

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

ifo Business Climate Index Rises a Little

Munich, November 25, 2019 – Sentiment among German executives has improved a little. The ifo Business Climate Index rose from 94.7 points in October to 95.0 points in November. Companies' assessment of the current situation was slightly better. Their expectations were also less pessimistic than in October. The German economy is showing resilience. The ifo Institute is expecting GDP growth of 0.2 percent in the fourth quarter.

Manufacturing, however, is still stuck in recession. The index fell back in November following a rise in October. This was the result of a noticeably poorer assessment of the current situation. In contrast, expectations brightened somewhat. Companies still find their current order backlog very disappointing. They are planning further production cutbacks.

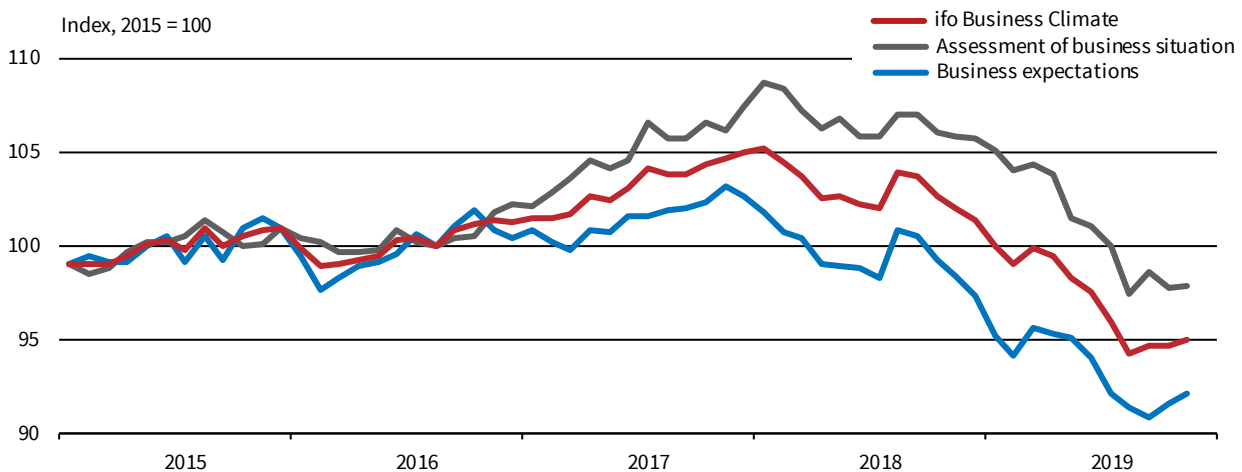
In the *service sector*, the business climate has improved. Service providers were more satisfied with their current situation. After four months, their expectations have also departed negative territory.

In *trade*, the index has increased strongly. Traders were more satisfied with the current situation. The expectation index also rose markedly. The signs are that business will be very good this Christmas.

In *construction*, the Business Climate Indicator has fallen somewhat. Companies were less satisfied with their current situation. Their expectations are also more muted.

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, November 2019.

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

Month/year	11/18	12/18	01/19	02/19	03/19	04/19	05/19	06/19	07/19	08/19	09/19	10/19	11/19
Climate	102.0	101.4	100.0	99.0	99.9	99.5	98.3	97.5	96.0	94.3	94.7	94.7	95.0
Situation	105.8	105.7	105.1	104.0	104.4	103.8	101.5	101.1	100.0	97.4	98.6	97.8	97.9
Expectations	98.4	97.3	95.2	94.1	95.6	95.3	95.1	94.0	92.1	91.4	90.9	91.6	92.1

