

Notice: Embargo violations will lead to deliveries after 10 CET in the following month!

## Ifo Business Climate Germany

Results of the May 2005 Ifo Business Survey

### Ifo Business Climate again Worsened

The Ifo Business Climate index for German industry and trade declined in May, after already having fallen three times in succession in the preceding months. The surveyed firms again reported less favourable business expectations for the coming six months. Appraisals of the current situation have stabilised, however. Inflation pressure has further declined. An improvement in the economic situation in the next months is not to be expected.

The business climate in manufacturing worsened. However, its two components displayed differing results: slightly improved judgements in the current situation were more than offset by a further worsening of business expectations. The optimism in manufacturing with regard to exports weakened somewhat. Construction companies assessed the current situation more unfavourably and were more pessimistic with regard to the development in the next six months. Wholesalers reported a worsened business situation, but their business expectations remained stable. Less pessimistic business expectations came from retailers, who gave nearly unchanged assessments of the current situation.

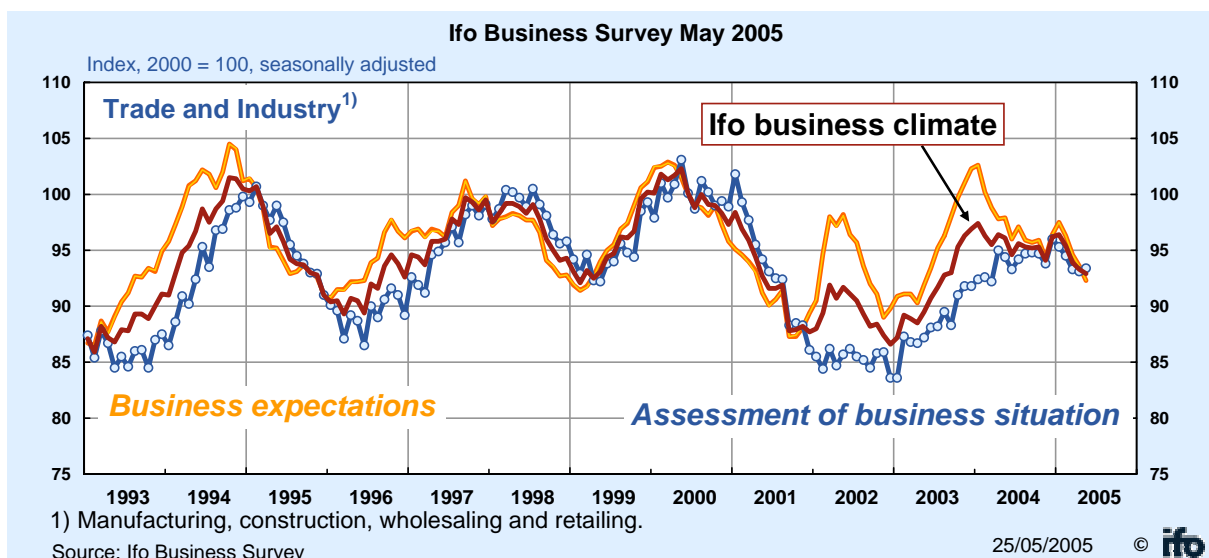
In comparison to the overall German average, the business climate worsened more strongly in eastern Germany.

