

# Ifo Business Climate Germany

Results of the Ifo Business Survey for December 2011

## Ifo Business Climate Brightens

The Ifo Business Climate for trade and industry in Germany continued to improve in December after stabilising in the previous month. Survey participants' responses showed that their assessment of the current business situation continues to remain favourable. Business expectations improved for the second time in succession. The German economy seems to be successfully countering the downturn in Western Europe. This bodes well for Christmas.

In *manufacturing* the business climate remains unchanged. Manufacturing firms may assess their current business situation as slightly less positive than in November, but there is no question of a meltdown comparable to that of 2008. On the contrary, the German economy is showing signs of stabilisation. Firms even view their six-month business outlook more favourably. They also see greater opportunities in the export business. The overhang of firms wishing to increase their staff numbers has nevertheless fallen slightly.

The business climate index increased somewhat in *wholesaling* and clearly in *retailing*. The business situation is assessed more positively than previously at both levels of trade. In addition, retailers and wholesalers are more optimistic. This suggests brisk Christmas trade.

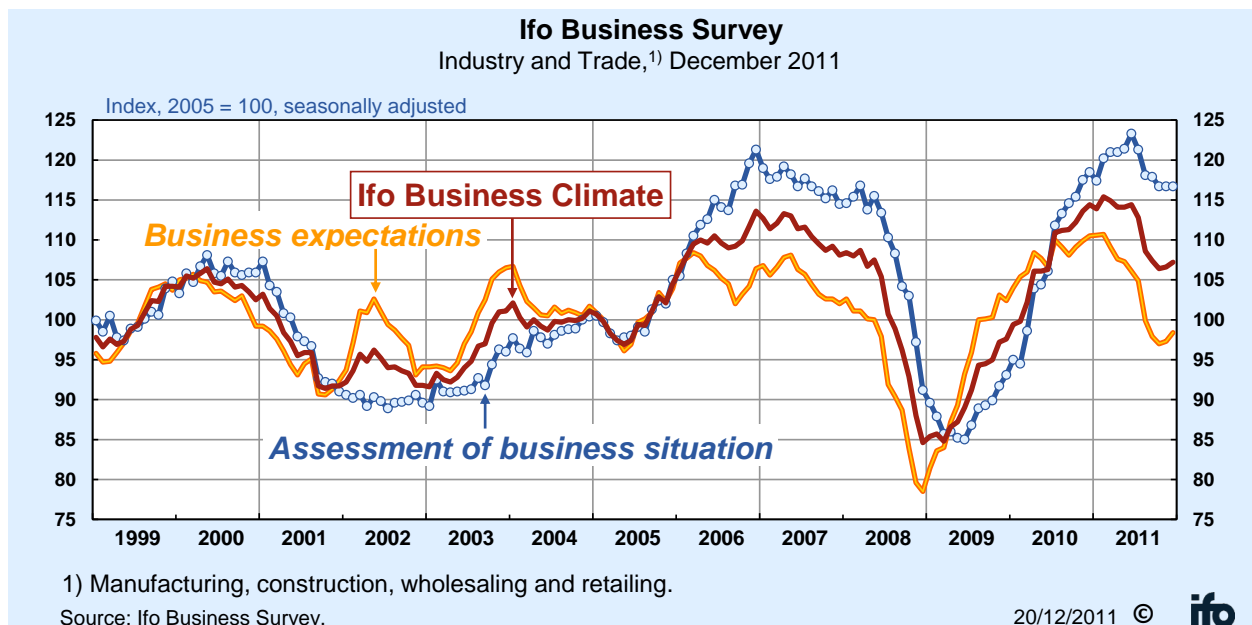
The business climate continued to improve further in *construction*. The firms surveyed reported a slightly more favourable business situation than in November. Moreover, they expressed greater optimism regarding their six-month business outlook.

Hans-Werner Sinn  
President of the Ifo Institute

## Germany (Index, 2005 = 100, seasonally adjusted)

Month/year	12/10	01/11	02/11	03/11	04/11	05/11	06/11	07/11	08/11	09/11	10/11	11/11	12/11
Climate	114.4	113.9	115.4	114.9	114.1	114.1	114.4	112.8	108.6	107.4	106.4	106.6	107.2
Situation	118.5	117.4	120.2	121.0	121.0	121.4	123.3	121.3	118.1	117.9	116.7	116.7	116.7
Expectations	110.5	110.6	110.7	109.1	107.6	107.3	106.1	104.9	99.9	97.9	97.0	97.3	98.4

