

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

## Ifo Business Climate Germany

Results of the June 2005 Ifo Business Survey

### Ifo Business Climate Slightly Improved

The Ifo Business Climate index for German industry and trade rose slightly in June, after having fallen four times in succession in the preceding months. The surveyed firms assessed their business situation slightly better than in the previous month. The business expectations for the coming six months have clearly improved. These results, however, do not yet suffice to indicate an economic recovery in the coming months.

The business climate in manufacturing remained nearly unchanged. The surveyed firms gave similar assessments of the current situation as in the previous month. The business expectations are slightly more optimistic than in May. Export expectations were also somewhat more optimistic. In wholesaling and retailing the business climate has improved; these firms have assessed both their current situation as well as the expectations for the next six months more favourably than in May. In construction the business climate worsened again: Both the current situation and the expectations received less favourable assessments than in the previous month.

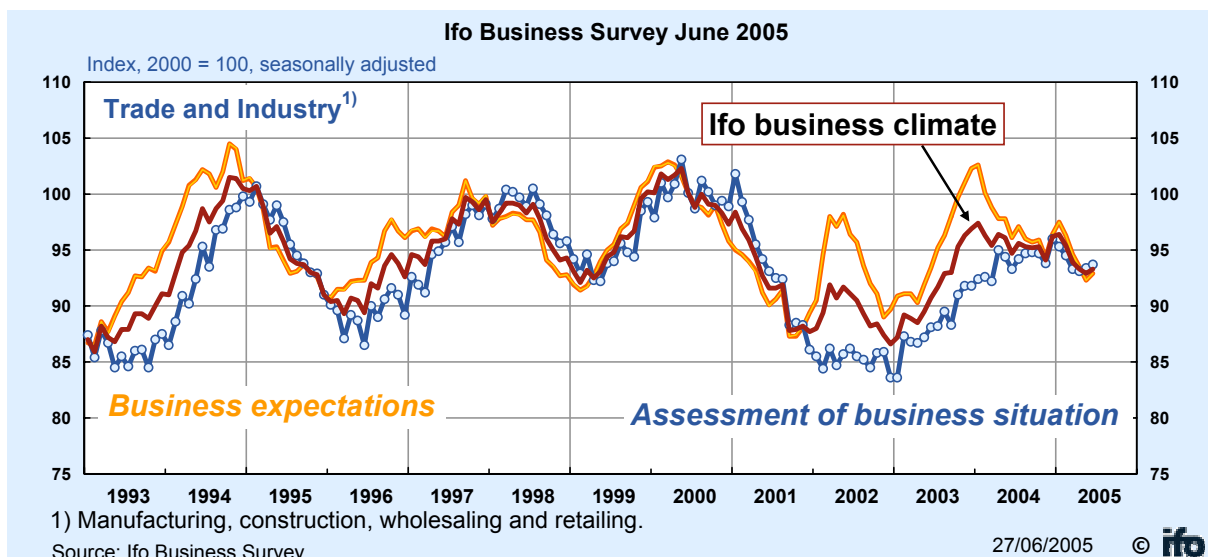
The business climate in eastern Germany improved to the same extent as in the country as a whole.

