

Ifo Business Climate Germany

Results of the Ifo Business Survey for July 2011

Ifo Business Climate Index Declines

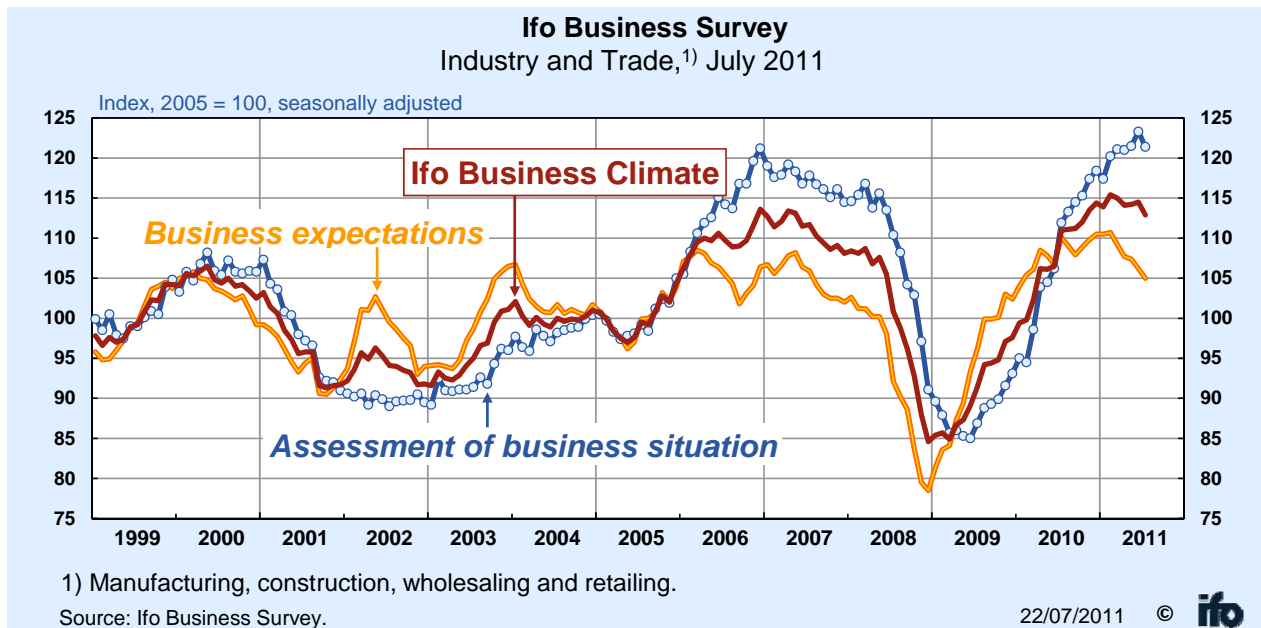
The Ifo Business Climate for German industry and trade worsened noticeably in July after having improved in the previous month. The firms are no longer quite so satisfied with the current business situation but their assessments are just as favourable as in the spring of the year. Even though the business expectations are weakening, the German economy is still enjoying pleasant summer days.

The business climate index in *manufacturing* has fallen. In the assessments of the business situation there is no tendency change despite the marginal decline. But the expectations are clearly weakening. The firms anticipate a lower growth in export business than in the previous months. Capacity utilisation in manufacturing, however, is currently somewhat higher than in the spring. The firms still plan to hire additional personnel.

The business climate in *retailing* and in *wholesaling* has clouded over. In wholesaling the survey participants have assessed both their current business situation as well as the business outlook not quite so favourably as in the previous month. Retailers are likewise no longer as satisfied with their present business situation as hitherto, but they have given somewhat better assessments of their business prospects.

It was only in the *construction* sector that the business climate has improved. The tendency of the business-situation assessments continues to be positive. With regard to the six-month business expectations, the surveyed contractors are just as confident as in June.

