

ifo Business Climate Germany
Results of the ifo Business Survey for March 2019

ifo Business Climate Index rises

Munich, 25 March 2019 – Sentiment among German business leaders has improved somewhat. The ifo Business Climate Index rose in March from 98.7¹ to 99.6 points. This is the first increase following six declines in succession. The companies are somewhat more satisfied with their current business situation, and they are decidedly more optimistic regarding business in the coming six months. The German economy is showing resilience.

In *manufacturing* the business climate weakened once again. The manufacturers assessed their current business somewhat less positively. The outlook also worsened. The expectations component fell to its lowest value since November 2012. With declining demand, businesses hardly expect any more increases in production.

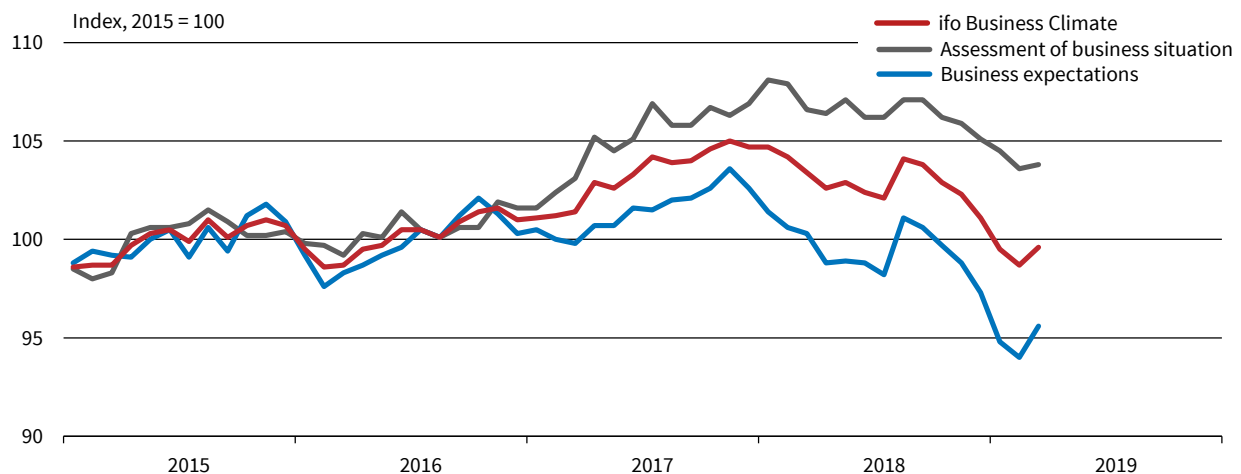
In the *services* the index rose noticeably, mainly as a result of clearly more optimistic expectations. The service providers gave more positive assessments to their already favorable business situation.

In *trade* the business climate improved. Appraisals of the current situation rose to their highest level since May 2018. Also the business expectations brightened. Especially the retailers reported a very good current situation.

In *construction* the business climate index rose, after a weakening trend in past months. This was the result of a clearly improved current business situation. The outlook remains largely unchanged.

Clemens Fuest
President of the ifo Institute

ifo Business Climate Germany^a Seasonally adjusted



^a Manufacturing, service sector, trade and construction.
Source: ifo Business Survey, March 2019.

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ifo Business Climate Germany (Index, 2015 = 100, seasonally adjusted)

Month/year	03/18	04/18	05/18	06/18	07/18	08/18	09/18	10/18	11/18	12/18	01/19	02/19	03/19
Climate	103.4	102.6	102.9	102.4	102.1	104.1	103.8	102.9	102.3	101.1	99.5	98.7	99.6
Situation	106.6	106.4	107.1	106.2	106.2	107.1	107.1	106.2	105.9	105.1	104.5	103.6	103.8
Expectations	100.3	98.8	98.9	98.8	98.2	101.1	100.6	99.7	98.8	97.3	94.8	94.0	95.6

Source: ifo Business Survey.

