

Ifo Business Climate Germany

Results of the Ifo Business Survey for October 2011

Ifo Business Climate Still Confronting Headwinds

The Ifo Business Climate for industry and trade in Germany cooled further in October. The business situation of the firms is not quite as excellent as in the past few months. Regarding business in the coming half year, the companies are more sceptical than before. Given the international turmoil, the German economy is still performing well.

In *manufacturing* the business climate index has declined slightly. The business situation has weakened somewhat but is still assessed as favourable. Regarding future business development, the companies remain sceptical but somewhat less so than in the previous month. Firms' export expectations have even improved somewhat. Although capacity utilisation is significantly lower than in summer, in personnel plans the expansive trend continues.

In *retailing* the business climate index has fallen slightly. The current business situation for retailers is somewhat less favourable than last month. With regard to business expectations for the coming half year, the firms remain cautious. The business climate in *wholesaling* has cooled significantly. Although the survey participants have assessed their business situation predominantly as favourable, they do not regard it quite as positively as in September. Their business expectations are noticeably more pessimistic than previously.

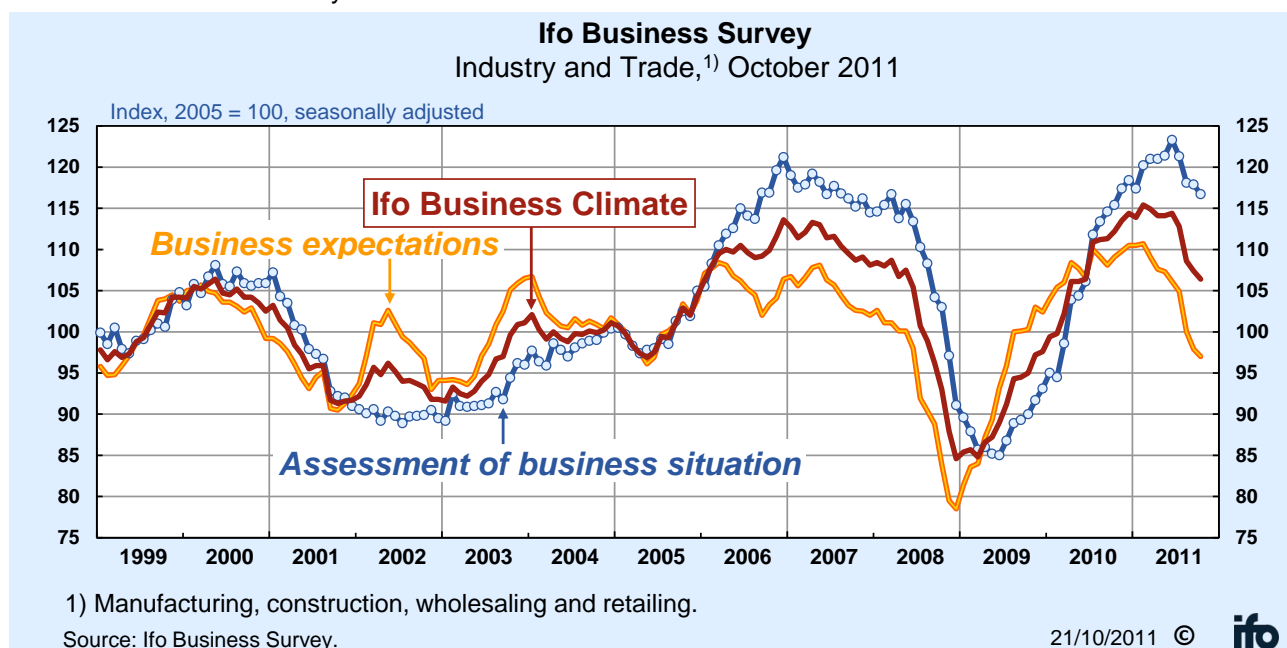
In *construction* the business climate has again deteriorated, but assessments of the current business situation remain very good. The business expectations, however, point to a clear cooling.

