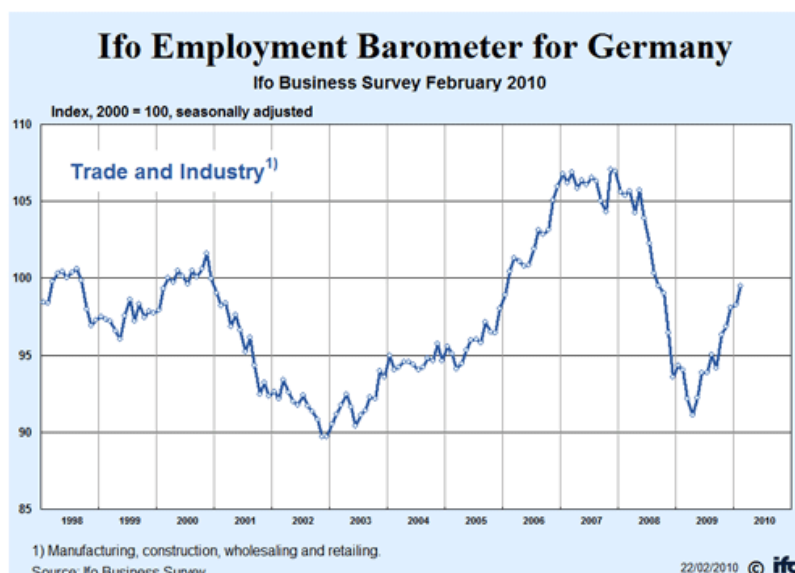


Results of the February 2010 Ifo Business Survey (Summary)¹

Klaus Abberger

The **Ifo Business Climate** for industry and trade in Germany clouded over somewhat in February. For the first time in ten months, the business climate index has not risen. Responsible for this decline is especially the situation in retailing, which experienced a setback in February. On the whole, the firms have assessed their current business situation somewhat more unfavourably than in the previous month. They regard their business outlook for the coming half year slightly more favourably than in January. The economic recovery is expected to continue when winter is over.

The business climate cooled strongly particularly in retailing. Although the Ifo Institute applies a seasonal and weather adjustment of the survey results, the unusual winter weather might have affected the results. The business climate index also fell in wholesaling but not as markedly as in retailing. In construction, the business climate brightened. Although building activity was also considerably constrained by the weather conditions, the building contractors have order stocks in which they have incorporated new jobs that can be worked off at a later period in time. In manufacturing the business climate remains largely stable.