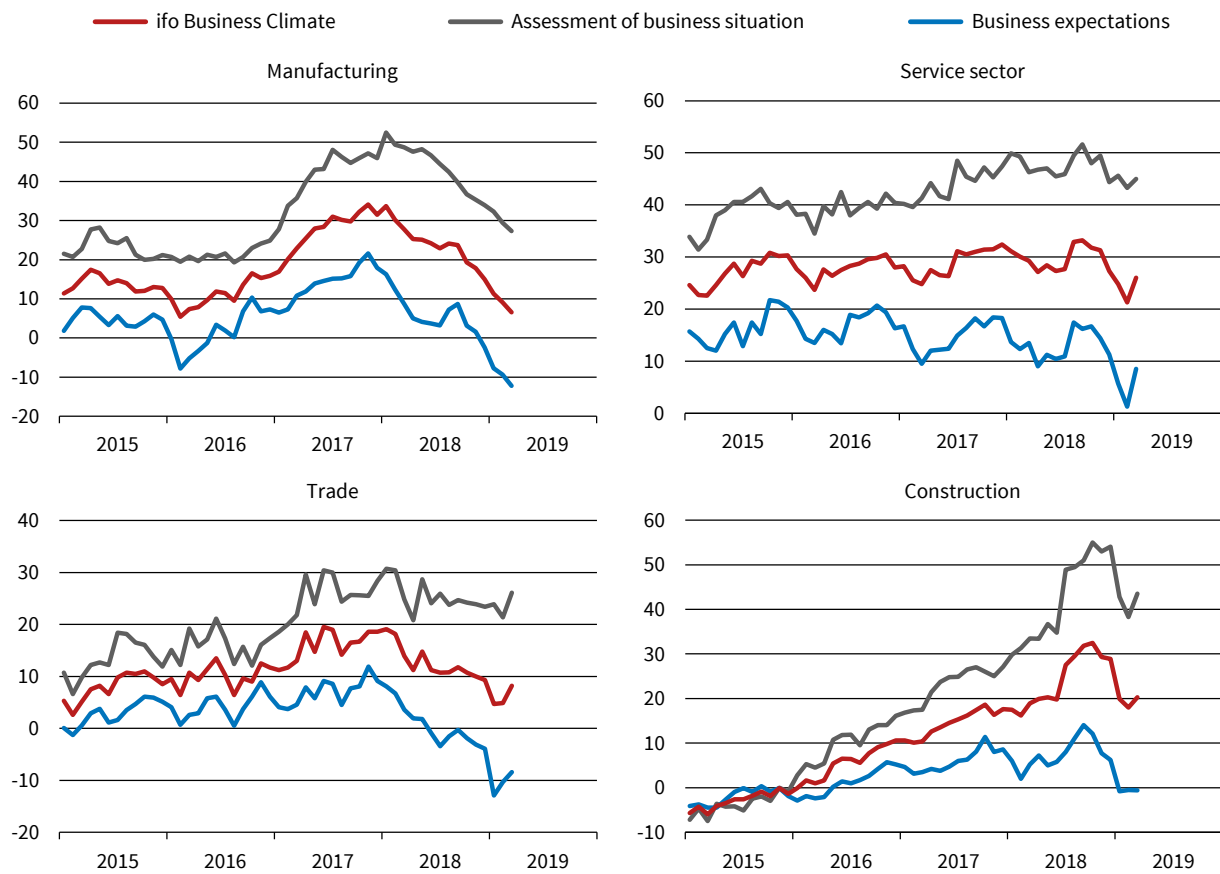
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For long time-series in Excel format consult www.cesifo-group.de/langereihen.

¹ Seasonally adjusted

ifo Business Climate, business situation and expectations by sector

Balances, seasonally adjusted



Source: ifo Business Survey, March 2019.

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ifo Business Climate Germany by sector (Balances, seasonally adjusted)

