

Ifo Business Climate Germany

Results of the April 2009 Ifo Business Survey

Rise in the Ifo Business Climate Index

The Ifo Business Climate for industry and trade in Germany has improved somewhat in April. The firms are no longer quite so dissatisfied with their current business situation than in the previous month. With regard to the business outlook for the coming half year, the sceptical assessments have again been reduced somewhat. It is thus likely that the decline in economic output will slow clearly.

In *manufacturing* the business climate index has risen. The manufacturers have given hardly less unfavourable assessments of their current business situation than in March, but they regard the business outlook for the coming half year with clearly less pessimism. They see their foreign business shrinking at a somewhat slower pace. Nevertheless, the firms plan to continue to reduce staff numbers. The utilisation of available equipment and machines was considerably lower than at the beginning of the year.

In *wholesaling* and in *retailing* the business climate has improved. In both distribution sectors the survey participants have assessed their current business situation somewhat more favourably than in March. Moreover, wholesalers are somewhat less sceptical with a view to the six-month outlook. The business expectations of retailers have deteriorated further, however.

The business climate in *construction* has worsened slightly. Although the firms' current business situation remains largely unchanged, the survey participants have given more reserved assessments of the six-month business outlook than in March.

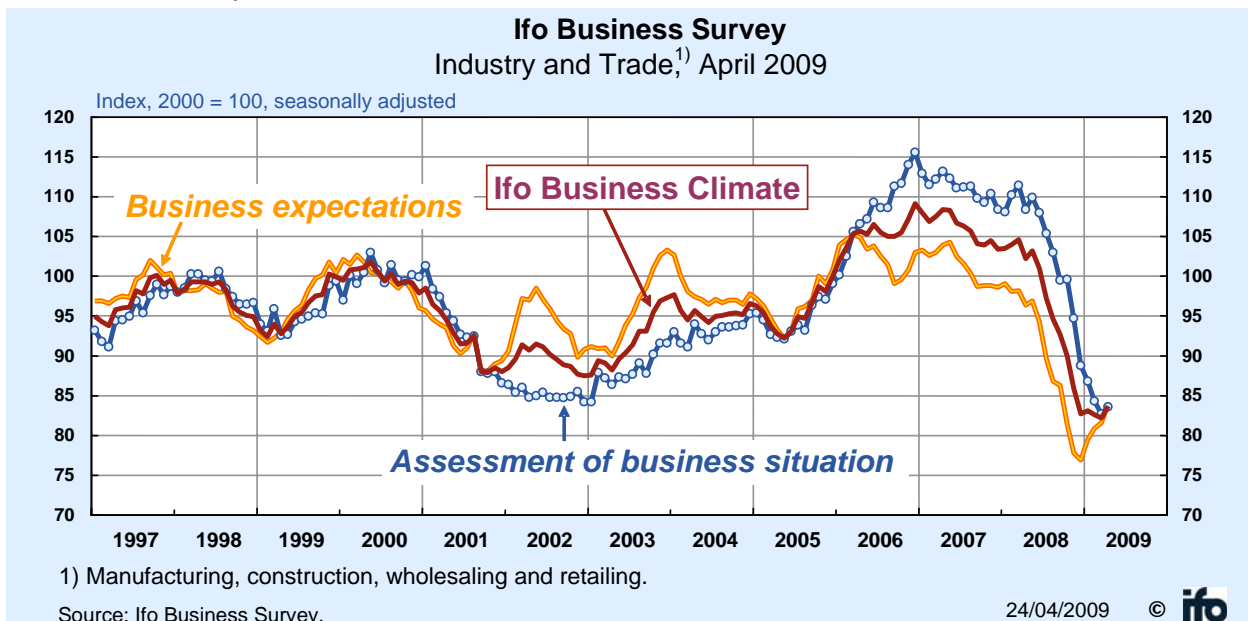
Hans-Werner Sinn

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

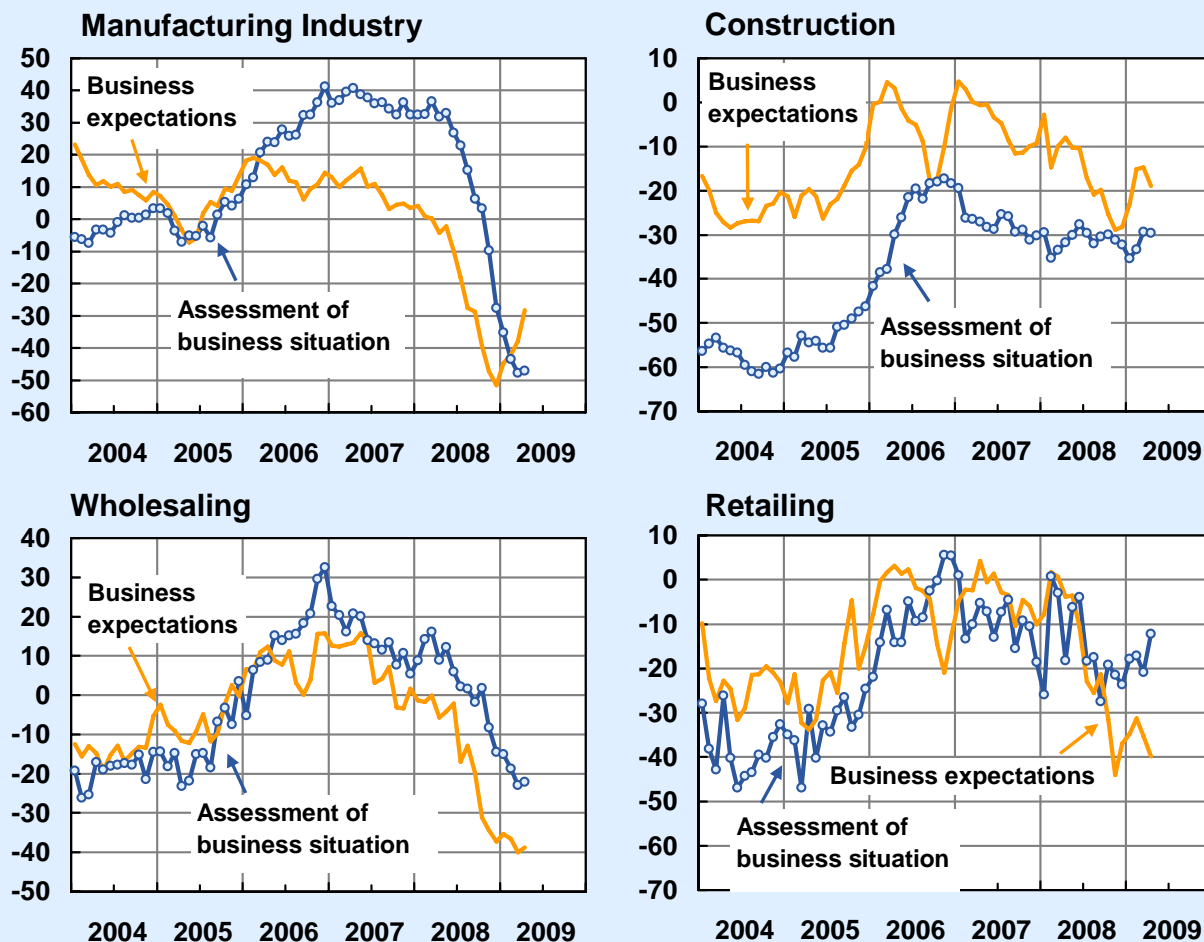
Germany (Index, 2000 = 100, seasonally adjusted)

Month/year	04/08	05/08	06/08	07/08	08/08	09/08	10/08	11/08	12/08	01/09	02/09	03/09	04/09
Climate	102.2	103.2	101	97.2	94.6	92.7	90	85.9	82.7	83.1	82.6	82.2	83.7
Situation	108.4	109.9	108	105.4	103	99.5	99.6	94.7	88.8	86.8	84.3	82.7	83.6
Expectations	96.4	96.9	94.3	89.6	86.8	86.3	81.4	77.8	76.9	79.5	80.9	81.6	83.9

Source: Ifo Business Survey



Business Situation and Expectations by Sector April 2009; balances, seasonally adjusted



Source: Ifo Business Survey.

