

Ifo Business Climate Germany

Results of the Ifo Business Survey for June 2011

Ifo Business Climate Index Rises

The Ifo Business Climate for German industry and trade improved in June for the first time since February. The firms have given clearly more positive assessments of their current business situation than in May. Although their business expectations are again somewhat less optimistic, the firms remain confident. The German economy is experiencing a robust upswing.

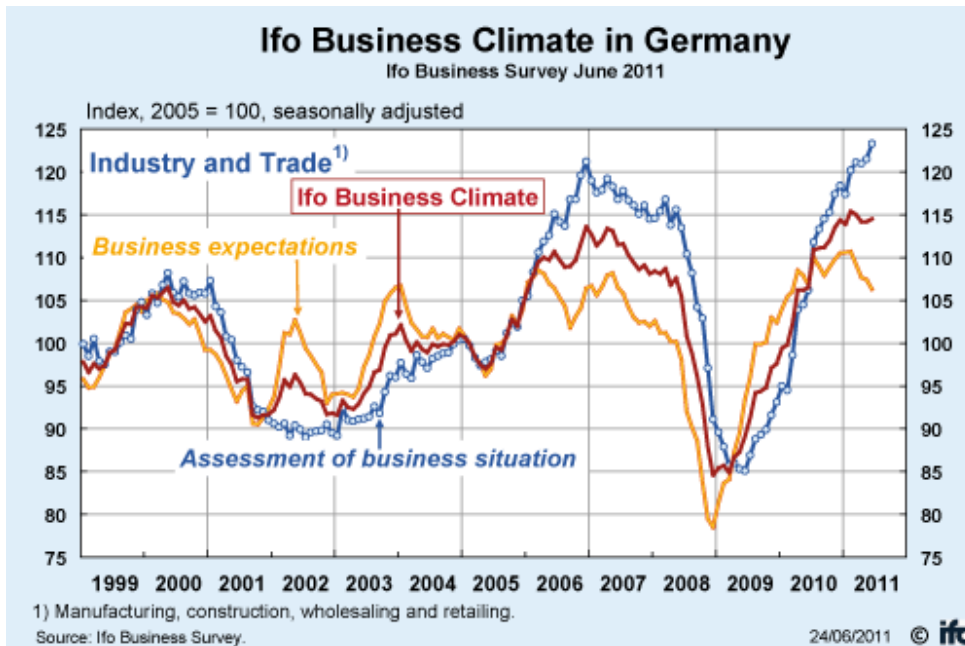
The business climate in *manufacturing* continues to be good. The hitherto excellent business situation of the industrial firms has improved again in June. The business expectations of the surveyed firms are once again less positive, however. They continue to expect impulses from exports but are not quite so optimistic in this regard as in past months. The industrial firms intend to be more cautious in expanding staff levels.

In *retailing* the current business situation continues to be good. The confidence of the retailers with regard to the business outlook has weakened considerably, however. For this reason, the business climate index in retailing has fallen. In contrast, in *wholesaling* the business climate index has risen noticeably. The wholesalers have given much better assessments of their current business situation. They are also more confident regarding the six-month business outlook than in May.

The business climate in the *construction* sector has brightened considerably. The surveyed building contractors have given more positive assessments of both the current business situation as well as the six-month business outlook than in the past month.