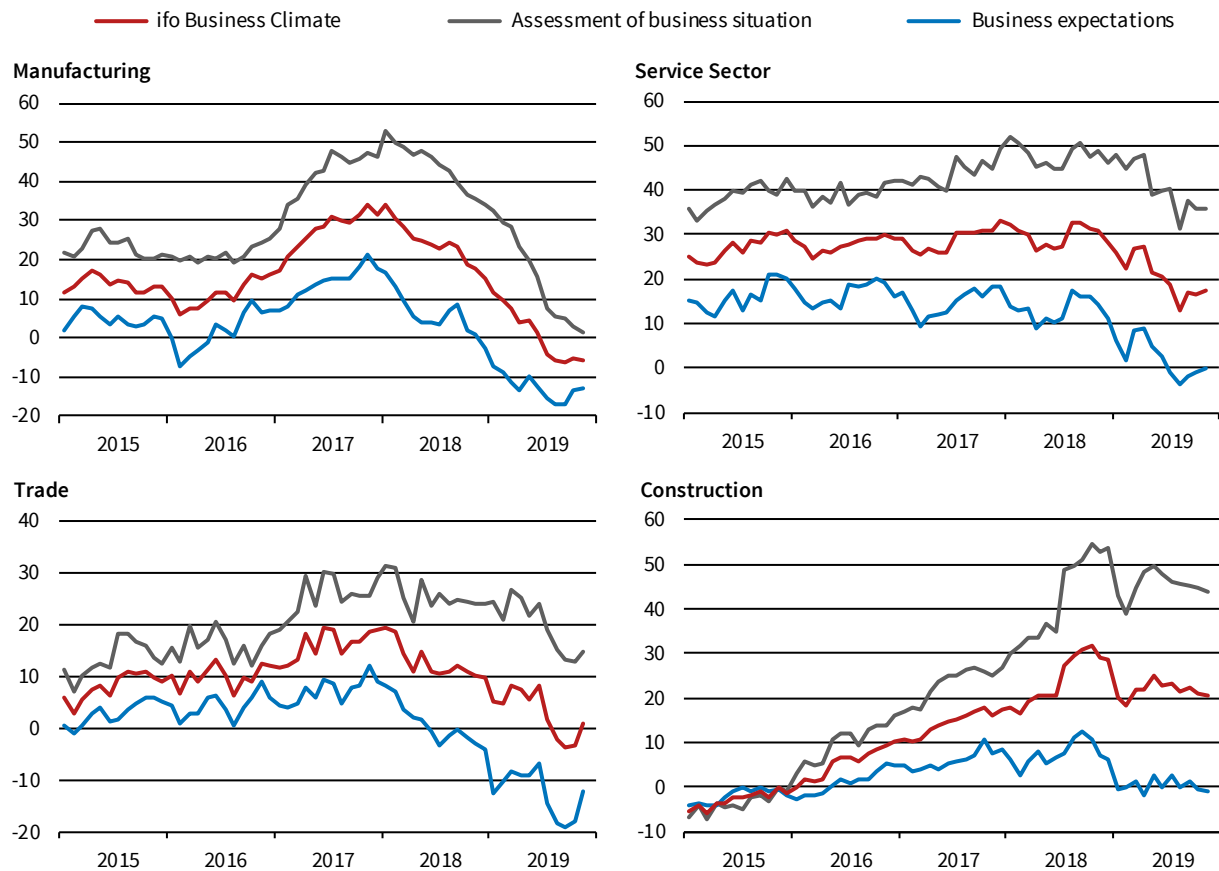
Source: ifo Business Survey

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For long time-series in Excel format, please see <https://www.ifo.de/en/umfragen/time-series>.

ifo Business Climate, Business Situation, and Expectations by Sector

Balances, seasonally adjusted



Source: ifo Business Survey, November 2019.