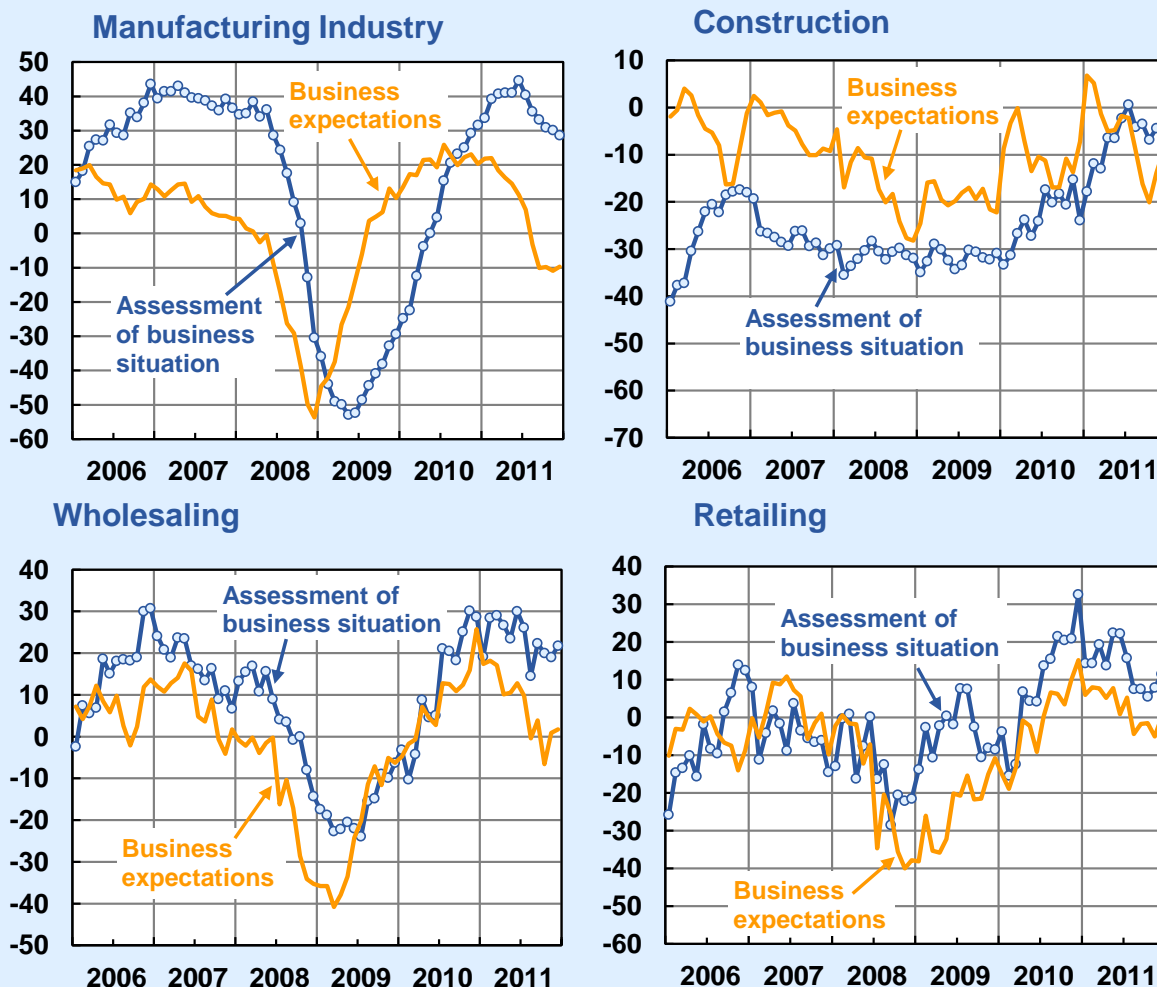
Source: Ifo Business Survey.



For long time-series in Excel format consult [www.cesifo-group.de/langereihen](http://www.cesifo-group.de/langereihen).

## Business Situation and Expectations by Sector

December 2011; balances, seasonally adjusted



Source: Ifo Business Survey.

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

Month/year	12/10	01/11	02/11	03/11	04/11	05/11	06/11	07/11	08/11	09/11	10/11	11/11	12/11
<b>Trade and Industry</b>	20.8	19.9	22.7	21.8	20.2	20.3	20.7	17.7	9.7	7.4	5.3	5.7	6.8
<b>Manufacturing</b>	25.9	27.7	30.4	29.3	28.3	27.4	27.3	23.0	15.3	10.4	9.6	8.6	8.6
<b>Construction</b>	-15.7	-5.9	-3.5	-7.2	-5.7	-5.7	-2.1	-0.8	-6.5	-10.0	-13.6	-9.2	-6.6
<b>Wholesaling</b>	27.2	18.2	23.2	23.0	18.2	16.9	21.2	17.8	6.9	12.9	6.3	9.8	11.4
<b>Retailing</b>	23.7	10.2	11.2	13.4	9.5	15.0	11.3	10.4	1.5	2.9	1.9	1.3	5.8

Source: Ifo Business Survey.

