

Ifo Business Climate Germany

Results of the Ifo Business Survey for January 2016

Ifo Business Climate Index Drops Markedly

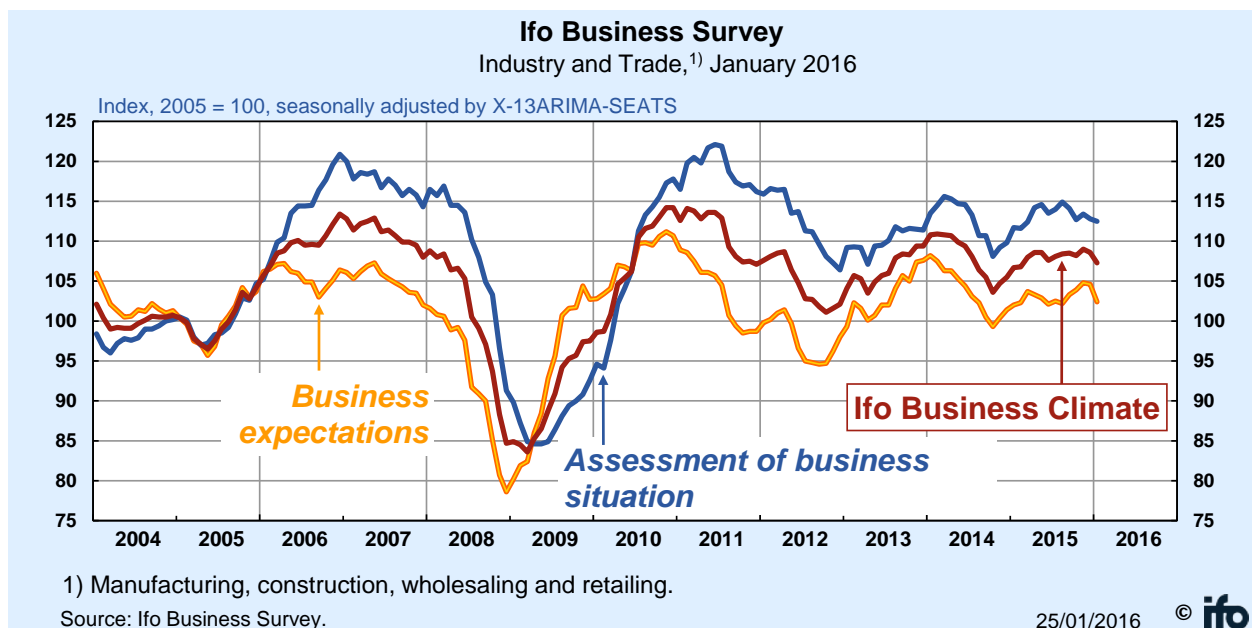
Sentiment among German businesses weakened at the beginning of the year. The Ifo Business Climate Index for German industry and trade fell to just 107.3 points in January from 108.6 points¹ in December. Assessments of the current business situation were scaled back slightly, but remained very good. Business expectations, by contrast, clouded over significantly. The year started with an unpleasant surprise for the German economy.

In *manufacturing* the business climate index fell to a 12-month low. Favourable assessments of the current business situation were only scaled back a little, but business expectations were substantially revised downwards. Although the chemicals sector benefited from low oil prices, sentiment weakened in several other branches, including mechanical engineering and the automotive sector, mainly due to the poorer export outlook. Capacity utilisation rates in manufacturing on the whole rose by 0.6 percentage points to 85.1 percent.

In *wholesaling* the business climate index rose, mainly due to far better assessments of the current situation. Wholesalers' business expectations, by contrast, deteriorated slightly. In *retailing* the index remained almost unchanged. While retailers were slightly less satisfied with their current situation, their business expectations turned positive.

In *construction* the business climate index continued to fall markedly, but still remains clearly above its long-term average. The decline was due to more pessimistic expectations on the part of contractors. Assessments of the current business situation, by contrast, reached their highest level in over two years.

Hans-Werner Sinn
President of the Ifo Institute



Germany (Index, 2005 = 100, seasonally adjusted)

Month/year	01/15	02/15	03/15	04/15	05/15	06/15	07/15	08/15	09/15	10/15	11/15	12/15	01/16
Climate	106.7	106.8	108.0	108.6	108.6	107.6	108.1	108.4	108.5	108.2	109.0	108.6	107.3
Situation	111.7	111.6	112.4	114.2	114.6	113.5	114.0	114.9	114.1	112.7	113.4	112.8	112.5
Expectations	102.0	102.3	103.7	103.3	102.9	102.1	102.5	102.2	103.3	103.9	104.8	104.6	102.4

