

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

## Ifo Business Climate Germany

Results of the October 2005 Ifo Business Survey

### Improved Business Climate

The Ifo Business Climate index for German industry and trade rose clearly again in October, continuing the positive development of the previous month. The surveyed firms again gave a noticeably better assessment of their current situation than in September, and also their business expectations for the next six months were more favourable. The economic recovery seems to be on firmer ground.

In manufacturing the business climate improved again. The firms were more optimistic regarding their current situation than in September and their business expectations were also more confident. Once again, the manufacturing firms gave clearly better assessments of their export opportunities. In the other three surveyed sectors – construction, wholesaling and retailing – the index also rose. Assessments of both the current business situation as well as the six-month expectations were more optimistic than in September.

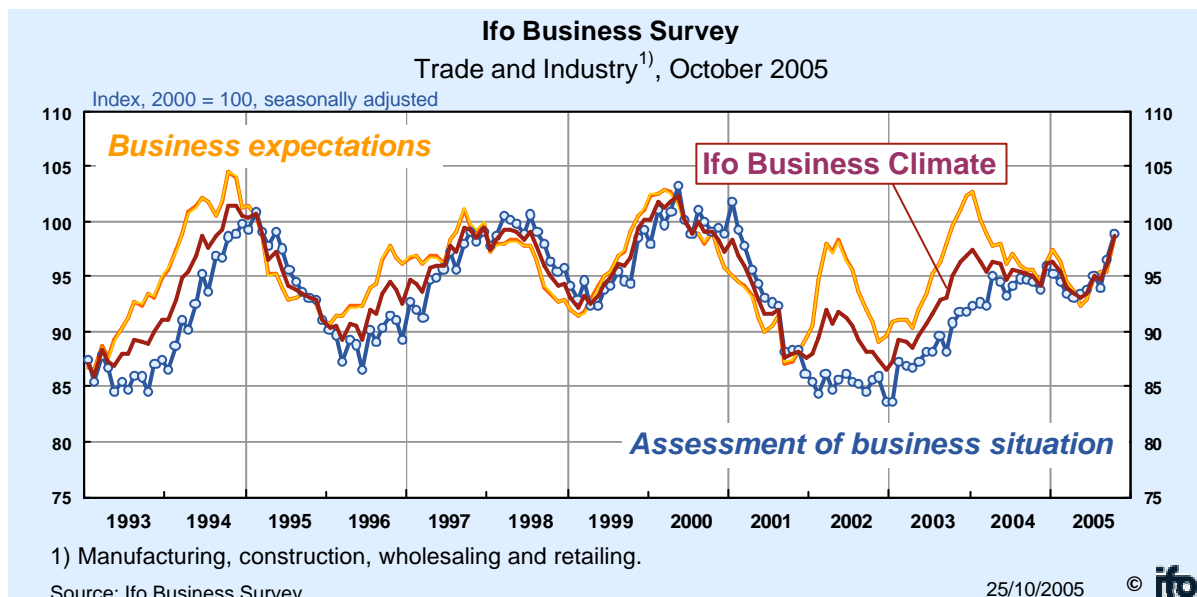
In eastern Germany the rise in the business climate index was less pronounced than in the country as a whole.

