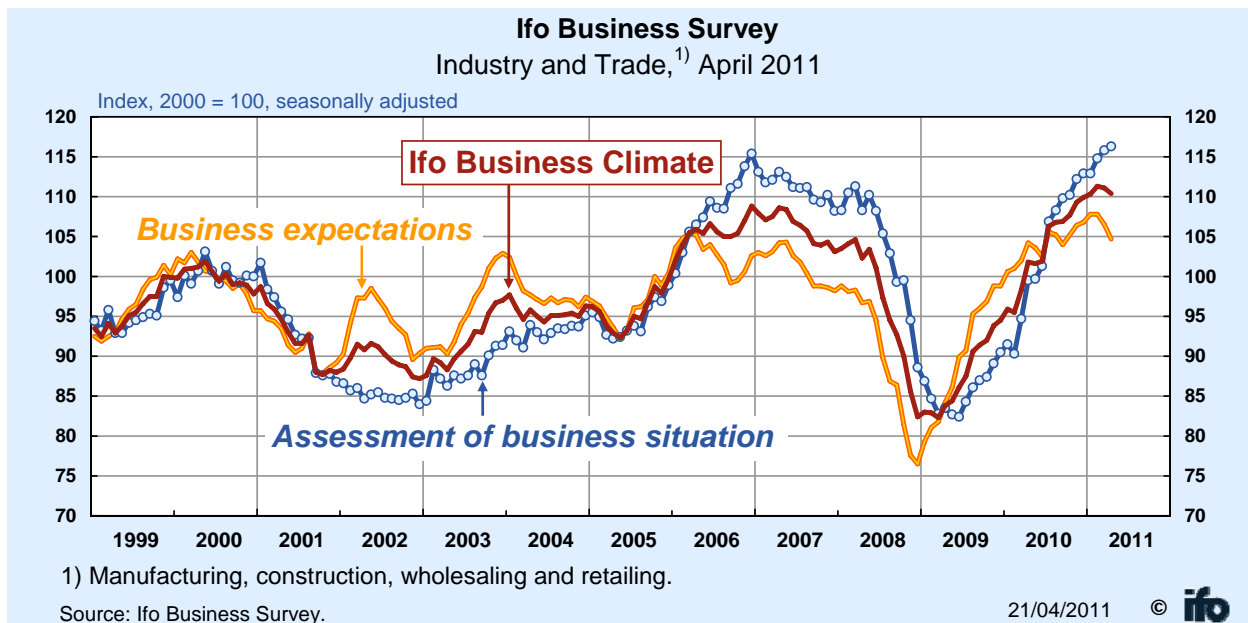
Hans-Werner Sinn

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

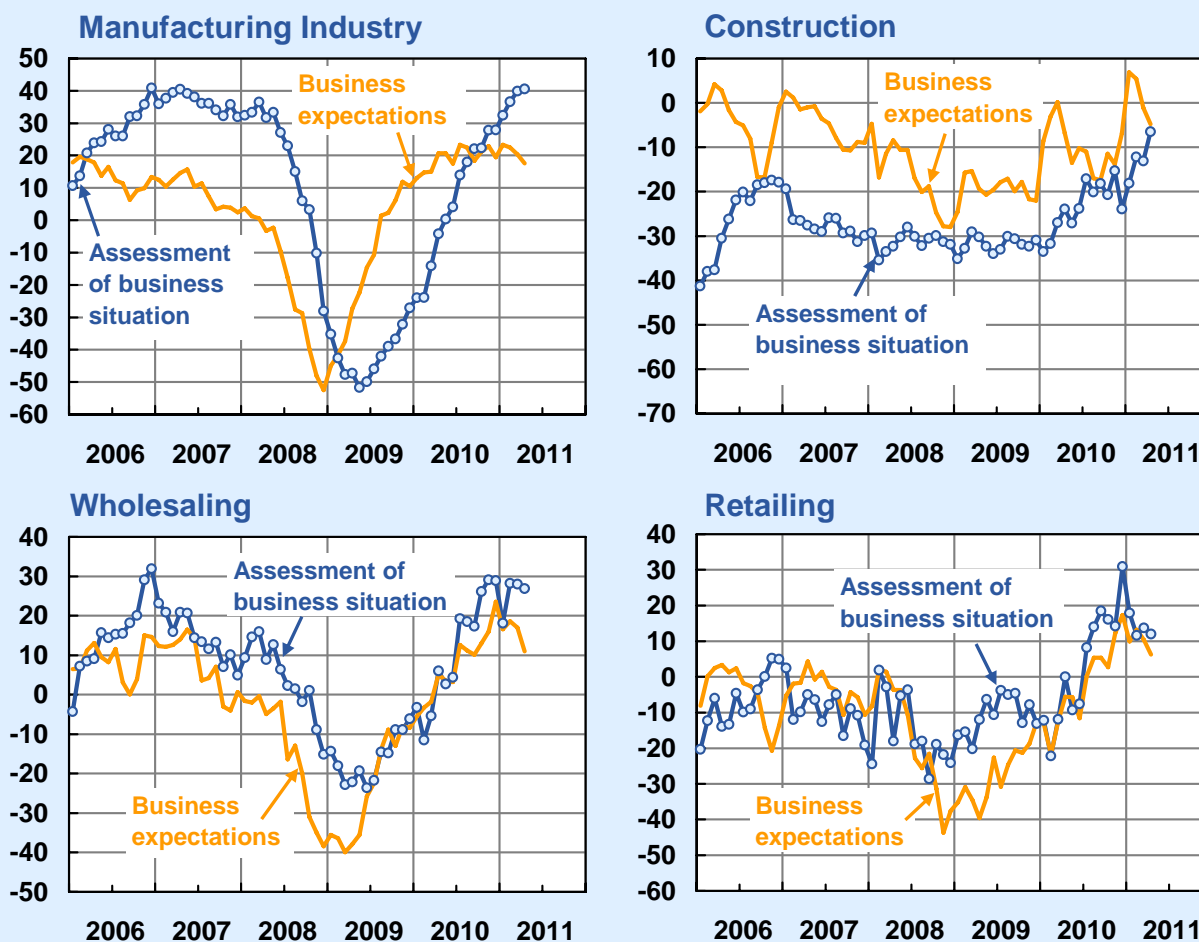
## Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	04/10	05/10	06/10	07/10	08/10	09/10	10/10	11/10	12/10	01/11	02/11	03/11	04/11
<b>Climate</b>	101.8	101.6	101.9	106.3	106.8	106.9	107.7	109.3	109.9	110.3	111.3	111.1	110.4
<b>Situation</b>	99.5	99.7	101.3	106.9	108.3	109.8	110.2	112.2	112.9	112.9	114.8	115.8	116.3
<b>Expectations</b>	104.2	103.6	102.5	105.6	105.2	104.0	105.2	106.4	106.8	107.8	107.8	106.5	104.7

Source: Ifo Business Survey.



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



Source: Ifo Business Survey.

21/04/2011 © ifo

### Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	04/10	05/10	06/10	07/10	08/10	09/10	10/10	11/10	12/10	01/11	02/11	03/11	04/11
<b>Trade and Industry</b>	2.9	2.6	3.1	11.8	12.8	13.0	14.6	17.9	18.9	19.9	21.8	21.4	19.9
<b>Manufacturing</b>	7.9	10.3	10.7	18.6	20.2	20.2	21.8	25.3	23.7	27.8	29.5	29.9	28.8
<b>Construction</b>	-15.6	-20.5	-17.1	-14.0	-18.5	-17.8	-16.2	-14.5	-15.6	-6.0	-3.6	-7.2	-5.7
<b>Wholesaling</b>	5.5	3.1	3.8	15.9	14.8	13.7	19.4	22.4	26.2	17.4	23.3	22.4	18.8
<b>Retailing</b>	-2.8	-7.5	-9.6	4.1	9.6	11.9	9.3	13.3	24.0	13.9	12.4	12.1	9.1