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

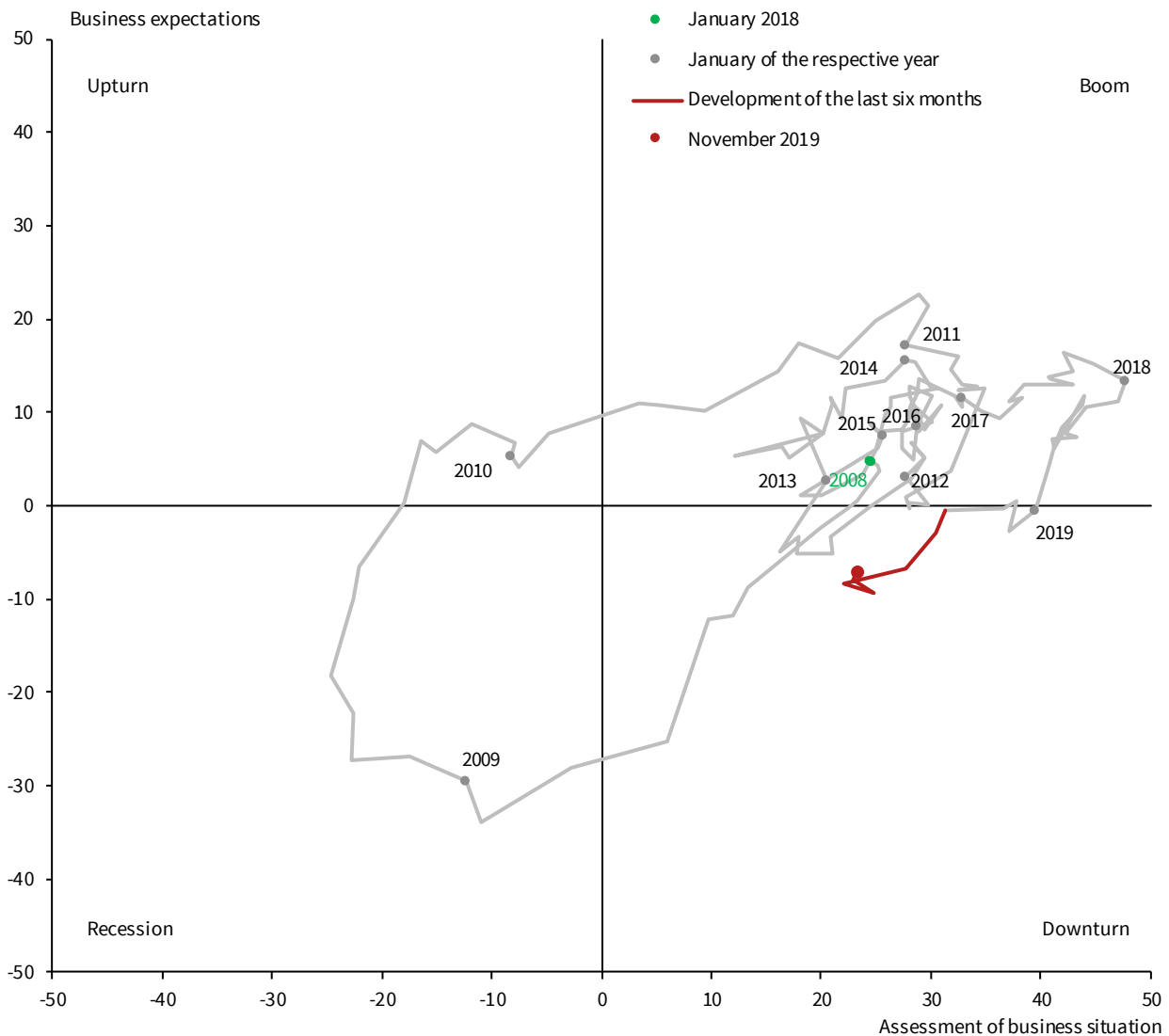
Month/year	11/18	12/18	01/19	02/19	03/19	04/19	05/19	06/19	07/19	08/19	09/19	10/19	11/19
Germany	23.0	21.7	18.7	16.4	18.4	17.5	14.8	13.2	9.8	6.2	7.0	6.9	7.6
Manufacturing	17.7	15.1	11.6	9.6	7.5	4.1	4.4	1.3	-4.3	-5.9	-6.4	-5.3	-5.9
Service sector	30.9	28.1	26.0	22.3	26.8	27.5	21.4	20.5	18.6	13.2	16.8	16.7	17.3
Trade	9.9	9.5	5.0	4.7	8.3	7.2	5.5	8.0	1.6	-2.4	-3.7	-3.3	0.9
Construction	28.9	28.7	20.1	18.5	21.8	21.9	24.9	22.6	23.2	21.5	22.1	21.0	20.4

Source: ifo Business Survey.

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The ifo Business Climate is based on approx. 9,000 monthly responses from businesses in manufacturing, the service sector, trade, and construction. Companies are asked to give their assessments of the **current business situation** and their **expectations** for the next six months. They can describe their situation as “good,” “satisfactory,” or “poor” and their business expectations for the next six months as “more favorable,” “unchanged,” or “less favorable.” The **balance value** of the current business situation is the difference in the percentage shares of the responses “good” and “poor”; the balance value of expectations is the difference in the percentage shares of the responses “more favorable” and “less favorable.” The **business climate** is a transformed mean of the balances of the business situation and the expectations. To calculate the **index values**, the transformed balances are all normalized to the average for the year 2015.

