

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

Ifo Business Climate Germany

Results of the July 2005 Ifo Business Survey

Ifo Business Climate Clearly Improved

The Ifo Business Climate index for German industry and trade rose strongly in July, after having shown some improvement in June. Especially the surveyed firms' expectations for the coming six months have significantly improved. The assessments of the current situation rose somewhat. An economic recovery has become more likely.

In manufacturing and wholesaling the improvement of the economic climate was above the survey average, especially because of the clearly improved business expectations. The rise in export expectations in manufacturing was less marked. In construction the poor business climate brightened slightly. The only exception was retailing where the business expectations fell, possibly due to the discussed increase in VAT.

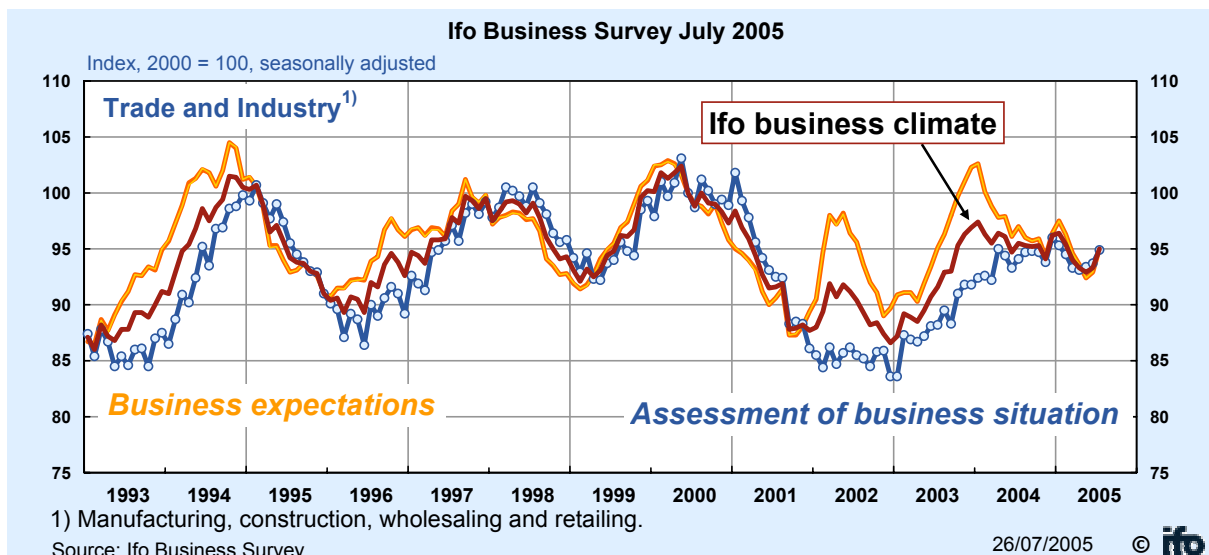
The business climate in eastern Germany improved to a lesser extent than in the country as a whole.

