

Ifo Credit Climate in Manufacturing

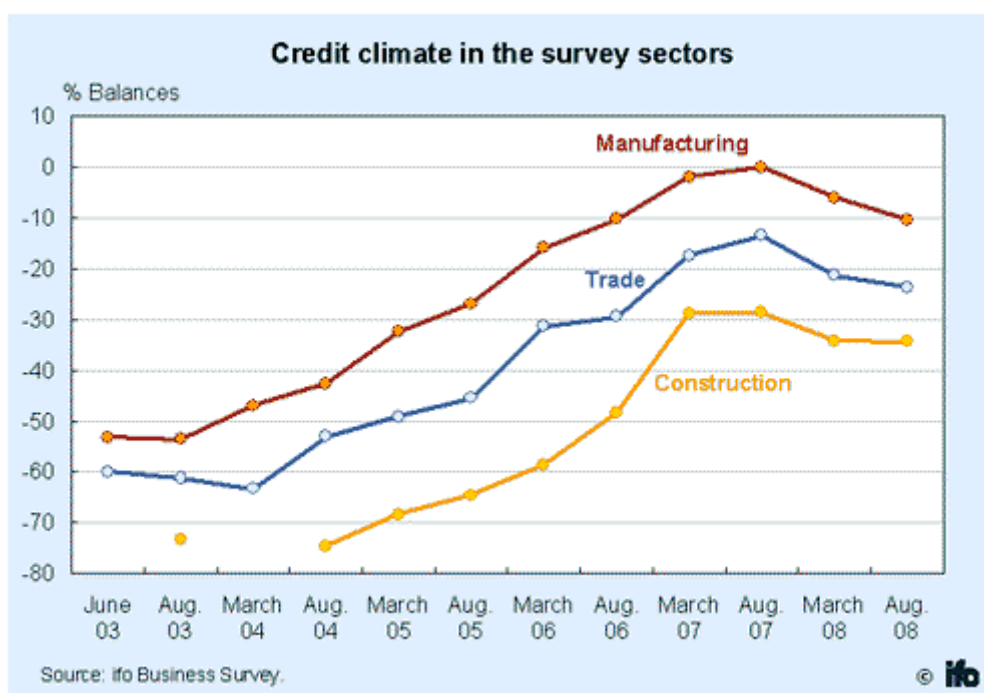
Credit climate: Indicator fell once more

The firms of the manufacturing industry, retail and wholesale trade, and construction faced a slight tightening of the credit market. The cyclical weakening of the German economy has caused banks to tighten their credit directives and to raise their risk premia. As a consequence, firms must now expect more and more unfavourable credit terms. The credit climate indicator for the manufacturing industry declined from -6 to -10,3, for trade from -21,2 to -23,6 and for the construction industry from -34,2 to -34,3 percentage points.

The worsening of the credit climate in manufacturing was caused primarily by the more unfavourable responses of east German firms. In east Germany the credit climate fell for the first time since the start of the survey.

Firms in the construction industry see the banks' lending decisions differently depending on the region they are in. In western Germany, the credit climate has continued to cool off slightly, whereas in eastern Germany the construction firms even reported a small improvement.

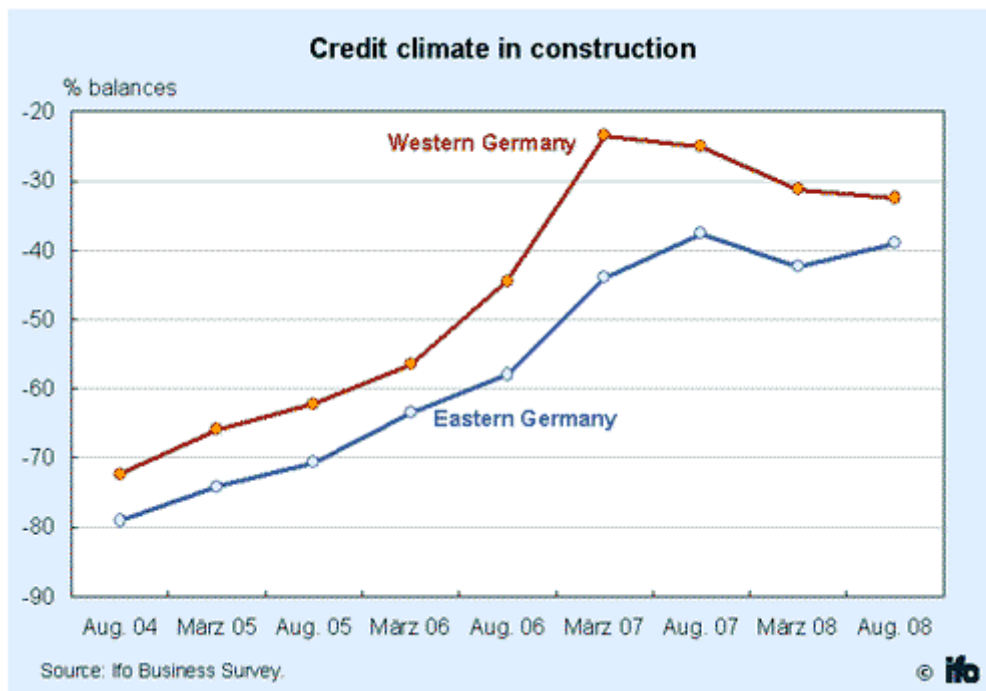
In retail and wholesale trade, the firms' assessments of lending have also deteriorated further. In regional terms, however, they have thus become aligned. Last March it had been primarily west German retailers and wholesalers reporting more restrictive policies of their banks; now this trend may also be observed for their east German counterparts. An exception are the west German retailers who did not report more restrictive lending policies compared to the March survey.



Ifo Credit Climate in Manufacturing (% balances)

Month/Year	06/03	08/03	03/04	08/04	03/05	08/05	03/06	08/06	03/07	03/07	03/08	08/08
Credit Climate	-53.2	-53.6	-47.0	-42.6	-32.4	-26.8	-15.9	-10.1	-1.9	0.0	-6.0	-10.3

Source: Ifo Business Survey.



Publication:

André Kunkel, „Kreditklimaindikator wieder leicht gefallen“, ifo Schnelldienst 61(17), 2008, 32-34

Legend: Twice a year, the Ifo Institute asks the firms that participate in the Ifo Business Survey for their assessments of bank lending policies. From these responses, the credit climate is derived, which reflects the sentiment of the firms regarding the credit market. The participants have the choice of responding with “accommodating”, “normal/usual” or “reserved/restrictive”. The credit climate is calculated as the portion of participants that respond with “accommodating” less the portion of those who marked “reserved/restrictive”.