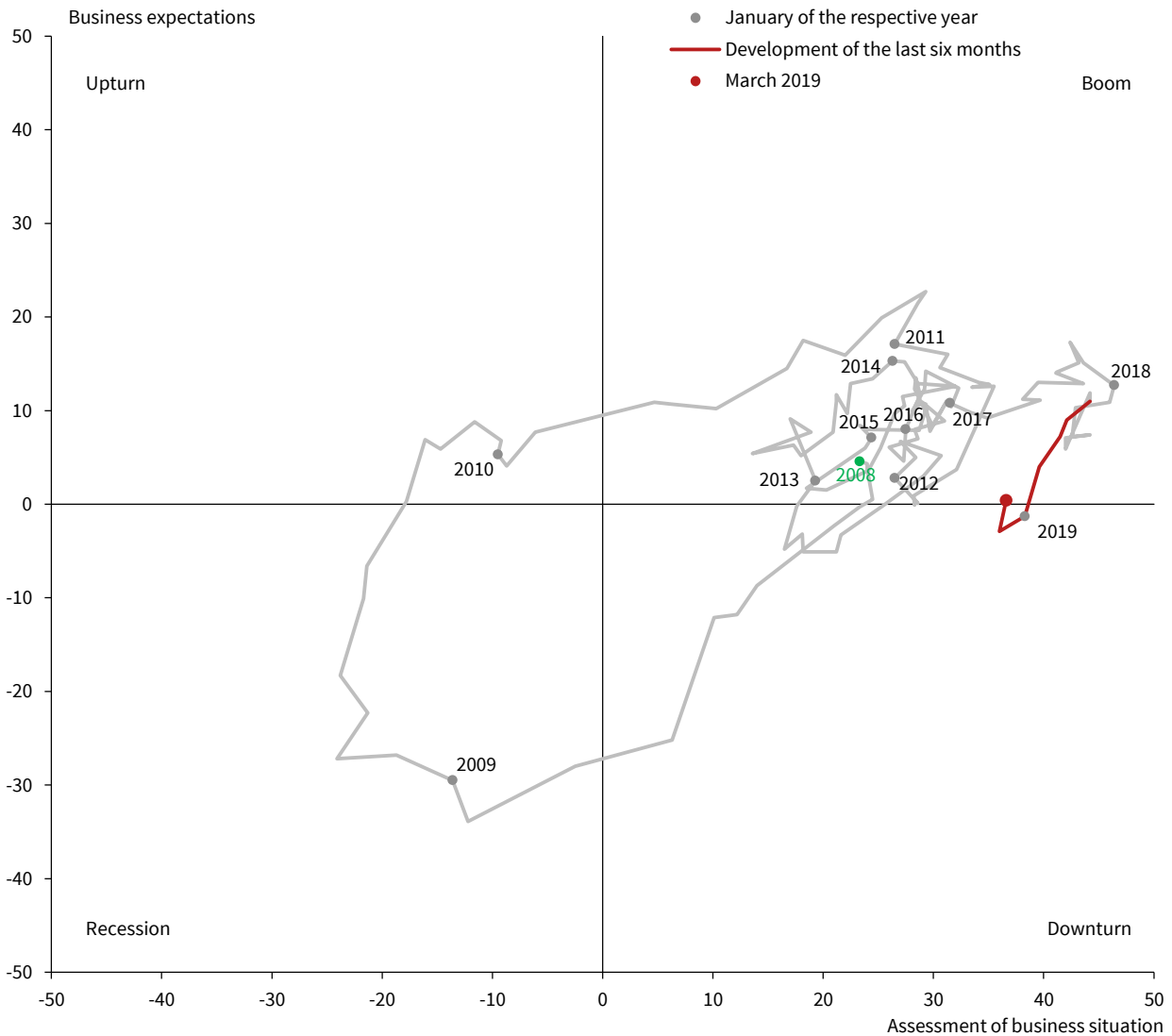
Month/year	03/18	04/18	05/18	06/18	07/18	08/18	09/18	10/18	11/18	12/18	01/19	02/19	03/19
Germany	26.0	24.2	25.0	23.9	23.2	27.5	27.0	25.0	23.7	21.1	17.6	15.7	17.7
Manufacturing	27.8	25.3	25.1	24.2	22.9	24.1	23.7	19.3	17.8	15.0	11.3	9.1	6.6
Service sector	29.3	27.1	28.4	27.3	27.7	32.9	33.2	31.8	31.3	27.3	24.8	21.3	26.0
Trade	13.9	11.2	14.8	11.2	10.7	10.8	11.8	10.7	10.0	9.3	4.7	4.9	8.2
Construction	18.9	19.9	20.3	19.8	27.5	29.5	31.8	32.5	29.3	28.9	19.9	18.0	20.3

Source: ifo Business Survey.