ifo Business Cycle Clock Germany^a
 Balances, seasonally adjusted



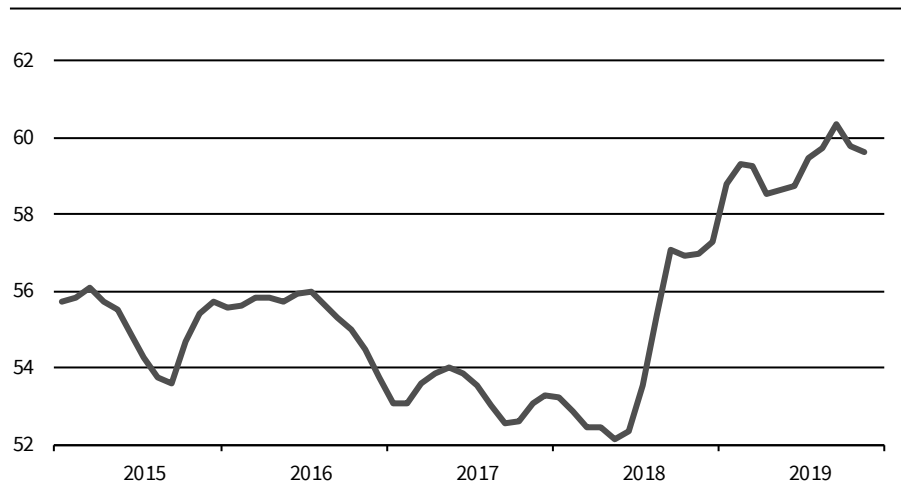
^a Manufacturing, service sector, trade, and construction.
 Source: ifo Business Survey, November 2019.

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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 labeled with the different phases of activity, namely upturn, boom, downturn, and recession; provided that the expectation indicator sufficiently precedes the current business situation indicator. If survey participants’ assessments of both the current business situation and business expectations are negative on balance, the economic situation indicator is in 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 is shown in the “boom” quadrant. If, however, the expectations indicator turns negative (with a good but deteriorating business situation on balance), economic activity slips into the “downturn” quadrant.

ifo Dispersion Germany^a

Seasonally adjusted and three months moving average



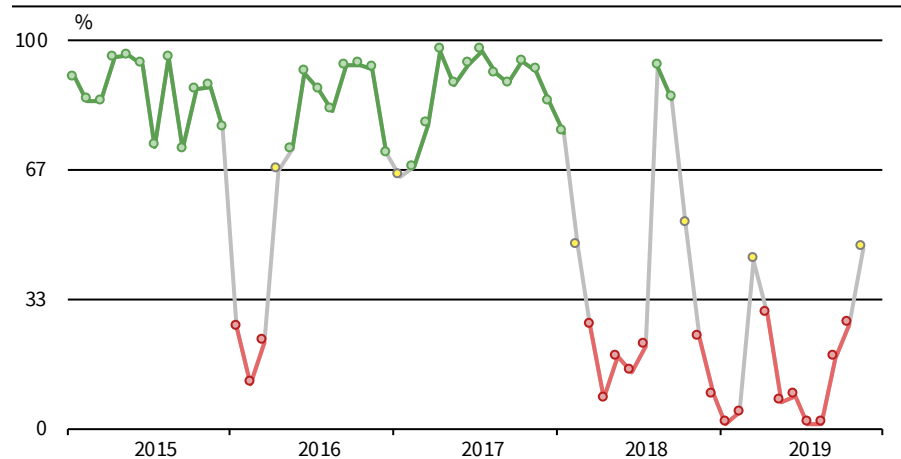
^a Manufacturing, service sector, trade, and construction.
 Source: Ifo Business Survey, November 2019.

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An increase in the dispersion measure signals greater uncertainty on the part of companies. Values can range between 0 and 100. The measure is based on responses to the question relating to expectations regarding the six-month business outlook and is generated from the dispersion of these expectations at any 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 monthly movements in the Ifo Business Climate Index Germany.

Source: Ifo Business Survey, November 2019.

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Monthly movements in the Ifo Business Climate Index Germany can be translated into probabilities for the two cyclical regimes expansion and contraction using a Markov switching model. The Ifo Business Cycle Traffic Lights show the monthly regime probabilities for the expansion phase. Probabilities exceeding the 66% mark signal an economic expansion (green lights); probabilities under the 33% mark signal a contraction (red lights); probabilities in the range in between those two marks signal indifference (yellow lights). This indifference 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.