Hans-Werner Sinn

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

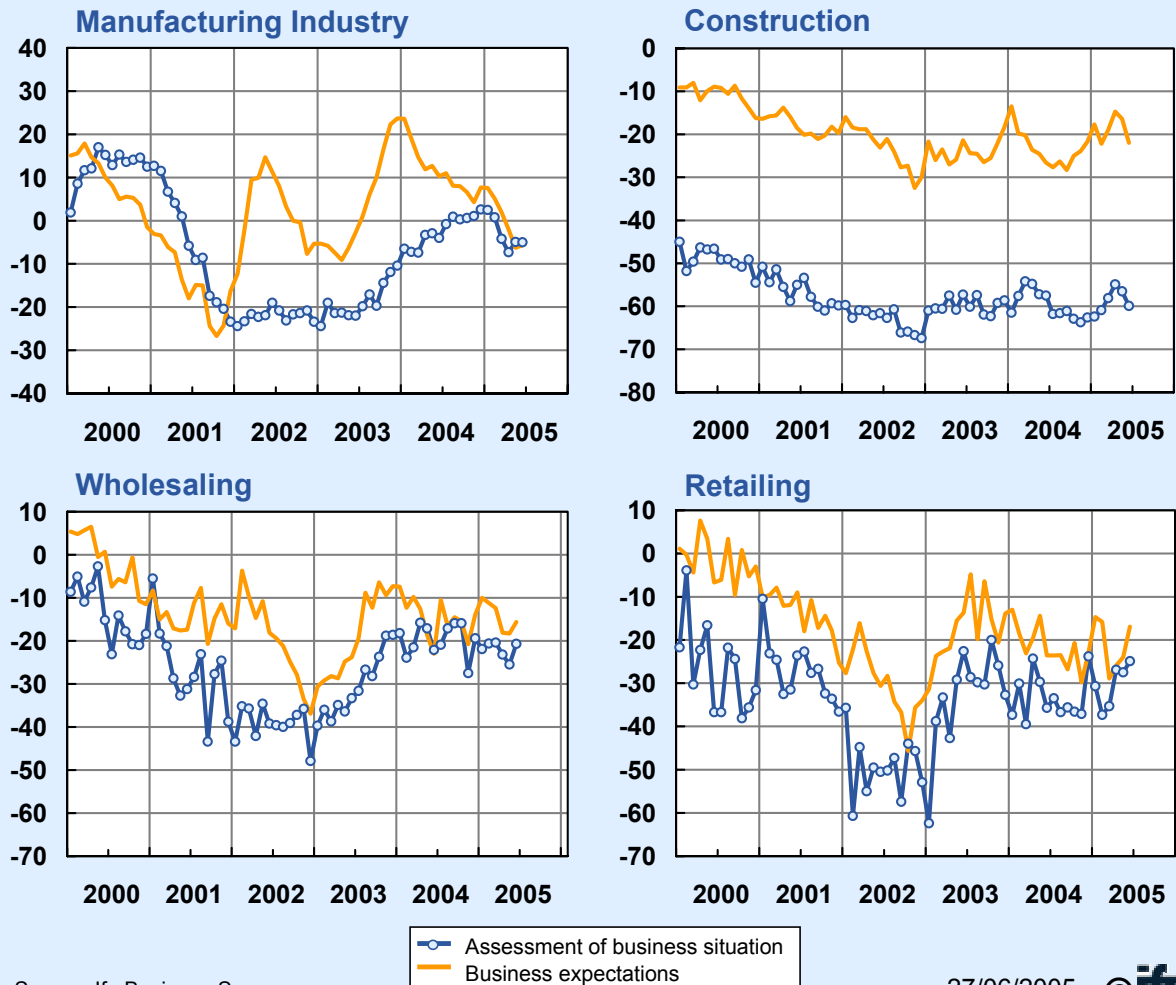
### Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	6/04	7/04	8/04	9/04	10/04	11/04	12/04	1/05	2/05	3/05	4/05	5/05	6/05
Climate	94.7	95.6	95.3	95.2	95.3	94.1	96.2	96.4	95.4	93.9	93.3	92.9	93.3
Situation	93.3	94.2	94.7	94.8	94.7	93.8	96.0	95.3	94.5	93.3	93.1	93.4	93.7
Expectations	96.1	97.1	96.0	95.7	95.9	94.3	96.4	97.5	96.3	94.6	93.5	92.3	92.9



## Business Situation and Expectations by Sectors

Balances, seasonally adjusted



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

Month/year	6/04	7/04	8/04	9/04	10/04	11/04	12/04	1/05	2/05	3/05	4/05	5/05	6/05
<b>Trade and Industry</b>	-11.5	-9.6	-10.2	-10.4	-10.3	-12.7	-8.5	-8.2	-10.1	-13.0	-14.2	-15.1	-14.2
<b>Manufacturing</b>	3.0	5.0	4.5	4.1	3.6	2.7	5.1	5.0	2.9	-1.1	-4.7	-5.6	-5.3
<b>Construction</b>	-42.8	-45.7	-45.0	-45.6	-45.1	-45.1	-43.5	-41.6	-42.8	-39.7	-36.0	-37.6	-42.1
<b>Wholesaling</b>	-22.5	-15.8	-16.9	-15.2	-15.7	-24.2	-16.7	-16.0	-15.9	-16.4	-20.6	-22.0	-18.2
<b>Retailing</b>	-29.8	-28.6	-30.2	-31.3	-28.8	-33.5	-23.3	-22.8	-26.9	-32.2	-26.4	-25.8	-21.0

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", "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.