

Ifo Business Climate Germany

Results of the Ifo Business Survey for May 2011

Please note: As of this month the survey has a new weighting and is based on the new statistical classification of economic activities. Also, the basis year has been updated from 2000 to 2005.

Ifo Business Climate Favourable

The Ifo Business Climate for German industry and trade remains stable in May, after a slight cooling in the two preceding surveys. The previously good business situation has again been given a better assessment. The six-month business outlook is once more somewhat dampened but remains positive. The business cycle traffic lights still signal "green".

In *manufacturing* the business climate index has fallen slightly for the third time in succession. As in the previous month, the decline is the result of the firms' somewhat less optimistic business expectations. The industrial firms still assess the current business situation as very good. They also continue to see great opportunities from export business. Firms plan to clearly increase staff levels although not at the pace of the past month.

In *retailing* the business climate index has risen markedly. The business situation of the retailers has clearly improved. With regard to business in the coming half year, the firms are more confident than in the previous month. In contrast, the business situation in *wholesaling* has again clouded somewhat. The wholesalers have assessed their business situation as no longer as favourable as before. Their business expectations, however, are slightly more positive than in April.

In the *construction* sector, the business climate is largely unchanged. The firms have assessed both their current business as well as the business outlook just as favourably as in April.

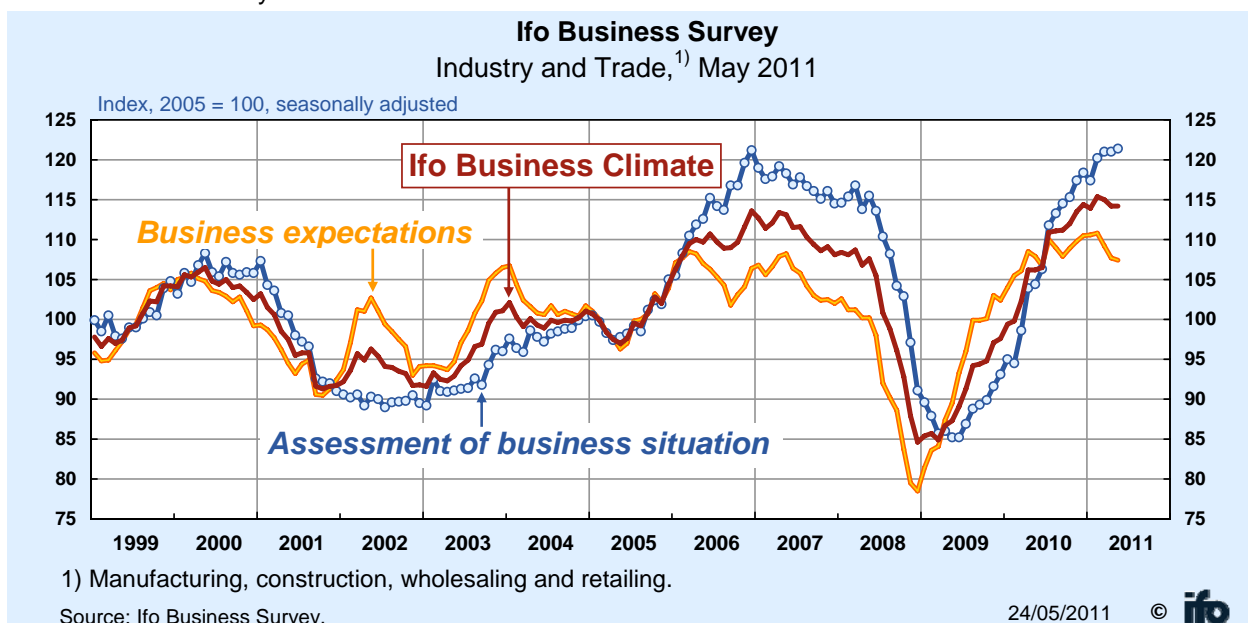
Hans-Werner Sinn

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

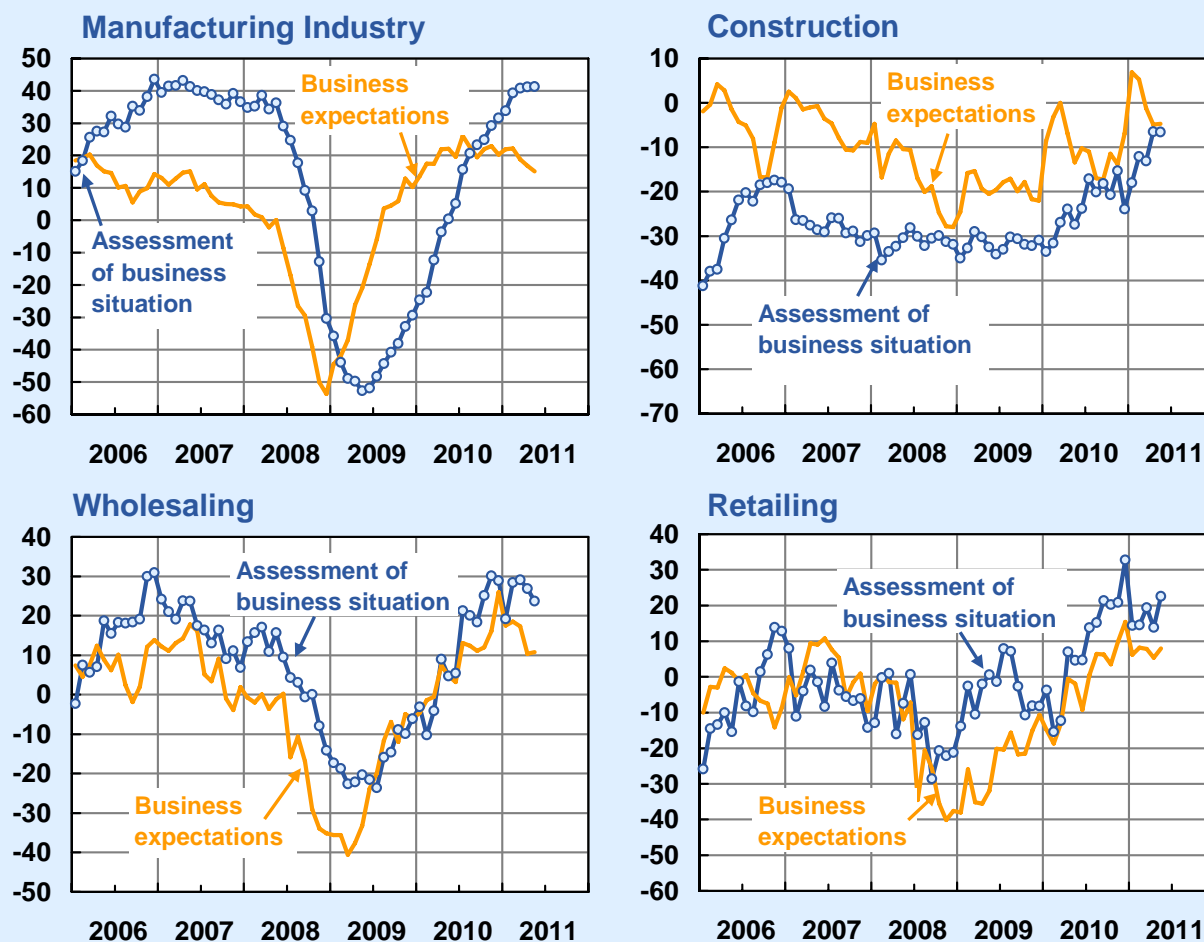
Germany (Index, 2005 = 100, seasonally adjusted)

Month/year	05/10	06/10	07/10	08/10	09/10	10/10	11/10	12/10	01/11	02/11	03/11	04/11	05/11
Climate	106.2	106.5	110.9	111.1	111.2	112.0	113.5	114.4	113.9	115.4	115.0	114.2	114.2
Situation	104.4	106.3	111.8	113.3	114.5	115.3	117.4	118.4	117.4	120.2	121.0	121.0	121.4
Expectations	107.9	106.7	110.0	109.0	107.9	108.9	109.8	110.5	110.6	110.8	109.2	107.7	107.4

Source: Ifo Business Survey.