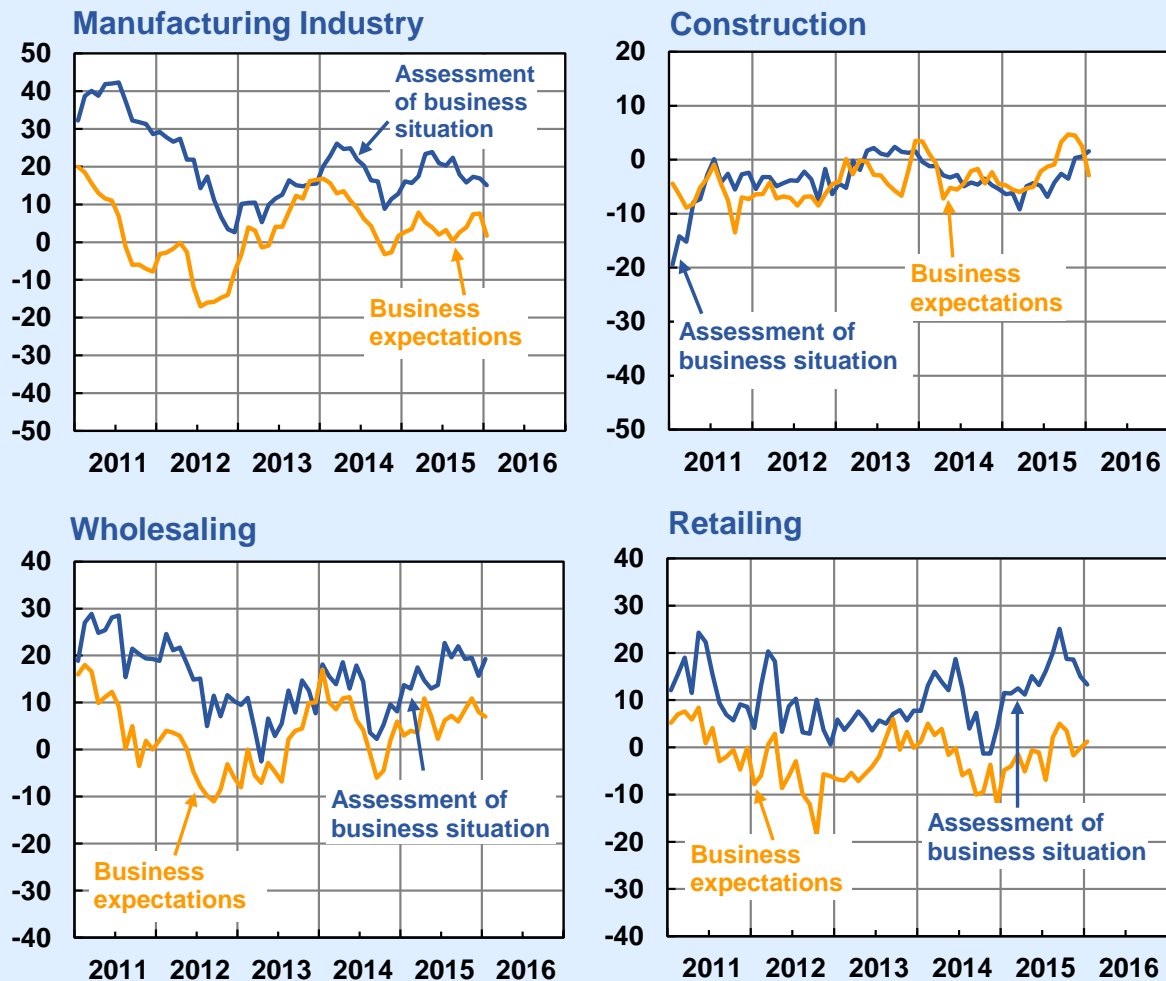
Source: Ifo Business Survey.

For long time-series in Excel format consult www.cesifo-group.de/langereihen.

¹ This figure was revised due to the seasonal adjustment.

Business Situations and Expectations by Sector

January 2016; balances, seasonally adjusted by X-13ARIMA-SEATS



Source: Ifo Business Survey.

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Ifo Business Climate Germany (Balances, seasonally adjusted)

Month/year	01/15	02/15	03/15	04/15	05/15	06/15	07/15	08/15	09/15	10/15	11/15	12/15	01/16
Trade and Industry	6.6	6.8	9.0	10.2	10.1	8.3	9.2	9.8	10.1	9.4	11.0	10.2	7.8
Manufacturing	9.3	9.5	12.6	14.1	13.7	11.2	11.6	11.1	10.1	9.8	12.3	12.2	8.3
Construction	-5.6	-5.8	-7.6	-5.1	-4.6	-3.5	-4.1	-2.6	0.3	0.6	2.4	1.6	-0.7
Wholesaling	8.3	8.5	10.4	12.8	10.1	7.9	14.3	13.3	13.8	13.8	15.1	11.8	13.0
Retailing	3.2	3.6	5.4	2.9	7.1	5.9	4.3	10.9	14.8	10.9	8.2	7.3	7.2

Source: Ifo Business Survey.