Hans-Werner Sinn
President of the Ifo Institute

Germany (Index, 2005 = 100, seasonally adjusted)

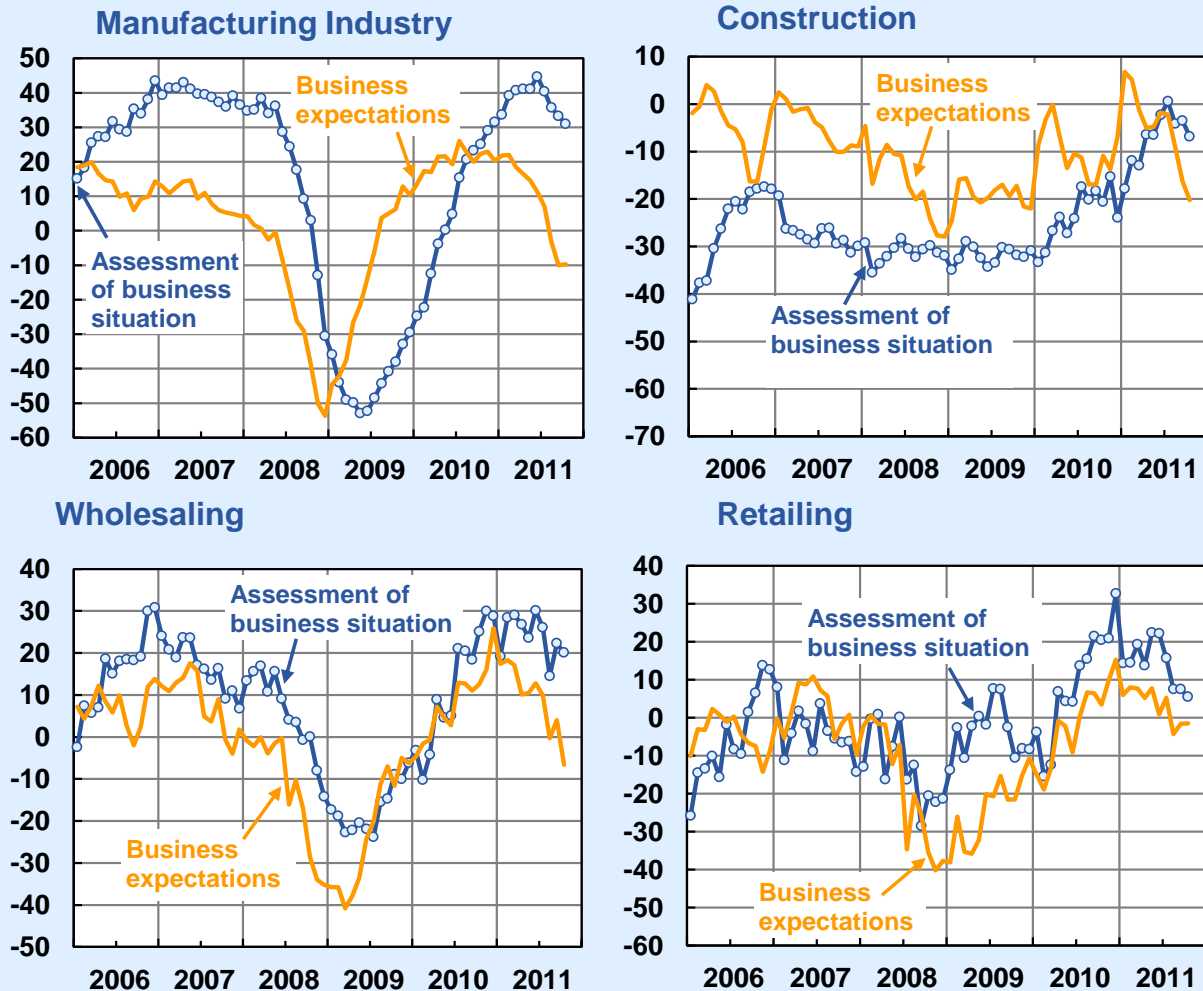
Month/year	10/10	11/10	12/10	01/11	02/11	03/11	04/11	05/11	06/11	07/11	08/11	09/11	10/11
Climate	112.2	113.5	114.4	113.9	115.4	114.9	114.1	114.1	114.4	112.8	108.6	107.4	106.4
Situation	115.4	117.4	118.4	117.4	120.2	121.0	121.0	121.4	123.3	121.3	118.1	117.9	116.7
Expectations	109.1	109.8	110.5	110.5	110.7	109.1	107.6	107.3	106.1	104.9	100.0	97.9	97.0

Source: Ifo Business Survey.