Hans-Werner Sinn

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

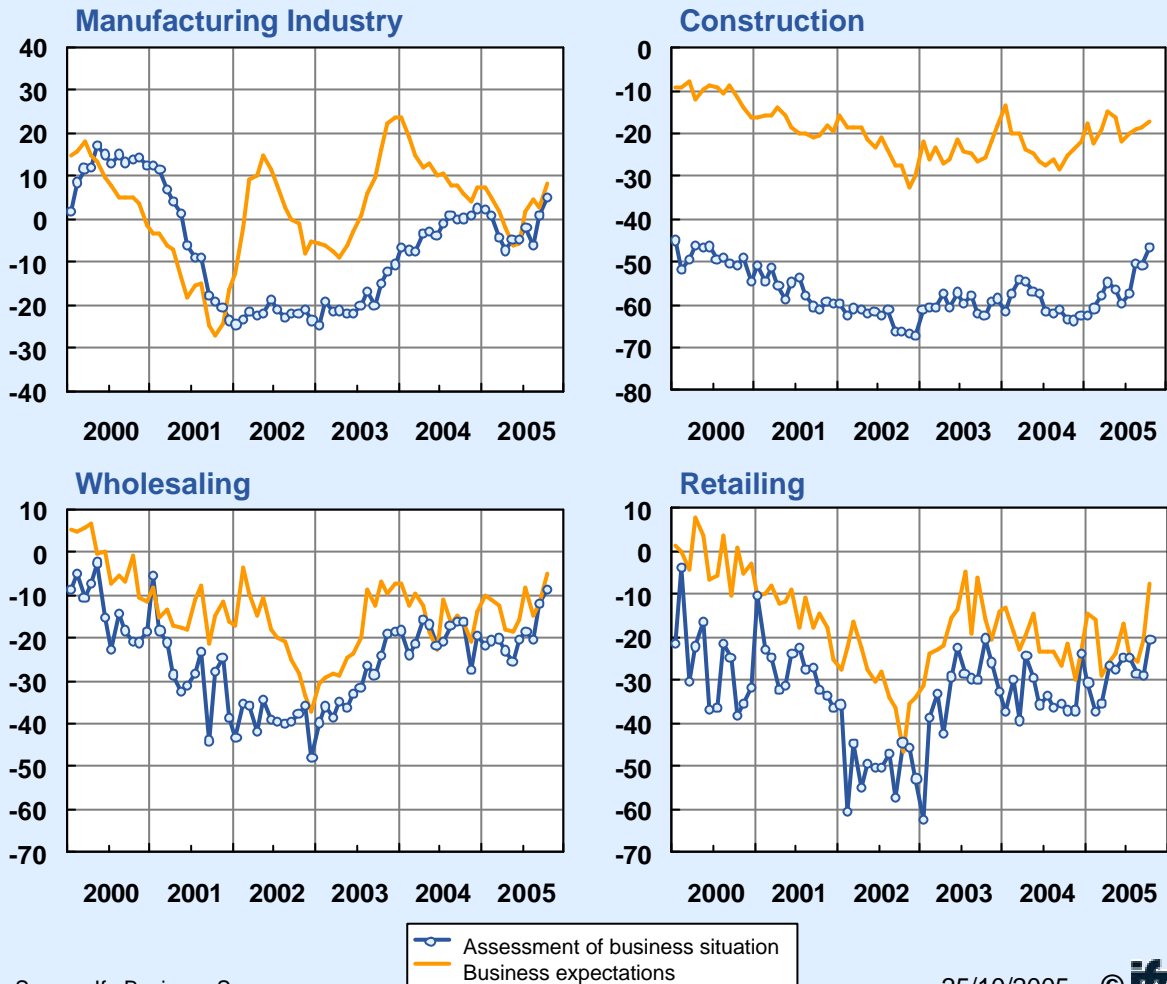
### Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	10/04	11/04	12/04	1/05	2/05	3/05	4/05	5/05	6/05	7/05	8/05	9/05	10/05
Climate	95.1	94.1	96.2	96.4	95.4	94.0	93.4	93.0	93.4	95.1	94.7	96.0	98.7
Situation	94.5	93.8	95.9	95.2	94.5	93.4	93.1	93.5	93.8	95.0	93.9	96.5	98.9
Expectations	95.7	94.3	96.4	97.5	96.3	94.6	93.6	92.4	92.9	95.1	95.5	95.5	98.5



## Business Situation and Expectations by Sectors

October 2005; balances, seasonally adjusted



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

Month/year	10/04	11/04	12/04	1/05	2/05	3/05	4/05	5/05	6/05	7/05	8/05	9/05	10/05
Trade and Industry	-10.7	-12.8	-8.6	-8.2	-10.1	-12.9	-14.2	-15.0	-14.1	-10.8	-11.6	-8.9	-3.5
Manufacturing	3.2	2.6	5.1	4.9	2.9	-1.1	-4.6	-5.5	-5.2	0.0	-0.6	2.0	6.7
Construction	-45.3	-45.1	-43.5	-41.6	-42.8	-39.6	-36.0	-37.6	-42.0	-39.8	-35.5	-35.6	-32.6
Wholesaling	-16.2	-24.3	-16.8	-16.1	-16.0	-16.3	-20.6	-21.9	-18.1	-13.5	-17.8	-12.1	-6.9
Retailing	-29.5	-33.5	-23.4	-22.9	-26.9	-32.1	-26.3	-25.7	-20.9	-24.7	-27.2	-24.7	-14.3

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.