Explanatory note: The Ifo Business Climate Index is based on ca. 7,000 monthly survey responses from 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”, “satisfactory” 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 between the percentages of the responses “good” and “poor”; the balance value of the expectations is the difference between 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 the purpose of calculating the **index values**, the transformed balances are all normalised to the average of the year 2005.

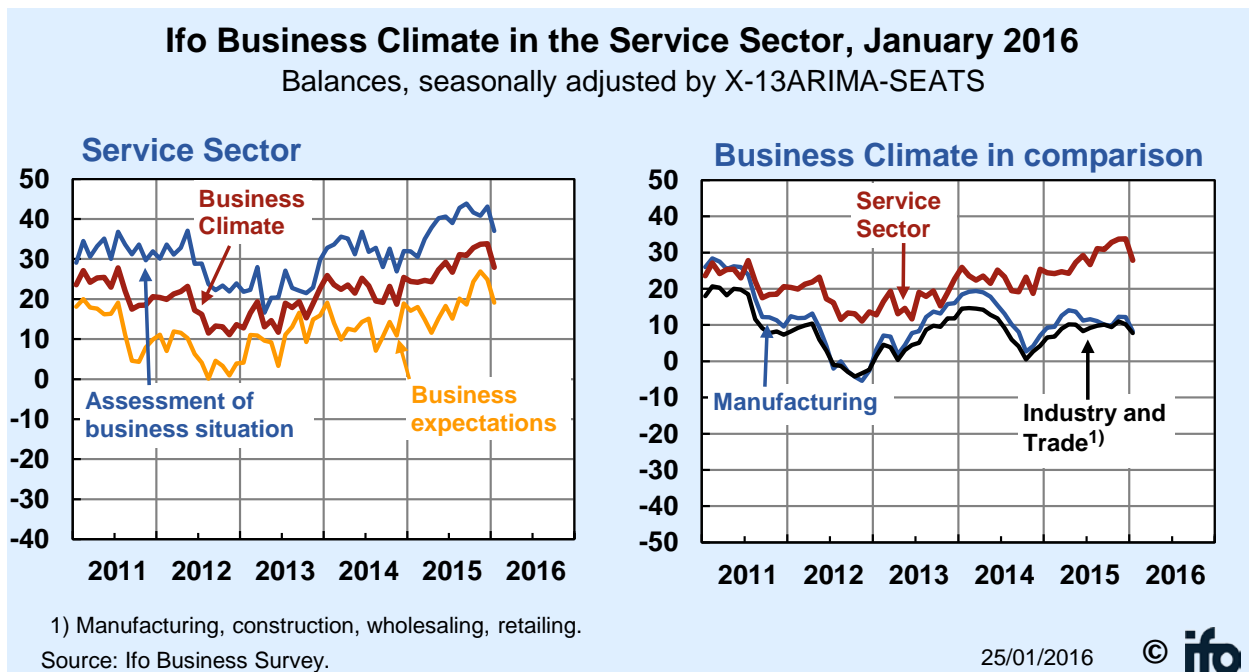
Ifo Business Climate in the German Service Sector

Results of the January 2016 Ifo Business Survey

Ifo Business Climate Indicator Falls Sharply

The Ifo Business Climate indicator for the German service sector failed to stay at last month's record high. The indicator dropped sharply from 33.8 balance points to 27.9 balance points. This marks its steepest decline since April 2013. Both assessments of the current business situation and business expectations fell significantly. Service providers' willingness to recruit new staff declined slightly, but nevertheless remained high.

Hans-Werner Sinn
President of the Ifo Institute



German Service Sector (balances, seasonally adjusted)