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The ifo Business Climate is based on ca. 9,000 monthly survey responses from firms in manufacturing, service sector, trade and construction. 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 2015.

ifo Business Cycle Clock Germany^a
 Balances, seasonally adjusted

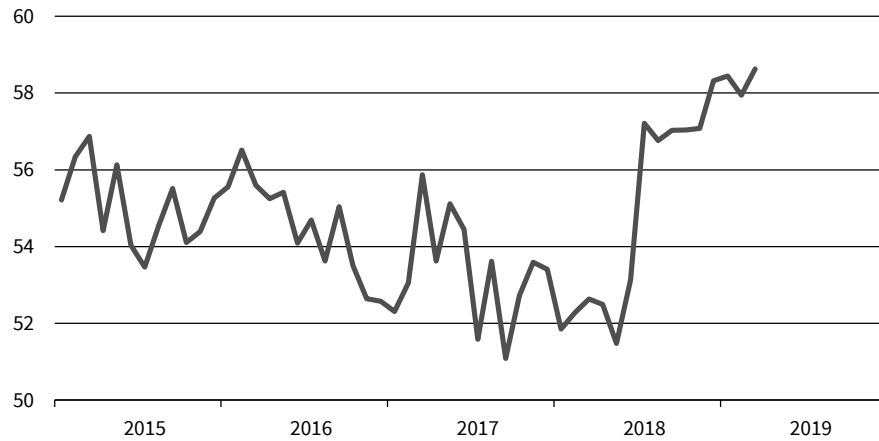


^a Manufacturing, service sector, trade and construction.
 Source: ifo Business Survey, March 2019.

The ifo Business Cycle Clock shows the cyclical relationship between the current business situation and business expectations in a four-quadrant diagram. In this diagram economic activity – shown on a graph plotting the economic situation against expectations – passes through quadrants labelled with the different phases of economic activity, namely upturn, boom, downturn, recession; provided that the expectation indicator sufficiently precedes the current business situation indicator. If survey participants’ assessments of the current business situation, and thus of business expectations, are negative on balance, the economic situation indicator moves into the “recession” quadrant. If the expectations indicator is positive (with a poor, but improving business situation on balance), economic activity is shown in the “upturn” quadrant. If the business situation and business expectations are both positive on balance, economic activity enters the “boom” quadrant. If, however, the expectations indicator turns minus (with the business situation remaining good on balance, but deteriorating), economic activity slips into the “downturn” quadrant.

ifo Dispersion Germany^a

Seasonally adjusted and three months moving average



^a Manufacturing, service sector, trade and construction.

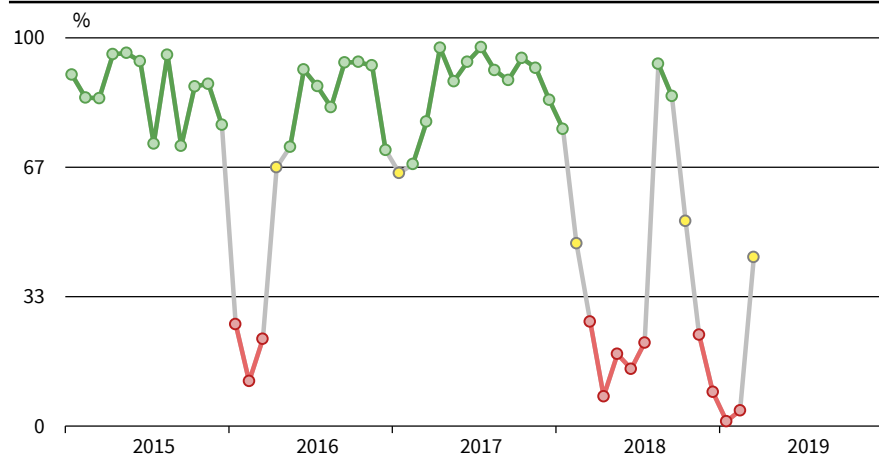
Source: ifo Business Survey, March 2019.

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Increases in dispersion measure signals greater uncertainty on the part of firms. Values can range from between 0 and 100. The measure is based on responses to questions related to expectations regarding the six-month business outlook and is generated from the dispersion of these expectations at any given time.

ifo Business Cycle Traffic Lights Germany

Monthly probability for economic expansion^a



^a Green = high, yellow = medium, red = low. Calculated on the basis of the monthly changes of the ifo Business Climate Index Germany.

Source: ifo Business Survey, March 2019.

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Monthly movements of the ifo Business Climate Index Germany can be transformed with the help of Markov Switching Models into probability statements for the two cyclical regimes expansion or contraction. The ifo Business Cycle Traffic Lights provides the monthly regime probabilities for the expansion phase. The probabilities signal an economic expansion (green lights) insofar as they exceed the 66% mark; contractions insofar as they are under the 33% mark (red lights); or indifference (yellow lights) when in the range in between. This indifference interval can be interpreted as a buffer zone between the regimes expansion and contraction, in which particularly great uncertainty exists about the state of the economy.