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

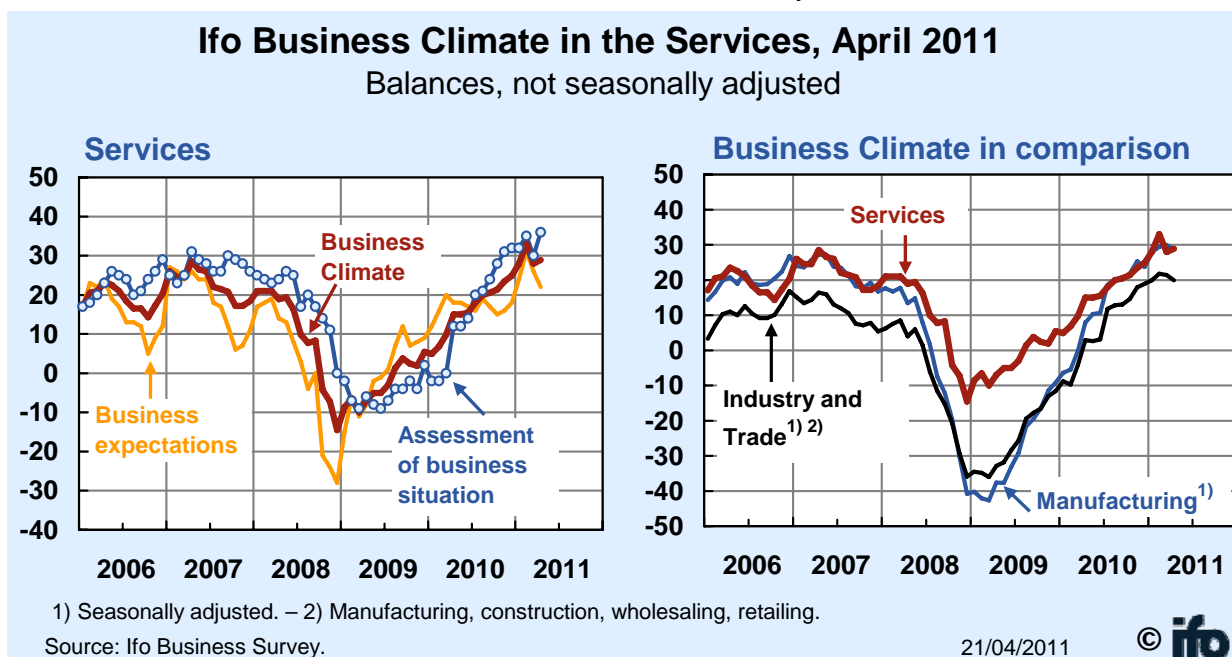
Results of the April 2011 Ifo Business Survey

### Ifo Business Climate in the Service Sector Brightens

The Ifo Business Climate indicator in the German service sector has risen in April. The survey participants have again reported a clearly improved business situation. In contrast, their business expectations are somewhat less positive. Nevertheless, the service providers still intend to increase the number of staff.

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	04/10	05/10	06/10	07/10	08/10	09/10	10/10	11/10	12/10	01/11	02/11	03/11	04/11
<b>Climate</b>	15.0	15.0	15.5	18.0	20.0	20.5	21.4	23.4	24.9	28.0	33.0	28.0	28.9
<b>Situation</b>	12.0	12.0	14.0	20.0	21.0	24.0	28.0	31.0	32.0	32.0	35.0	30.0	36.0
<b>Expectations</b>	18.0	18.0	17.0	16.0	19.0	17.0	15.0	16.0	18.0	24.0	31.0	26.0	22.0

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.