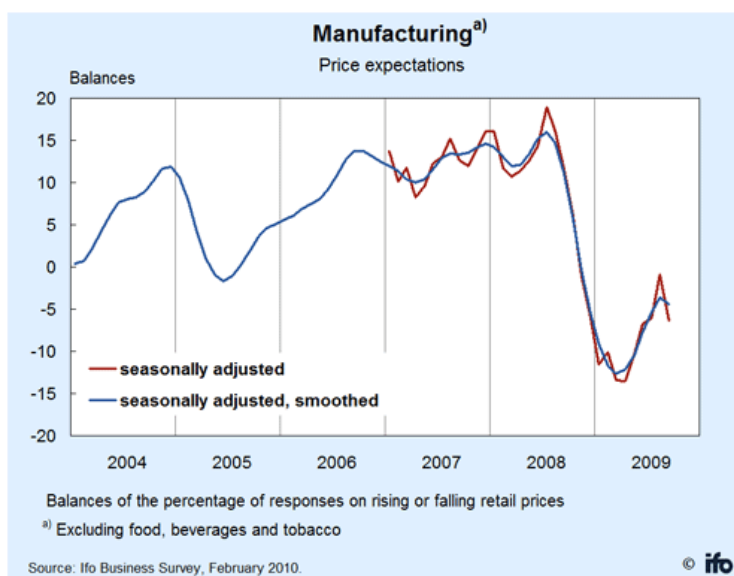
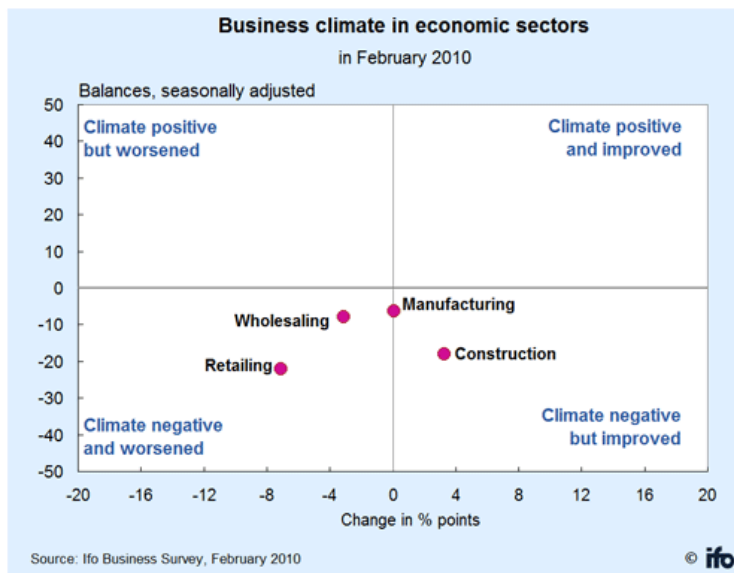
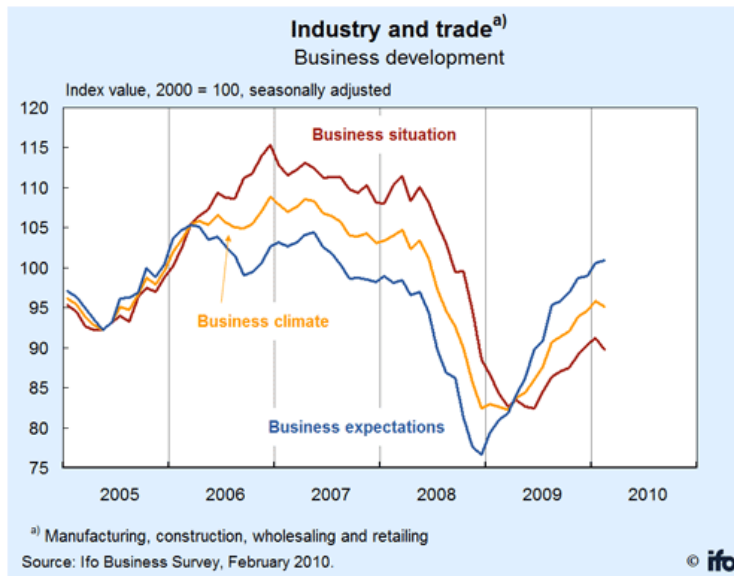


¹ Detailed results (in German) of the Ifo Business Survey and business surveys in other EU countries are published in the journal »ifo Konjunkturperspektiven«.

The **Ifo Employment Barometer** for German industry and trade rose clearly in February. The pressure on the labour market has clearly eased. The economic recovery is thus also visible in the employment situation. The firms in manufacturing are again planning fewer personnel reductions. Especially among capital goods producers, who were strongly impacted by the recession, the employment outlook is clearly less bleak than in the previous month. Specifically in the metal sector and for road vehicle manufacturers, the firms are no longer quite as restrictive in their personnel calculations. The employment outlook has also brightened further for producers of intermediate products. Consumer goods producers, however, are more cautious in their personnel requirements planning than in January. The employment barometer has also risen in retailing. In contrast, construction and wholesaling firms report fewer plans of increases in personnel.

