

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

Ifo Business Climate Germany

Results of the August 2005 Ifo Business Survey

No Further Improvement in the Ifo Business Climate

The Ifo Business Climate index for German industry and trade fell slightly in August, after having risen clearly in the previous month. Despite this downward correction, the index is still higher than it was in March to June of this year. The decline was the result of more unfavourable assessments of the current situation by the surveyed firms. The expectations for the coming six months, however, are somewhat more favourable than in July. On the whole, the latest survey results do not rule out a moderate improvement in the coming months.

In manufacturing the business climate index fell only slightly, but the assessments of the two components of the industry climate differed: a weaker appraisal of the current situation stood in contrast to improved business expectations. The export outlook was again assessed more optimistically by the manufacturing firms. In retailing and wholesaling, the business climate index worsened. In both distribution sectors, more unfavourable appraisals of the current situation and the business outlook were given than in the previous month. A positive exception was the construction industry, where the business climate index and both of its components improved.

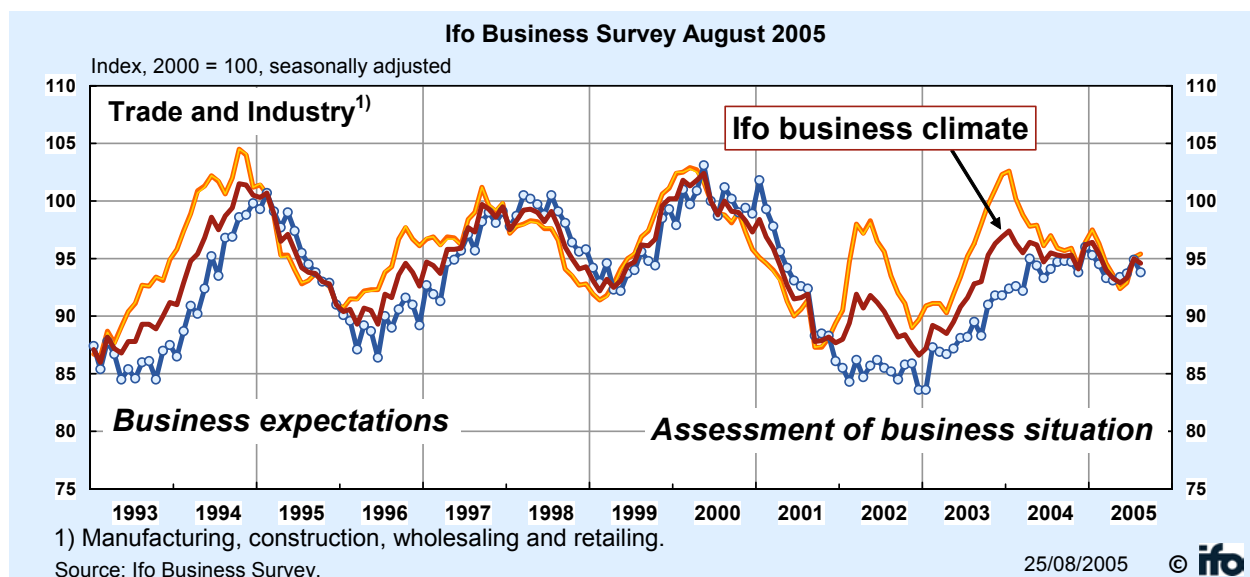
The business climate in eastern Germany worsened somewhat more than in the country as a whole.