## Ifo Business Climate in the German Services Sector

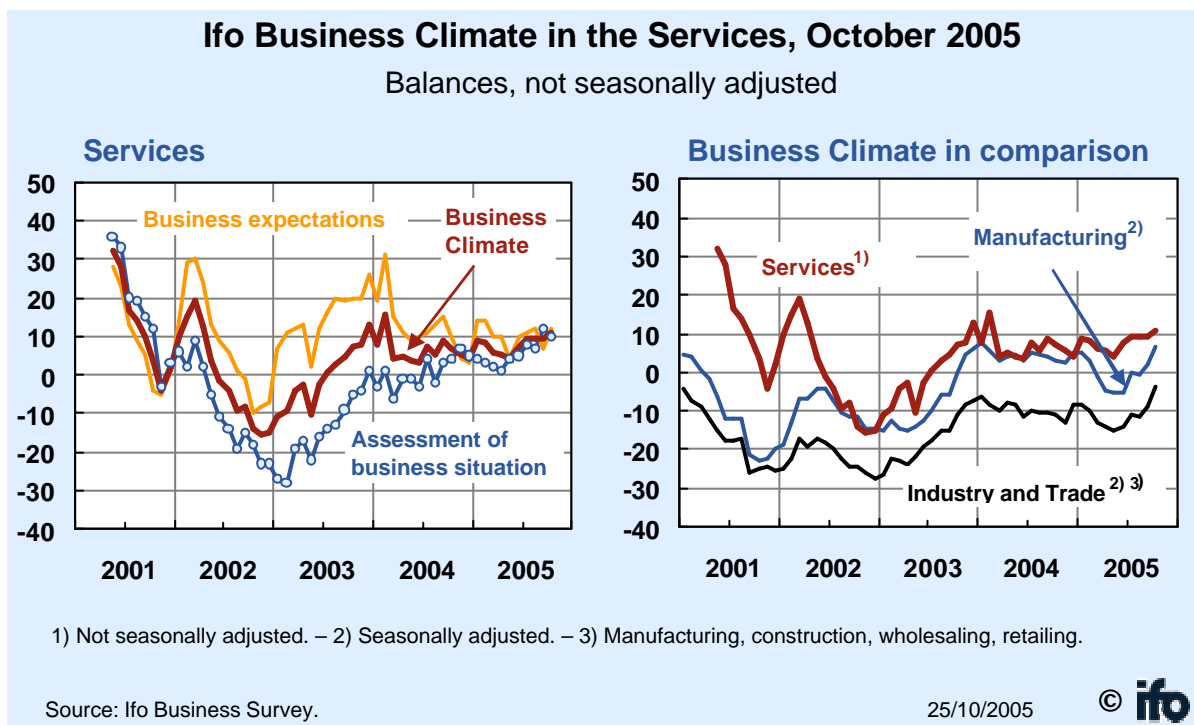
Results for October 2005

### Ifo Business Climate in the services improved

The Ifo Business Climate in the German services sector improved in October, after having shown no change in the previous month. The surveyed firms were somewhat less satisfied with their current situation than in September but were more optimistic regarding their expectations for the coming six months.

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### German Services Sector (Balances, not seasonally adjusted)

Month/Year	10/04	11/04	12/04	1/05	2/05	3/05	4/05	5/05	6/05	7/05	8/05	9/05	10/05
<b>Climate</b>	7.0	5.5	4.0	8.9	8.4	6.0	5.5	4.0	7.5	9.5	9.5	9.5	11.0
<b>Situation</b>	4.0	7.0	5.0	4.0	3.0	2.0	1.0	4.0	5.0	8.0	7.0	12.0	10.0
<b>Expectations</b>	10.0	4.0	3.0	14.0	14.0	10.0	10.0	4.0	10.0	11.0	12.0	7.0	12.0

Source: Ifo Business Survey

Explanatory note: The Ifo Business Survey in the Services is based on ca. 2,000 monthly survey responses of firms in important, especially business-oriented segments of the tertiary sector (excl. distribution, financial services, leasing, insurance and government). The survey is conducted and calculated analogously to the Ifo Business Survey in industry and trade. In comparing the various curves of the Business Climate, it must be kept in mind that for methodological reasons the results of the Business Survey in the Services are not yet seasonally adjusted. The indicator for the Business Climate in the services has not yet been incorporated into the Ifo Business Climate Index for industry and trade.