The business climate in **manufacturing** is virtually unchanged. The survey participants were minimally more dissatisfied with their business situation than in January. However, with regard to the business outlook for the coming six months they are again more confident and they expect clearer stimulus from exports. Inventories are assessed less frequently as too large and the production plans of the firms are more clearly expansive than in the past months. The business climate index clearly rose in the capital goods sector, but for intermediate products it is unchanged and it clearly fell for consumer goods. Capital goods producers complain less often about excess inventories and more of them intend to increase production in the coming months. They have also given far more positive appraisals of their export opportunities. This survey response pattern is also evident, in a weaker form, for producers of intermediate goods. Inventories are regarded less frequently as too large, production is set to increase and stronger stimulus is expected from exports. In contrast, the manufacturers of consumer goods evaluated both their business situation as well as their business outlook somewhat more unfavourably. Inventory pressure increased again slightly but remains low, however. Also consumer goods producers intend more frequently to expand production.

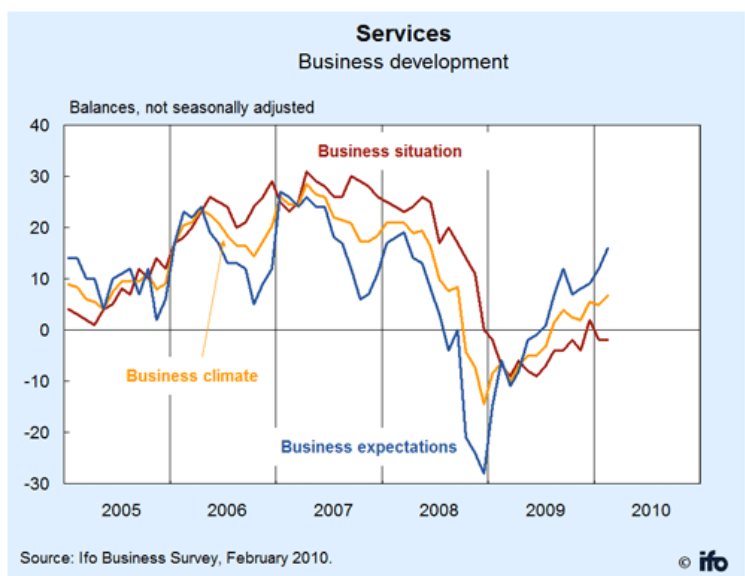
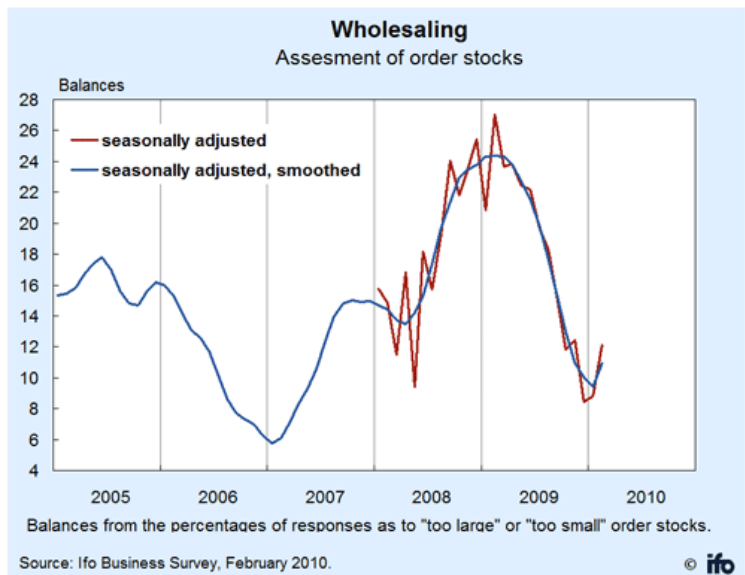
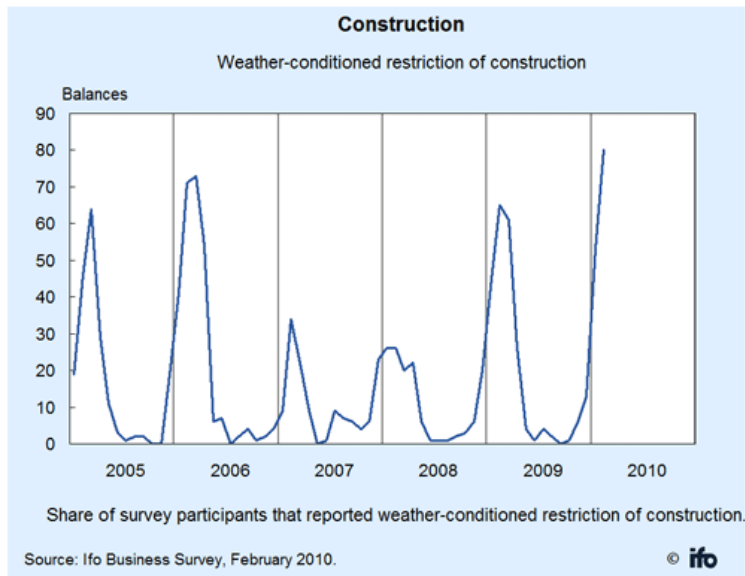
In **construction** the business climate index rose further. The surveyed contractors evaluated their current business situation again a little more favourably than in the previous month. However, current building activity has been strongly constrained by the winter weather, according to the surveyed firms. The contractors are again no-