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

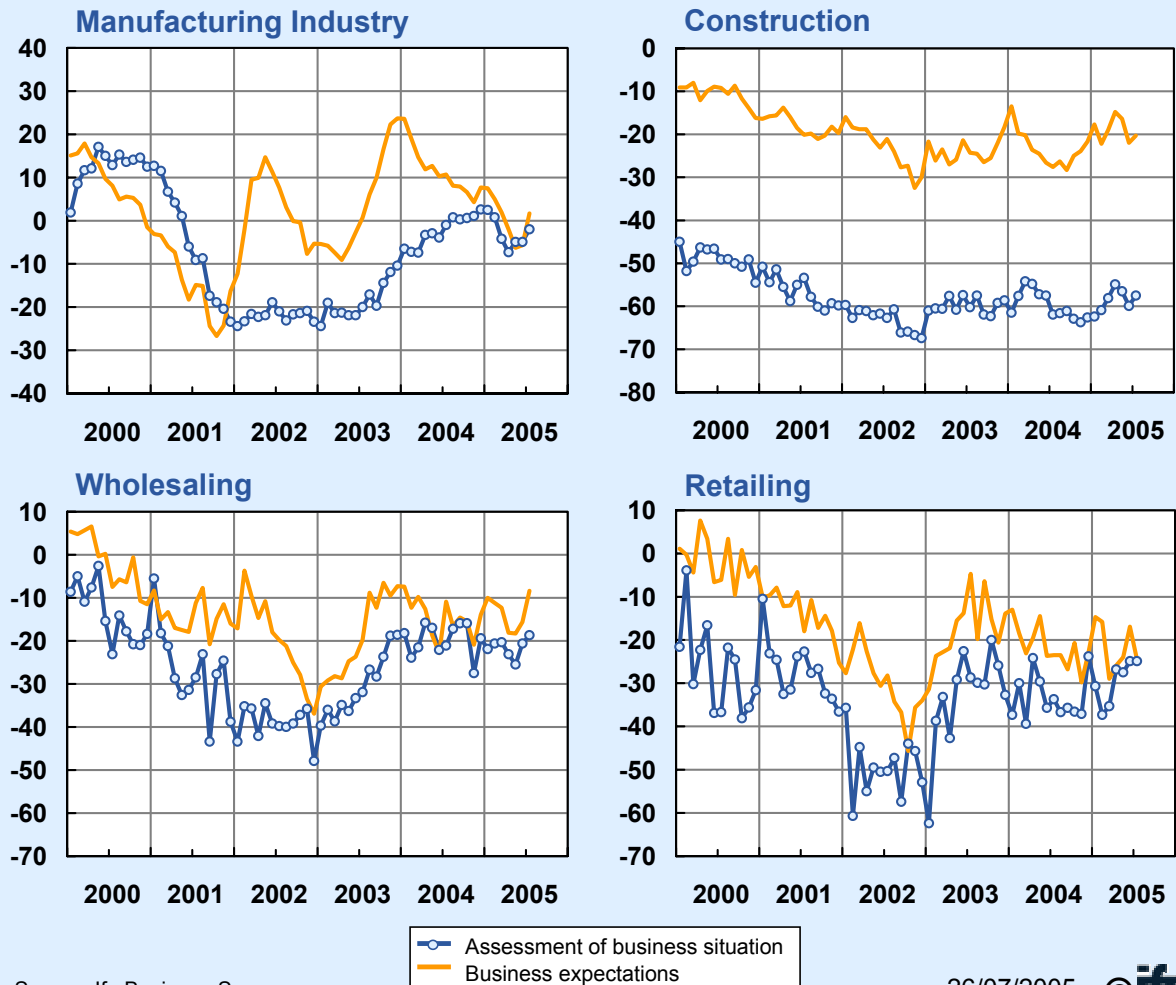
Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	7/04	8/04	9/04	10/04	11/04	12/04	1/05	2/05	3/05	4/05	5/05	6/05	7/05
Climate	95.5	95.3	95.2	95.3	94.1	96.2	96.4	95.4	94.0	93.3	92.9	93.3	95.0
Situation	94.1	94.7	94.8	94.7	93.8	96.0	95.3	94.5	93.3	93.1	93.4	93.7	94.9
Expectations	97.0	96.0	95.7	95.9	94.3	96.4	97.5	96.3	94.6	93.6	92.4	92.9	95.0



Business Situation and Expectations by Sectors

Balances, seasonally adjusted



Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	7/04	8/04	9/04	10/04	11/04	12/04	1/05	2/05	3/05	4/05	5/05	6/05	7/05
Trade and Industry	-9.8	-10.2	-10.4	-10.3	-12.7	-8.5	-8.2	-10.1	-13.0	-14.2	-15.1	-14.2	-10.9
Manufacturing	4.8	4.4	4.1	3.6	2.7	5.1	5.0	2.9	-1.1	-4.7	-5.6	-5.3	-0.2
Construction	-45.7	-45.0	-45.6	-45.1	-45.1	-43.5	-41.6	-42.8	-39.7	-36.0	-37.7	-42.1	-40.0
Wholesaling	-16.1	-16.9	-15.2	-15.7	-24.2	-16.7	-16.0	-15.9	-16.4	-20.6	-21.9	-18.1	-13.6
Retailing	-28.7	-30.2	-31.3	-28.8	-33.5	-23.4	-22.8	-26.9	-32.2	-26.4	-25.8	-21.0	-24.7

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", "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.