Hans-Werner Sinn

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

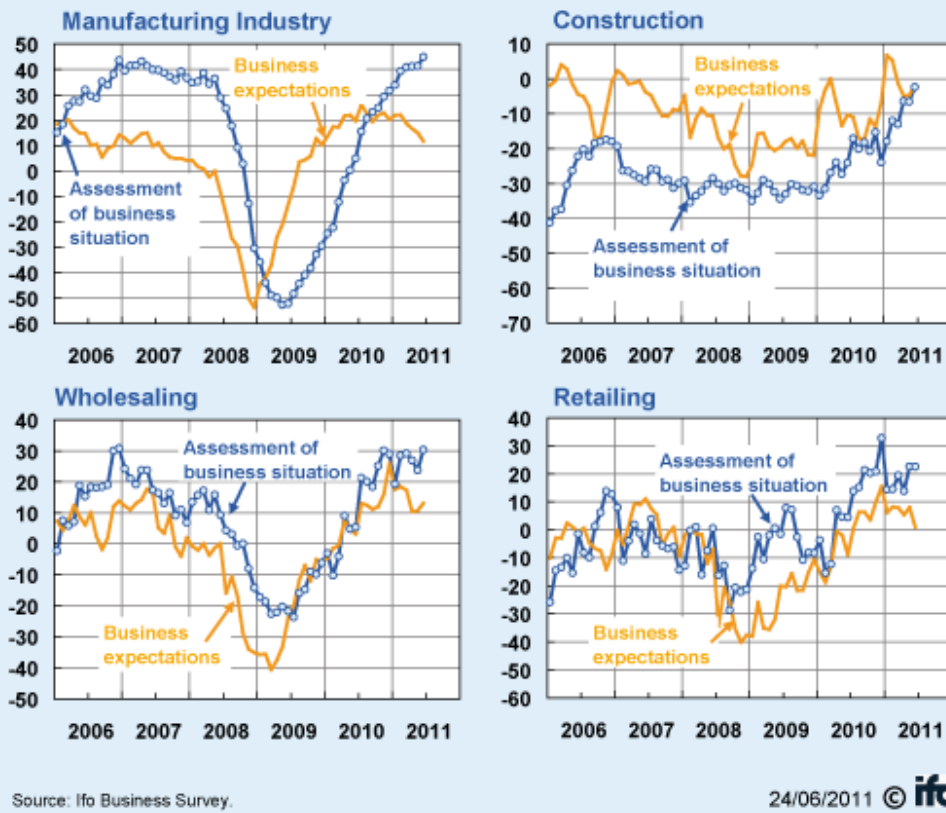


Germany (Index, 2005 = 100, seasonally adjusted)

Month/year	06/10	07/10	08/10	09/10	10/10	11/10	12/10	01/11	02/11	03/11	04/11	05/11	06/11
Climate	106.5	110.9	111.1	111.2	112.0	113.5	114.4	113.9	115.4	115.0	114.2	114.2	114.5
Situation	106.2	111.8	113.3	114.5	115.3	117.4	118.4	117.4	120.2	121.1	121.0	121.5	123.3
Expectations	106.8	110.0	109.0	107.9	108.9	109.8	110.5	110.6	110.7	109.2	107.7	107.4	106.3

Source: Ifo Business Survey.

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



Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	06/10	07/10	08/10	09/10	10/10	11/10	12/10	01/11	02/11	03/11	04/11	05/11	06/11
Trade and Industry	5.6	14.2	14.5	14.7	16.4	19.2	20.9	20.0	22.8	22.0	20.5	20.6	21.1
Manufacturing	12.3	20.8	21.6	21.4	23.4	26.0	25.9	27.8	30.6	29.5	28.6	27.8	27.7
Construction	-17.3	-14.1	-18.6	-17.8	-16.1	-14.5	-15.6	-5.9	-3.6	-7.2	-5.7	-5.6	-2.0
Wholesaling	4.2	17.2	16.2	14.7	18.4	22.9	27.4	18.4	23.4	23.1	18.4	17.1	21.5
Retailing	-2.3	7.1	10.8	13.7	11.7	15.3	23.9	10.2	11.3	13.5	9.6	15.1	11.5

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 2005.

Ifo Business Climate in the German Service Sector

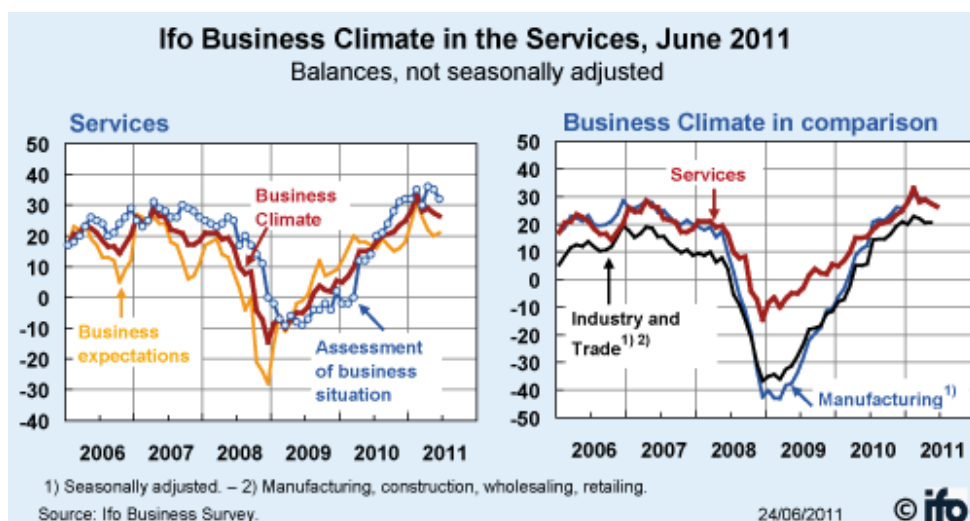
Results of the June 2011 Ifo Business Survey

Cloudier Ifo Business Climate in the Service Sector

The Ifo Business Climate indicator in the German service sector has fallen in June for the second time in succession. The surveyed service providers are no longer as satisfied with their present business situation as they were in the past month. In contrast, their business expectations are now somewhat more positive, this survey component having previously fallen three times in succession. When it comes to taking on additional staff, however, the service firms plan to exercise more caution than in May.

Hans-Werner Sinn

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German Services Sector (balances. not seasonally adjusted)

Month/Year	06/10	07/10	08/10	09/10	10/10	11/10	12/10	01/11	02/11	03/11	04/11	05/11	06/11
Climate	15.5	18.0	20.0	20.5	21.4	23.4	24.9	28.0	33.0	28.0	28.9	27.4	26.4
Situation	14.0	20.0	21.0	24.0	28.0	31.0	32.0	32.0	35.0	30.0	36.0	35.0	32.0
Expectations	17.0	16.0	19.0	17.0	15.0	16.0	18.0	24.0	31.0	26.0	22.0	20.0	21.0

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.