ticeably more confidently regarding the business outlook, their scepticism here having already decreased clearly in January. The builders have been able to expand their order reserves somewhat and plan to increase building activity in the coming months. The business climate improved slightly in civil engineering and strongly in structural engineering. In both sectors the survey participants complain less frequently about inadequate order stocks. In structural engineering the business climate has brightened continuously. Both in home building as well as commercial building and in non-residential public-sector building, the business climate index rose and the firms have expanded their order reserves.

In **wholesaling** the business climate index fell somewhat. The surveyed wholesalers are noticeably more dissatisfied with their present business situation. However, they regard the six-month business outlook less sceptically than in January. The business climate worsened both in consumer goods trading as well as in industrial B2B. The enterprises that trade in consumer goods appraised their business situation noticeably more unfavourably than in January. Their business expectations are almost as restrained as before. Inventory pressure has increased, according to the surveyed firms, but on the whole is not very great. With regard to prices, they are more prepared to offer concessions. Firms in industrial B2B are also more dissatisfied with their current business situation but are less sceptical regarding the near-term outlook. Inventory pressure increased minimally, and more now expect to be able to increase prices. In construction-oriented wholesaling – trade in construction materials, trade in electrical installation accessories and trade in fittings for gas, water, and heating installations – the business climate deteriorated. In all three sectors, the survey participants are clearly more dissatisfied with their current business situation. They more frequently regard their goods on hand as too large. They differ among themselves however with regard to their expectations of business over the coming six months.

Retailers report a considerably worse business situation than in January. Also their expectation for business in the near future has become considerably bleaker. Both in non-durable and durable consumer goods, the business climate chilled strongly. Although the Ifo Institute adjusts for both the season as well as the weather, despite this mechanical adjustment the extraordinary weather has probably influenced the survey results this time. The business climate index fell particularly strongly in the retailing of textiles and clothing, in the retailing of furniture and home furnishings as well as in those retail sectors that sell electronic and electrical devices. The bleak business climate in car retailing has not changed much. The surveyed participants



are perceptibly more dissatisfied with their current business situation; nevertheless they are not quite as pessimistic regarding the business outlook as they were in January.

The business climate for the **service sector**² brightened in February. The queried service providers assessed their business situation as unchanged, but with regard to the business outlook for the coming half year, they more confident than they were in January. Also the employment outlook has improved, according to the survey responses. Travel agents and organisers report a more favourable business climate and a more positive business outlook, which has led to a brighter business climate. These firms also plan to increase staff levels. In the area of business consultancy and public relations, the business climate indicator has also risen. Firms here are more satisfied with their business conditions and see even better opportunities in the six months ahead. In contrast, the business climate indicator has fallen in advertising, although only a portion of the gains recorded in January have been lost. While the advertising firms are nearly as satisfied with their current situation as they were before, they are not quite as optimistic regarding the six-month business outlook as in January. In the area of EDP services the business climate is insignificantly better than in January. The firms are a little less satisfied with current business but again see improved business opportunities in the coming six months.

² *Not contained in the results for German trade and industry; not seasonally adjusted*