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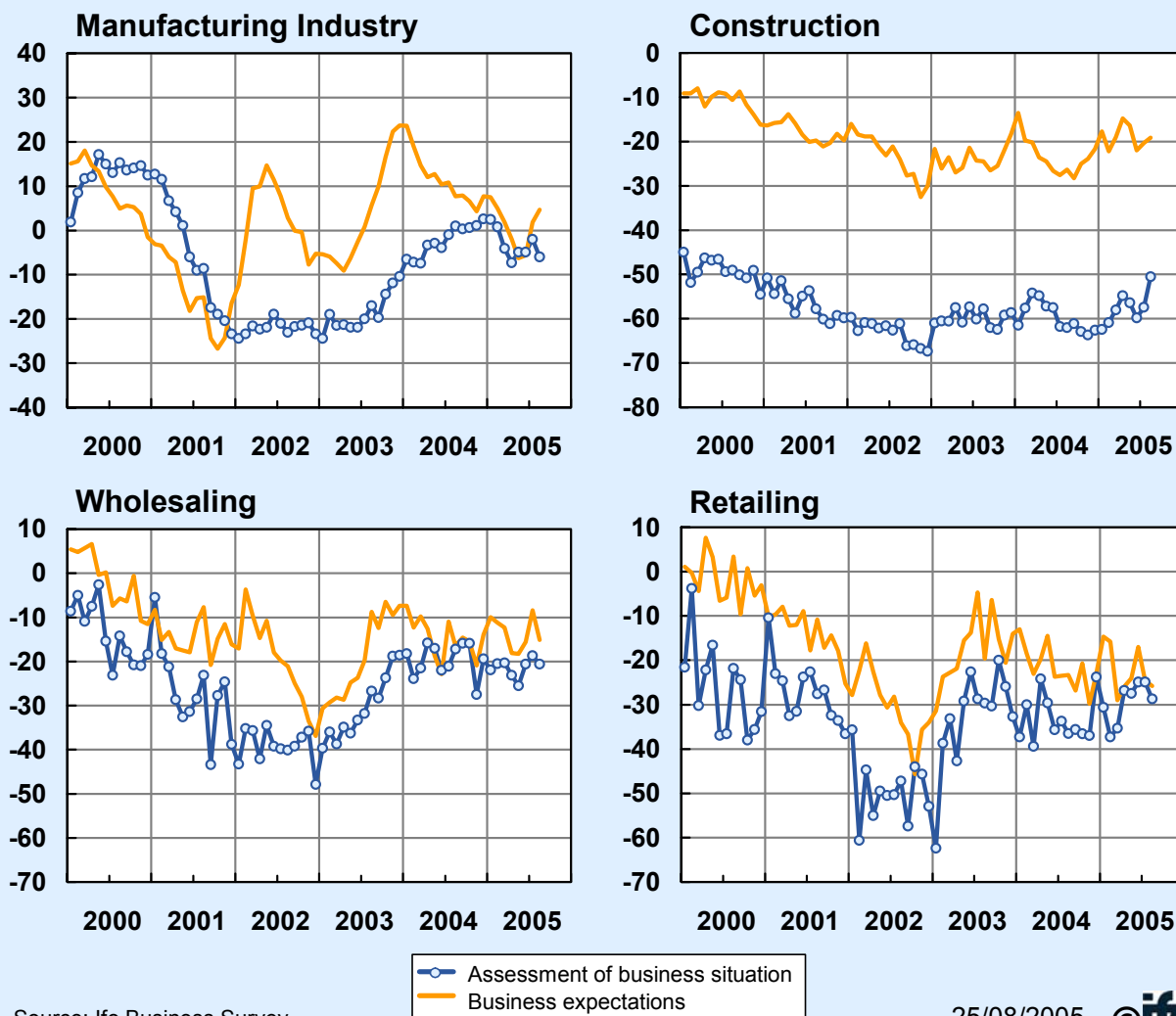
Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	8/04	9/04	10/04	11/04	12/04	1/05	2/05	3/05	4/05	5/05	6/05	7/05	8/05
Climate	95.3	95.2	95.3	94.1	96.2	96.4	95.4	94.0	93.3	92.9	93.3	95.0	94.6
Situation	94.7	94.8	94.7	93.8	96.0	95.3	94.5	93.3	93.1	93.4	93.7	94.9	93.8
Expectations	95.9	95.7	95.9	94.3	96.4	97.5	96.3	94.6	93.6	92.4	92.9	95.1	95.4



Business Situation and Expectations by Sectors

Balances, seasonally adjusted



Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	8/04	9/04	10/04	11/04	12/04	1/05	2/05	3/05	4/05	5/05	6/05	7/05	8/05
Trade and Industry	-10.3	-10.4	-10.3	-12.7	-8.5	-8.2	-10.1	-13.0	-14.2	-15.0	-14.2	-10.9	-11.7
Manufacturing	4.3	4.1	3.6	2.7	5.1	5.0	2.9	-1.1	-4.7	-5.6	-5.3	-0.1	-0.7
Construction	-45.2	-45.6	-45.1	-45.1	-43.5	-41.6	-42.8	-39.7	-36.0	-37.6	-42.0	-39.9	-35.6
Wholesaling	-16.9	-15.2	-15.7	-24.2	-16.7	-16.0	-15.9	-16.4	-20.6	-21.9	-18.1	-13.6	-17.9
Retailing	-30.1	-31.3	-28.8	-33.5	-23.4	-22.8	-26.9	-32.2	-26.4	-25.8	-21.0	-24.8	-27.3

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.