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Ifo Business Climate Germany

Results of the September 2005 Ifo Business Survey

Ifo Business Climate Improved

The Ifo Business Climate index for German industry and trade rose in September, after having fallen slightly in the previous month. The surveyed firms gave a better assessment of their current situation than in August, but their business expectations for the next six months remained nearly unchanged. An evaluation of responses submitted before and after the federal election showed a tendency to more unfavourable expectations after than before the election. As anticipated, no difference was detected in the appraisals of the business situation.

In manufacturing the business climate improved again after a slight worsening in August. The firms gave clearly more positive assessments of their current situation, but their expectations were less optimistic than in August. They are still positive with regard to their export opportunities, however. In retailing the business climate brightened. The businesses' assessments of the current situation were nearly unchanged, but business expectations improved. In wholesaling both components of the business climate index rose. Construction remained unchanged, with worsened appraisals of the current business situation offsetting less pessimistic expectations.

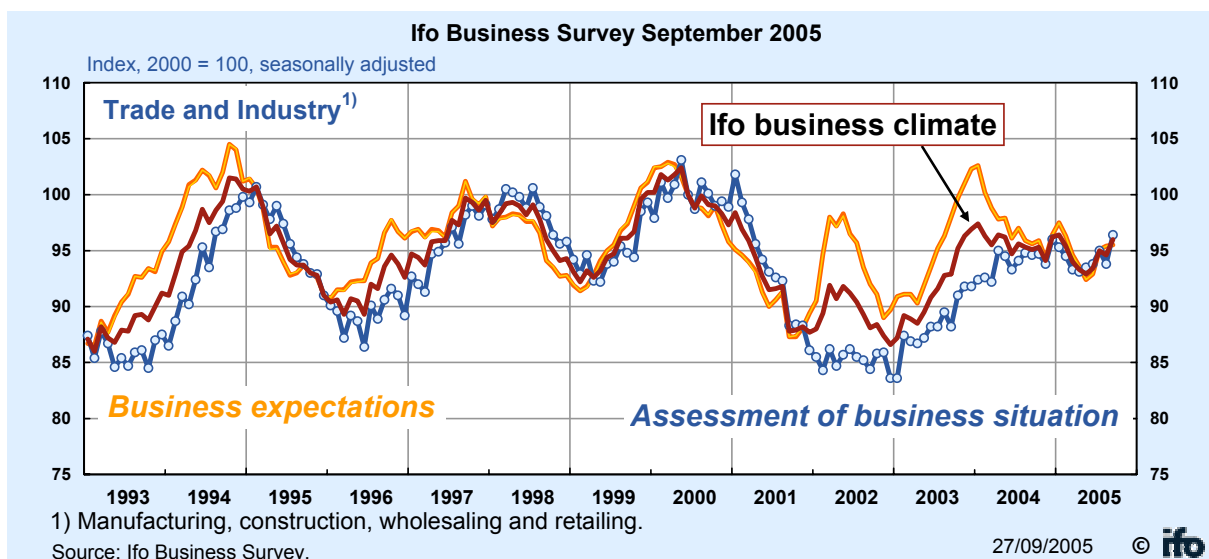
In eastern Germany the rise in the business climate index was stronger than in the country as a whole.