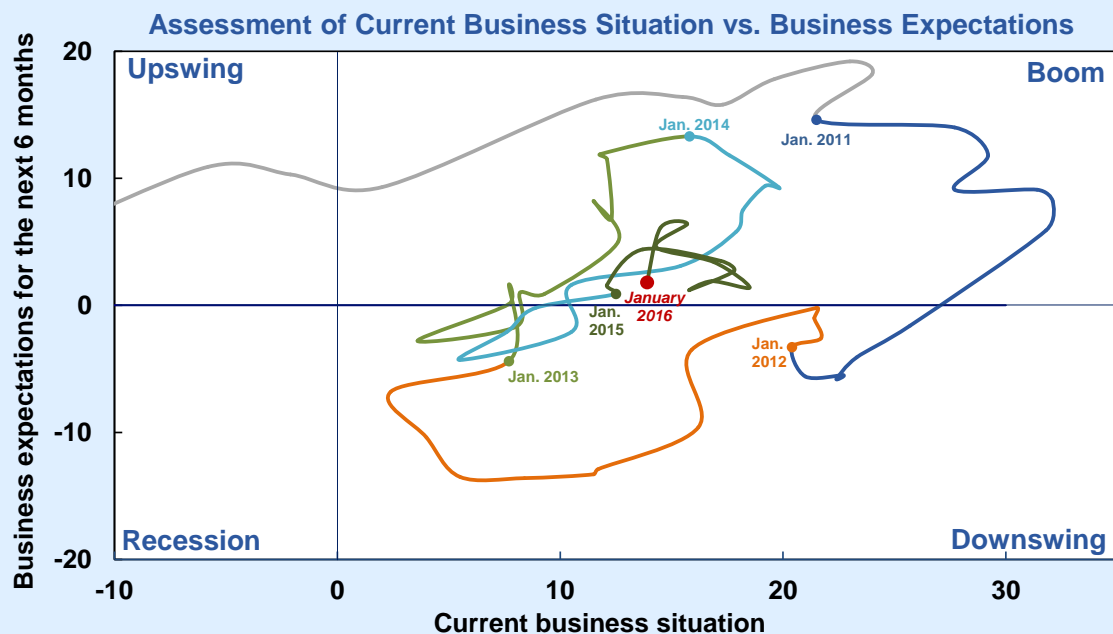
Month/Year	01/15	02/15	03/15	04/15	05/15	06/15	07/15	08/15	09/15	10/15	11/15	12/15	01/16
Climate	24.4	24.2	24.7	24.3	27.3	29.2	26.7	31.1	30.9	32.8	33.7	33.8	27.9
Situation	31.9	30.5	35.0	37.8	40.2	40.6	39.0	42.8	43.9	41.6	40.8	43.1	37.0
Expectations	17.1	18.0	14.9	11.6	15.2	18.3	15.1	20.1	18.6	24.3	26.9	24.9	19.1

Source: Ifo Business Survey.

For long time-series in Excel format consult www.cesifo-group.de/langereihen.

Explanatory note: The Ifo Business Survey of the service sector is based on ca. 2,500 monthly survey responses from firms in key segments of the tertiary sector, especially business-oriented segments (excl. distribution, financial services, Leasing, insurance and government). The survey is conducted and calculated in the same way as the Ifo Business Survey of industry and trade. The indicator for the Business Climate in the service sector has not yet been incorporated into the Ifo Business Climate Index for industry and trade.

Ifo Business-Cycle Clock Germany Industry and Trade

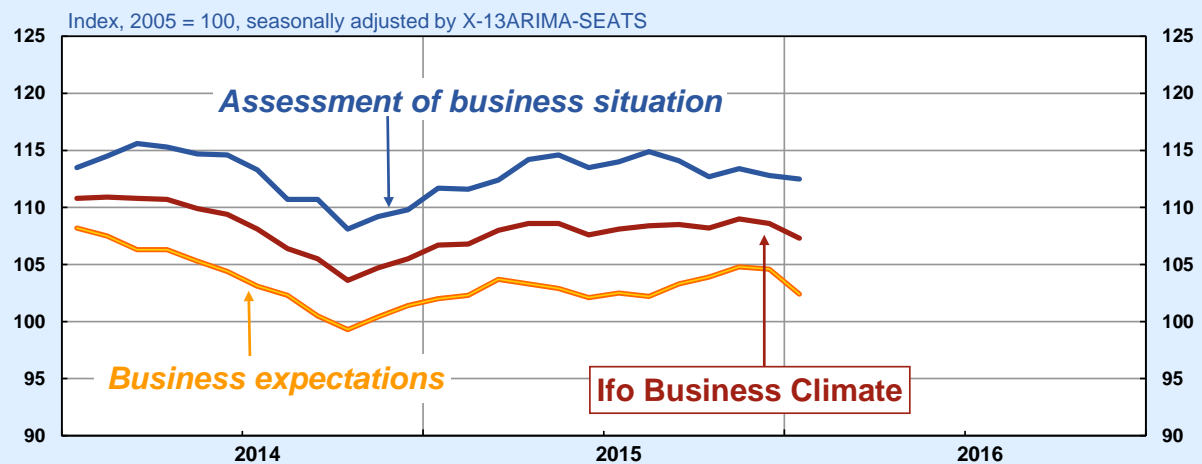


Balances, seasonally adjusted.
Source: Ifo Business Survey.

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Ifo Business Survey

Industry and Trade,¹⁾ January 2016



1) Manufacturing, construction, wholesaling and retailing.

Source: Ifo Business Survey.

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