Hans-Werner Sinn



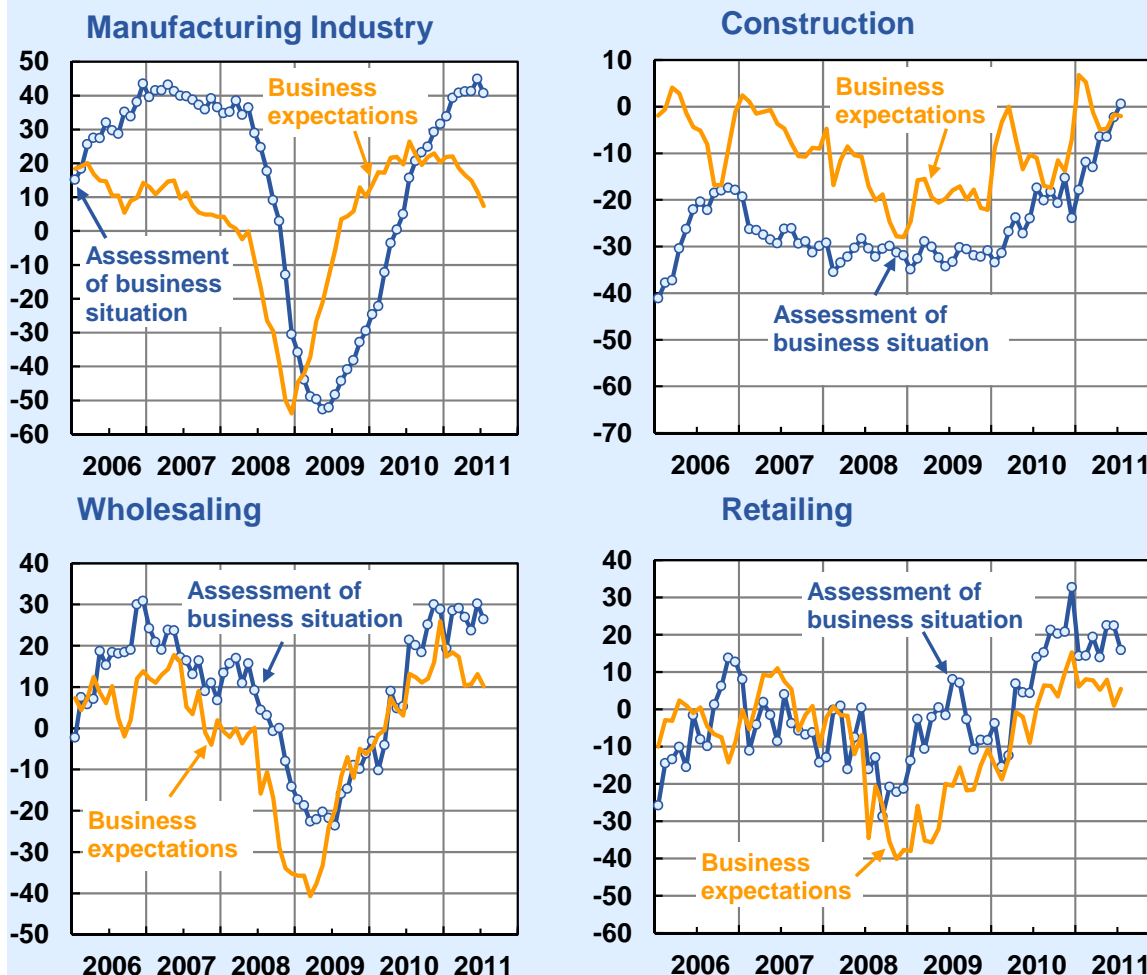
President of the Ifo Institute for Economic Research at the University of Munich

Germany (Index, 2005 = 100, seasonally adjusted)

Month/year	07/10	08/10	09/10	10/10	11/10	12/10	01/11	02/11	03/11	04/11	05/11	06/11	07/11
Climate	111.0	111.1	111.2	112.0	113.5	114.4	113.9	115.4	115.0	114.1	114.2	114.5	112.9
Situation	111.9	113.3	114.5	115.3	117.4	118.4	117.4	120.2	121.1	121.0	121.5	123.3	121.4
Expectations	110.1	109.0	107.9	108.9	109.8	110.5	110.5	110.7	109.2	107.7	107.4	106.2	105.0

Source: Ifo Business Survey.