**Explanatory note:** The Ifo Business Climate Index is based on ca. 7,000 monthly survey responses from 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 between the percentages of the responses "good" and "poor"; the balance value of the expectations is the difference between 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 the purpose of calculating the **index values**, the transformed balances are all normalised to the average of the year 2005.

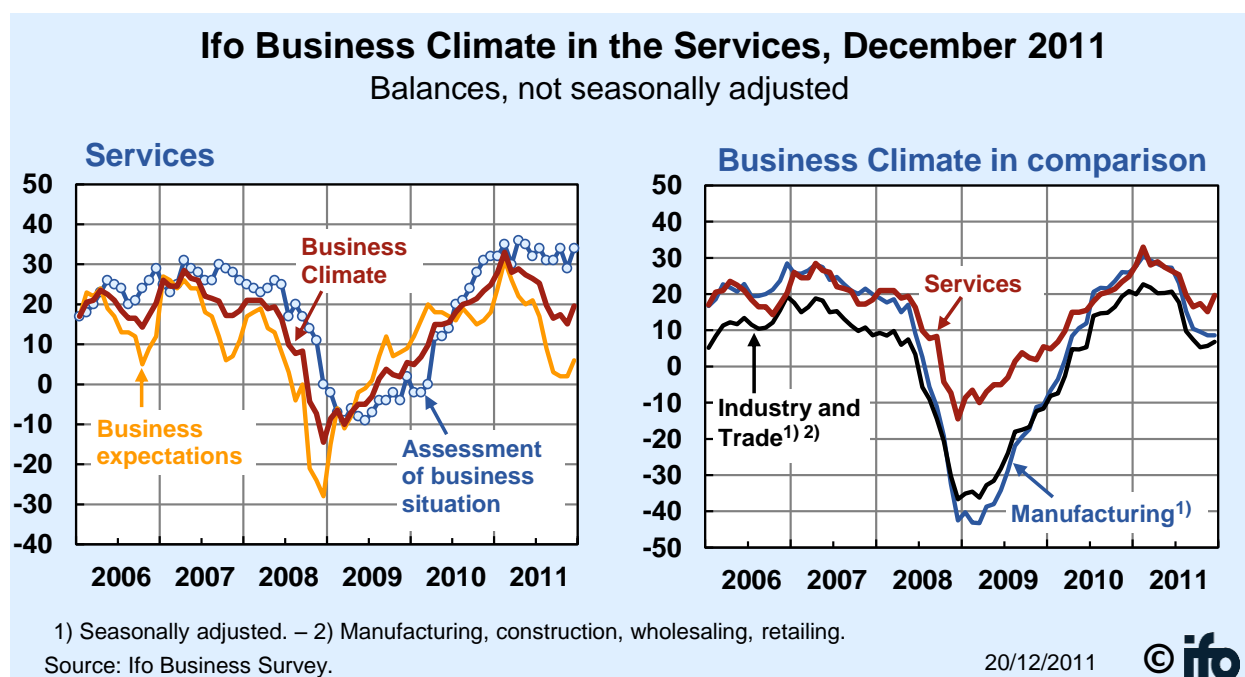
## Ifo Business Climate in the German Service Sector

Results of the December 2011 Ifo Business Survey

### Ifo Business Climate in the Service Sector Improves

The Ifo Business Climate indicator in the German service sector rose sharply in December. The service providers surveyed are more satisfied with their current business situation than in the previous month and assess their short-term business prospects more favourably. This is encouraging a larger number of companies to recruit additional staff.

Hans-Werner Sinn  
President of the Ifo Institute



### German Services Sector (balances. not seasonally adjusted)

Month/Year	12/10	01/11	02/11	03/11	04/11	05/11	06/11	07/11	08/11	09/11	10/11	11/11	12/11
Climate	24.9	28.0	33.0	28.0	28.9	27.4	26.4	25.3	19.7	16.5	17.4	15.1	19.6
Situation	32.0	32.0	35.0	30.0	36.0	35.0	32.0	34.0	31.0	31.0	34.0	29.0	34.0
Expectations	18.0	24.0	31.0	26.0	22.0	20.0	21.0	17.0	9.0	3.0	2.0	2.0	6.0

Source: Ifo Business Survey.

For long time-series in Excel format consult [www.cesifo-group.de/langereihen](http://www.cesifo-group.de/langereihen).

**Explanatory note:** The Ifo Business Survey of the service sector is based on ca. 2,500 monthly survey responses from firms in key segments of the tertiary sector, especially business-oriented segments (excl. distribution, financial services, Leasing, insurance and government). The survey is conducted and calculated in the same way as the Ifo Business Survey of industry and trade. In comparing the various curves of the Business Climate indicator, it is important to remember that, for methodological reasons, the results of the Business Survey of the service sector are not yet seasonally adjusted. The indicator for the Business Climate in the service sector has not yet been incorporated into the Ifo Business Climate Index for industry and trade.