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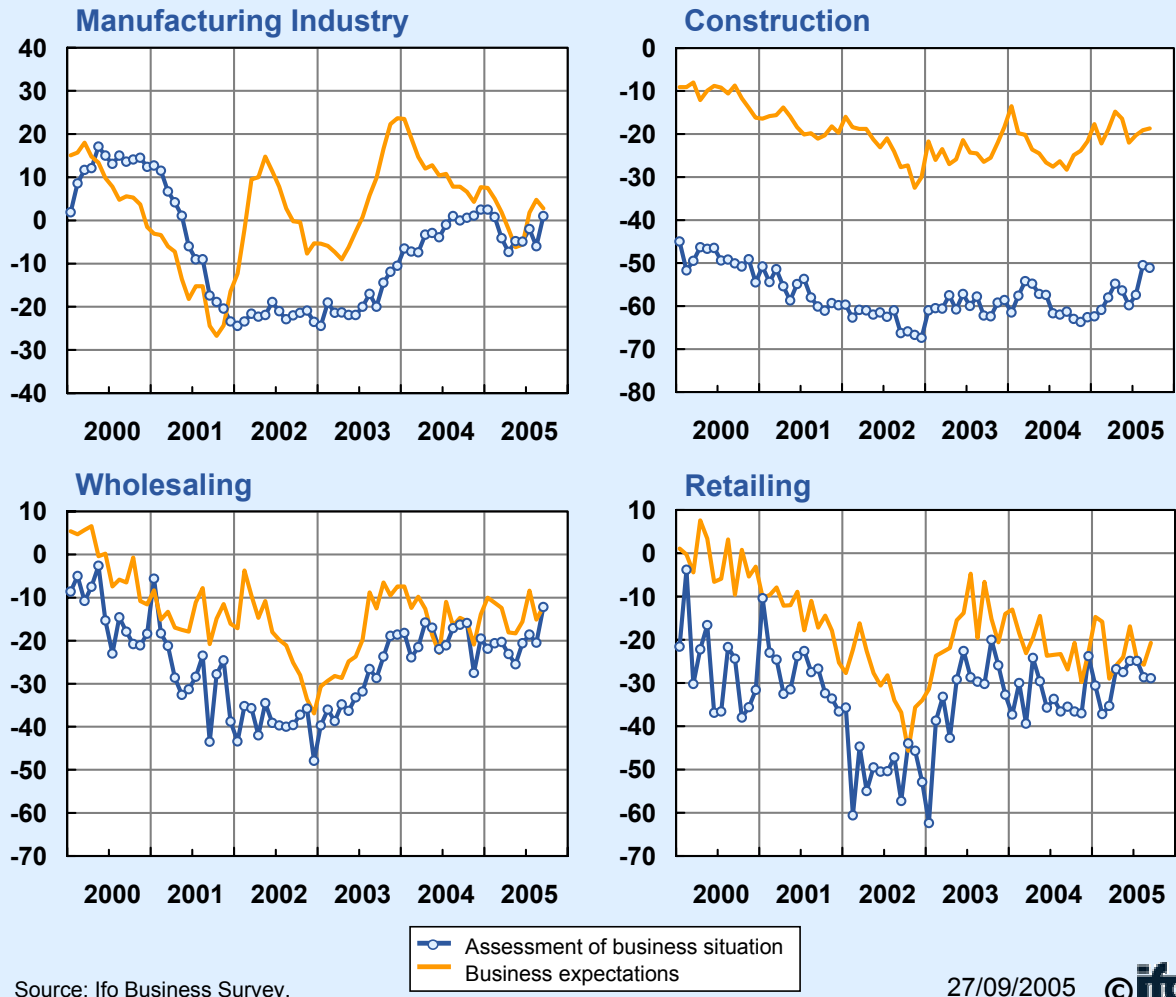
Germany (Index, 2000 = 100, seasonally adjusted)

| Month/year | 9/04 | 10/04 | 11/04 | 12/04 | 1/05 | 2/05 | 3/05 | 4/05 | 5/05 | 6/05 | 7/05 | 8/05 | 9/05 |
|--------------|------|-------|-------|-------|------|------|------|------|------|------|------|------|------|
| Climate | 95.1 | 95.3 | 94.1 | 96.2 | 96.4 | 95.4 | 94.0 | 93.3 | 92.9 | 93.4 | 95.0 | 94.6 | 96.0 |
| Situation | 94.6 | 94.7 | 93.8 | 96.0 | 95.3 | 94.5 | 93.3 | 93.1 | 93.5 | 93.8 | 95.0 | 93.8 | 96.4 |
| Expectations | 95.6 | 95.9 | 94.3 | 96.4 | 97.5 | 96.3 | 94.6 | 93.6 | 92.4 | 92.9 | 95.1 | 95.4 | 95.5 |



Business Situation and Expectations by Sectors

Balances, seasonally adjusted



Ifo Business Climate Germany (Balances, seasonally adjusted)

| Month/year | 9/04 | 10/04 | 11/04 | 12/04 | 1/05 | 2/05 | 3/05 | 4/05 | 5/05 | 6/05 | 7/05 | 8/05 | 9/05 |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Trade and Industry | -10.6 | -10.3 | -12.7 | -8.5 | -8.2 | -10.1 | -12.9 | -14.2 | -15.0 | -14.2 | -10.8 | -11.6 | -9.0 |
| Manufacturing | 3.9 | 3.5 | 2.7 | 5.1 | 5.0 | 2.9 | -1.1 | -4.6 | -5.5 | -5.2 | -0.1 | -0.7 | 1.9 |
| Construction | -45.7 | -45.1 | -45.1 | -43.5 | -41.6 | -42.8 | -39.7 | -36.0 | -37.6 | -42.0 | -39.9 | -35.5 | -35.7 |
| Wholesaling | -15.5 | -15.7 | -24.2 | -16.7 | -16.1 | -15.9 | -16.4 | -20.6 | -21.9 | -18.1 | -13.6 | -17.8 | -12.2 |
| Retailing | -31.3 | -28.8 | -33.5 | -23.4 | -22.8 | -26.9 | -32.1 | -26.3 | -25.8 | -21.0 | -24.7 | -27.3 | -24.8 |

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.