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



Source: Ifo Business Survey.

22/07/2011 © ifo

Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	07/10	08/10	09/10	10/10	11/10	12/10	01/11	02/11	03/11	04/11	05/11	06/11	07/11
Trade and Industry	14.3	14.5	14.7	16.4	19.2	20.9	20.0	22.8	22.0	20.4	20.5	21.0	18.1
Manufacturing	21.0	21.6	21.3	23.4	26.0	25.8	27.7	30.5	29.5	28.6	27.7	27.7	23.4
Construction	-14.2	-18.6	-17.8	-16.2	-14.5	-15.6	-5.9	-3.5	-7.2	-5.7	-5.6	-2.0	-0.7
Wholesaling	17.2	16.2	14.7	18.4	22.9	27.3	18.3	23.4	23.1	18.4	17.1	21.5	18.1
Retailing	7.1	10.7	13.7	11.7	15.3	23.9	10.2	11.2	13.5	9.6	15.1	11.4	10.7

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 July 2011 Ifo Business Survey

More Unfavourable Ifo Business Climate in the Service Sector

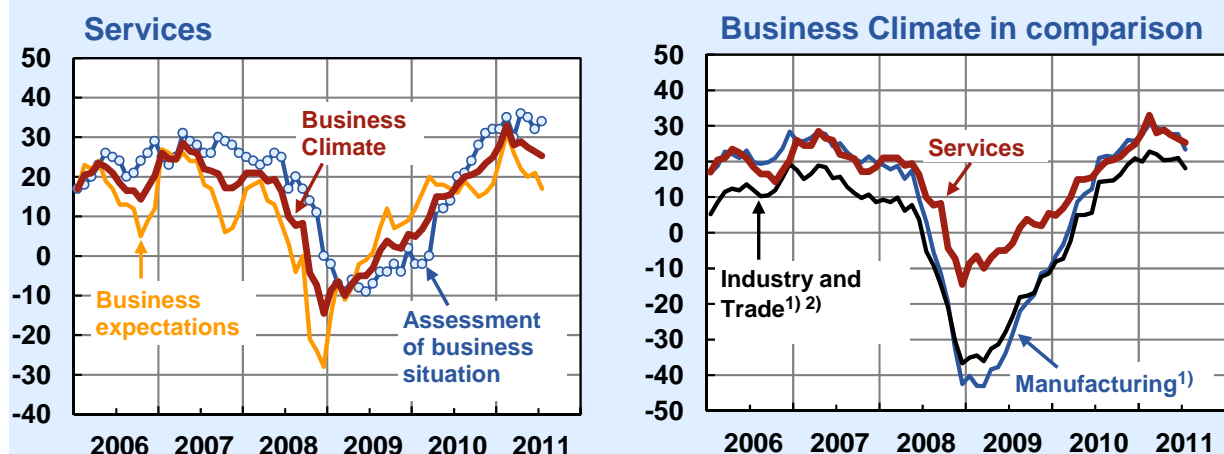
The Ifo Business Climate indicator in the German service sector has fallen once again in July. The decline is due to the somewhat less positive business expectations of the survey participants. In contrast, more surveyed service providers have assessed the current business situation as good. As in the past month, personnel plans call for an expansion of staff levels.

Hans-Werner Sinn

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

Ifo Business Climate in the Services, July 2011

Balances, not seasonally adjusted



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

Source: Ifo Business Survey.

22/07/2011



German Services Sector (balances, not seasonally adjusted)

Month/Year	07/10	08/10	09/10	10/10	11/10	12/10	01/11	02/11	03/11	04/11	05/11	06/11	07/11
Climate	18.0	20.0	20.5	21.4	23.4	24.9	28.0	33.0	28.0	28.9	27.4	26.4	25.3
Situation	20.0	21.0	24.0	28.0	31.0	32.0	32.0	35.0	30.0	36.0	35.0	32.0	34.0
Expectations	16.0	19.0	17.0	15.0	16.0	18.0	24.0	31.0	26.0	22.0	20.0	21.0	17.0

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.