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



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	05/10	06/10	07/10	08/10	09/10	10/10	11/10	12/10	01/11	02/11	03/11	04/11	05/11
Trade and Industry	5.0	5.6	14.3	14.6	14.7	16.4	19.2	20.9	20.0	22.8	22.0	20.5	20.6
Manufacturing	11.0	12.3	20.8	21.7	21.4	23.5	26.0	25.9	27.8	30.6	29.5	28.7	27.8
Construction	-20.5	-17.2	-14.0	-18.5	-17.8	-16.1	-14.5	-15.6	-6.0	-3.6	-7.2	-5.7	-5.6
Wholesaling	4.7	4.3	17.2	16.2	14.7	18.5	23.0	27.4	18.4	23.4	23.2	18.4	17.1
Retailing	1.3	-2.4	7.1	10.8	13.7	11.8	15.3	23.9	10.2	11.3	13.5	9.6	15.2

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 2005.

Ifo Business Climate in the German Service Sector

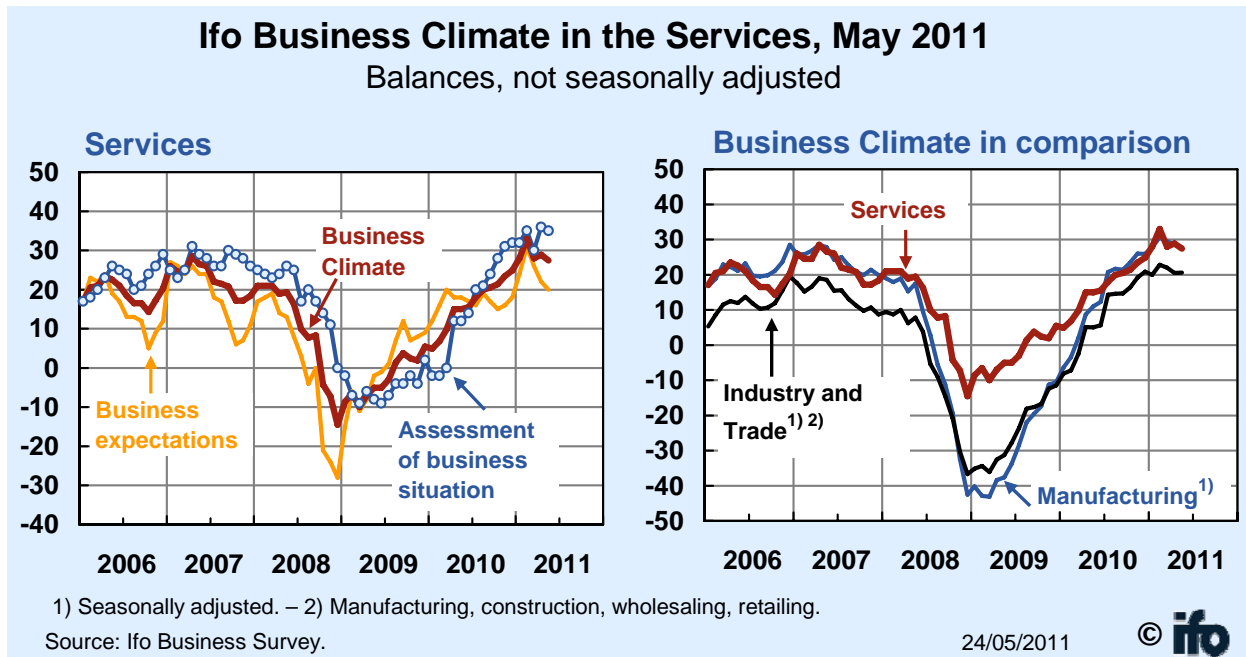
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Ifo Business Climate Indicator in the Service Sector Falls Slightly

The Ifo Business Climate in the German service sector clouded somewhat in May. The service providers have assessed both their current business situation as well as the business outlook somewhat less positively in comparison to April. Most firms, however, plan to maintain their expansive personnel policies.

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German Services Sector (balances, not seasonally adjusted)

Month/Year	05/10	06/10	07/10	08/10	09/10	10/10	11/10	12/10	01/11	02/11	03/11	04/11	05/11
Climate	15.0	15.5	18.0	20.0	20.5	21.4	23.4	24.9	28.0	33.0	28.0	28.9	27.4
Situation	12.0	14.0	20.0	21.0	24.0	28.0	31.0	32.0	32.0	35.0	30.0	36.0	35.0
Expectations	18.0	17.0	16.0	19.0	17.0	15.0	16.0	18.0	24.0	31.0	26.0	22.0	20.0

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.