24/04/2009 © ifo

Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	04/08	05/08	06/08	07/08	08/08	09/08	10/08	11/08	12/08	01/09	02/09	03/09	04/09
Trade and Industry	3.7	5.8	1.2	-6.2	-11.5	-15.3	-20.6	-28.9	-35.2	-34.5	-35.4	-36.2	-33.1
Manufacturing	13.0	14.6	7.6	1.4	-7.4	-12.1	-19.3	-29.5	-40.0	-40.0	-42.7	-42.9	-38.0
Construction	-20.2	-20.5	-19.2	-23.4	-26.5	-25.2	-27.7	-30.0	-30.3	-29.4	-24.4	-22.1	-24.3
Wholesaling	1.5	3.8	1.9	-7.6	-5.7	-10.9	-15.3	-21.8	-26.3	-25.5	-27.9	-31.7	-30.6
Retailing	-11.1	-4.9	-7.3	-20.6	-21.5	-24.5	-25.5	-33.2	-30.4	-26.6	-24.3	-28.3	-26.5

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 normalised to the average of the year 2000.

Ifo Business Climate in the German Service Sector

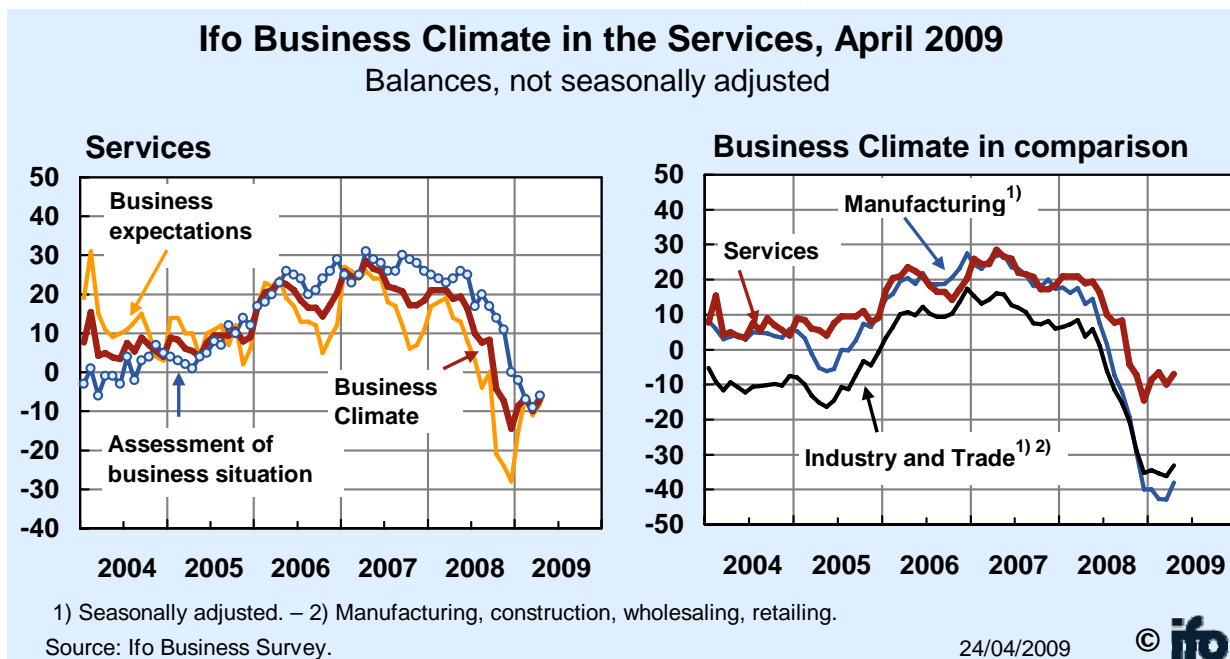
Results of the April 2009 Ifo Business Survey

Slight Recovery of the Business Climate Indicator in the Services

The Ifo Business Climate Indicator in the German service sector has improved somewhat in April. The surveyed service providers have again assessed their current business situation less unfavourably than in the previous month. With regard to the business outlook for the coming half year they are also less sceptical. But they still tend to expect a worsening of their business. Personnel plans continue to point to a slight reduction in staff.

Hans-Werner Sinn

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



German Services Sector (Balances, not seasonally adjusted)

Month/Year	04/08	05/08	06/08	07/08	08/08	09/08	10/08	11/08	12/08	01/09	02/09	03/09	04/09
Climate	18.9	19.4	16.3	9.9	7.7	8.3	-4.3	-7.3	-14.5	-8.6	-6.5	-10.0	-7.0
Situation	24.0	26.0	25.0	17.0	20.0	17.0	14.0	11.0	0.0	-2.0	-7.0	-9.0	-6.0
Expectations	14.0	13.0	8.0	3.0	-4.0	0.0	-21.0	-24.0	-28.0	-15.0	-6.0	-11.0	-8.0

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.