For long time-series in Excel format consult www.cesifo-group.de/langereihen.

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



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	10/10	11/10	12/10	01/11	02/11	03/11	04/11	05/11	06/11	07/11	08/11	09/11	10/11
Trade and Industry	16.6	19.2	20.8	20.0	22.7	21.9	20.3	20.3	20.8	17.8	9.8	7.4	5.4
Manufacturing	23.7	26.0	25.8	27.7	30.4	29.3	28.4	27.5	27.4	23.1	15.4	10.5	9.7
Construction	-15.8	-14.5	-15.6	-5.9	-3.5	-7.2	-5.7	-5.6	-2.1	-0.8	-6.5	-10.0	-13.6
Wholesaling	18.7	22.9	27.3	18.3	23.3	23.0	18.3	16.9	21.3	17.9	7.0	13.0	6.3
Retailing	11.8	15.3	23.9	10.2	11.2	13.4	9.5	15.0	11.3	10.4	1.5	2.9	2.0

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 October 2011 Ifo Business Survey

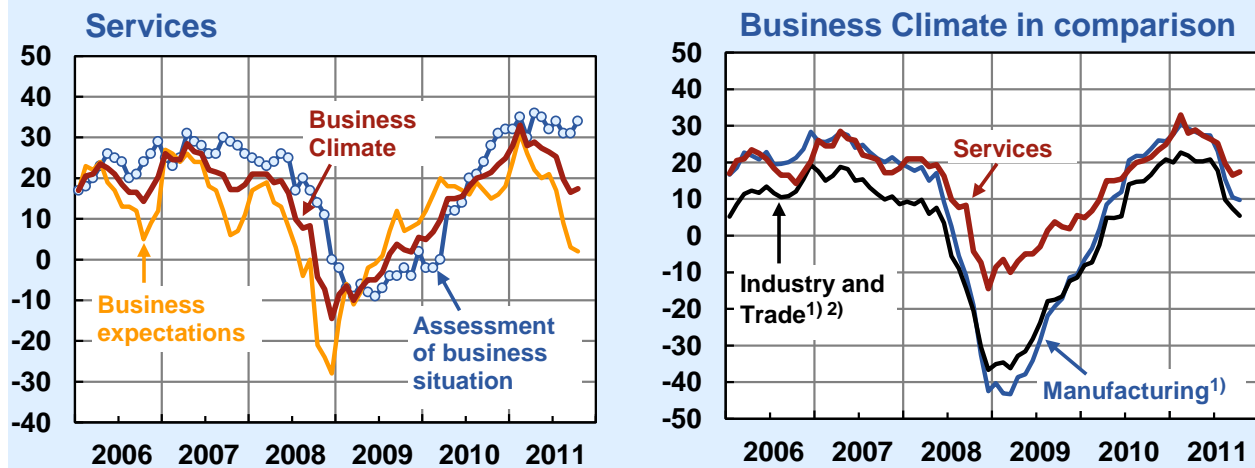
Ifo Business Climate in the Service Sector Somewhat Improved

The Ifo Business Climate in the German service sector brightened somewhat in October, after having worsened five months in succession. The service providers are more satisfied with their current business situation. However, with regard to the outlook for the coming half-year, they are again even more cautious than before. On balance, a slight expansion of staff levels is still being planned.

Hans-Werner Sinn
President of the Ifo Institute

Ifo Business Climate in the Services, October 2011

Balances, not seasonally adjusted



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

Source: Ifo Business Survey.

21/10/2011



German Services Sector (balances, not seasonally adjusted)

Month/Year	10/10	11/10	12/10	01/11	02/11	03/11	04/11	05/11	06/11	07/11	08/11	09/11	10/11
Climate	21,4	23,4	24,9	28,0	33,0	28,0	28,9	27,4	26,4	25,3	19,7	16,5	17,4
Situation	28,0	31,0	32,0	32,0	35,0	30,0	36,0	35,0	32,0	34,0	31,0	31,0	34,0
Expectations	15,0	16,0	18,0	24,0	31,0	26,0	22,0	20,0	21,0	17,0	9,0	3,0	2,0

Source: Ifo Business Survey.

For long time-series in Excel format consult www.cesifo-group.de/langereihen.

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.