Hans-Werner Sinn

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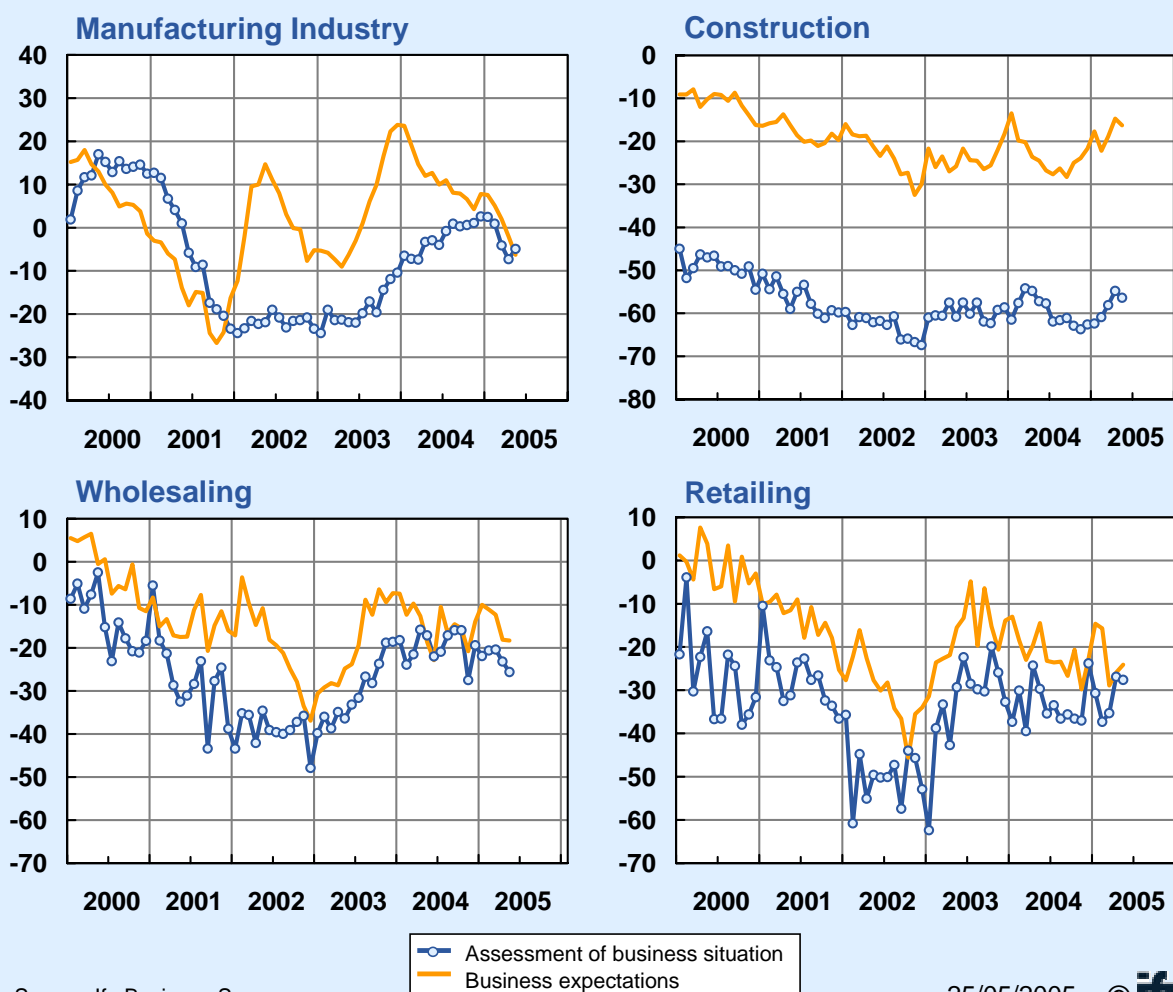
### Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	5/04	6/04	7/04	8/04	9/04	10/04	11/04	12/04	1/05	2/05	3/05	4/05	5/05
Climate	96.1	94.6	95.6	95.3	95.2	95.3	94.1	96.2	96.4	95.4	93.9	93.3	92.9
Situation	94.4	93.3	94.2	94.7	94.8	94.7	93.8	96.0	95.3	94.5	93.3	93.1	93.4
Expectations	97.9	96.0	97.1	95.9	95.7	95.9	94.3	96.4	97.5	96.3	94.6	93.6	92.3



## Business Situation and Expectations by Sectors

Balances, seasonally adjusted



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

Month/year	5/04	6/04	7/04	8/04	9/04	10/04	11/04	12/04	1/05	2/05	3/05	4/05	5/05
<b>Trade and Industry</b>	-8.6	-11.6	-9.6	-10.2	-10.4	-10.3	-12.7	-8.5	-8.1	-10.1	-13.0	-14.2	-15.1
<b>Manufacturing</b>	4.8	2.9	5.0	4.5	4.1	3.6	2.7	5.2	5.0	3.0	-1.1	-4.7	-5.6
<b>Construction</b>	-41.7	-43.0	-45.7	-45.0	-45.6	-45.1	-45.1	-43.5	-41.6	-42.8	-39.7	-36.0	-37.6
<b>Wholesaling</b>	-17.9	-22.4	-15.8	-16.9	-15.2	-15.7	-24.2	-16.7	-16.0	-15.9	-16.4	-20.6	-22.0
<b>Retailing</b>	-22.3	-29.4	-28.6	-30.2	-31.2	-28.8	-33.4	-23.3	-22.8	-26.9	-32.2	-26.4	-25.8

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", "satisfactorily" 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 normalized to the average of the year 2000.