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# ifo Business Climate in Germany

*Dr. Klaus Wohlrabe*

*Head of ifo Surveys*

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# The questionnaire



# The questionnaire – Current Situation

## CURRENT SITUATION

1. We characterize our current **business situation** as

- good
- satisfactory
- poor

Business Situation

2. We characterize our **inventories** of unsold **manufactured goods** as

- too low
- sufficient
- too high
- warehousing not customary

3. Our **order backlog** (if customary) is

a) **overall**

- comparatively large
- sufficient
- too low
- we don't export

b) **for export**

- 
- 
- 
-

## Ex post: Situation in the previous month

4. Compared to September, the **demand situation** has

- improved
- not changed
- worsened

5. Compared to September, our **order backlog** has

- increased
- remained roughly the same
- decreased

6. Compared to September, our **production activities** have

- increased
- remained roughly the same
- decreased
- no significant domestic production

7. Compared to September, our **prices** have

- risen
- not changed
- fallen

8. Compared to September, our **workforce** has

- increased
- remained roughly the same
- decreased

# Expectations for the next three months

## Export Indicator

9. We expect our **production activity** to
- increase
  - remain roughly the same
  - decrease
  - no significant domestic production

10. We expect our **prices** to
- rise
  - remain roughly the same
  - fall

11. We expect the scope of our **export business** to
- widen
  - remain roughly the same
  - decrease
  - we don't export

12. We expect our **workforce** to
- increase
  - remain roughly the same
  - decrease

## Employment Barometer

# Expectations for the next SIX months

13. We expect our **business situation** to

- become more favorable
- remain roughly the same
- become less favorable

Business Expectations

## Uncertainty

14. **Predicting** how our business will **develop**  
is currently

- easy
- relatively easy
- relatively hard
- hard

# Participation Rates

	<b>Firms</b>	<b>Effective</b>	<b>Online</b>	<b>Papier</b>
Industry	3000	2500	80%	20%
Construction	1000	1800	50%	50%
Trade	2800	2200	60%	40%
Services	3000	2500	85%	15%

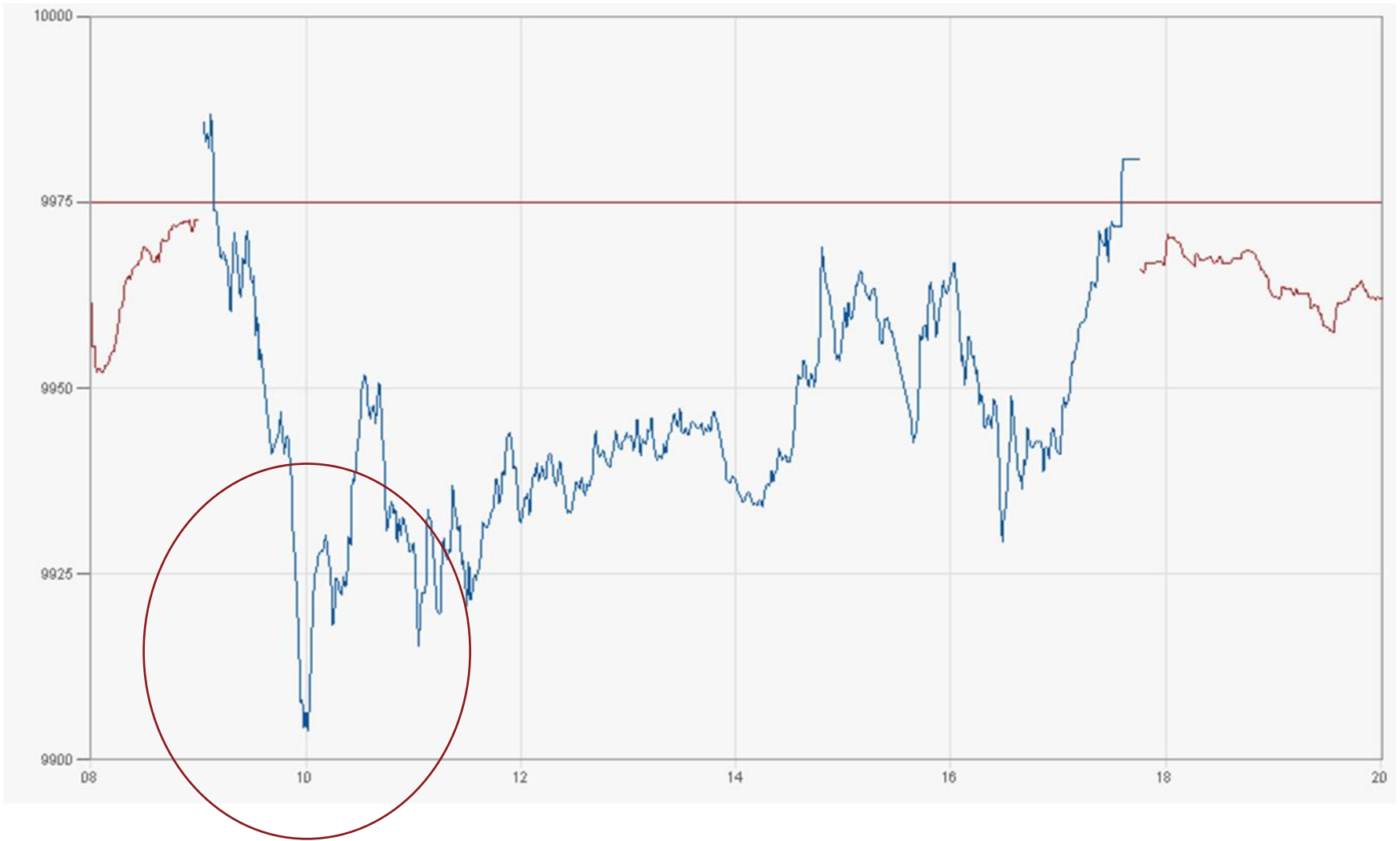
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# Aggregated Results

## Release Day

1. Calculation of the Ifo Business Climate for Germany over night
2. Top Priority: Strict confidentiality
3. Draft of the press release (Head of Ifo Surveys)
4. Discussion of the Press Release (President, Head of the business cycle research, head of Ifo Surveys, press officer plus two experts)
5. 10:00: Release of the Index via telephone conference
6. Immediate reaction of the DAX and €/\$-Exchange rate

# Release Day: Immediate Reaction



# Release Day: Immediate Reaction

FINANCIAL TIMES

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German economy + Add to myFT

## German recession looms as business confidence slumps to two-year low

Economists warn of downturn as high prices and threat of gas shortage weigh on economy



Berlin last month triggered the second stage of its national gas emergency plan, a move that brought the German government a step closer to rationing supplies © Clemens Bilan/EPA-EFE/Shutterstock

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SPIEGEL Wirtschaft

Abonnement

Menü Startseite > Wirtschaft > Ifo-Index > Ifo-Index: Wirtschaftsleistung dürfte im dritten Quartal schrumpfen



### Ifo-Index sinkt weiter

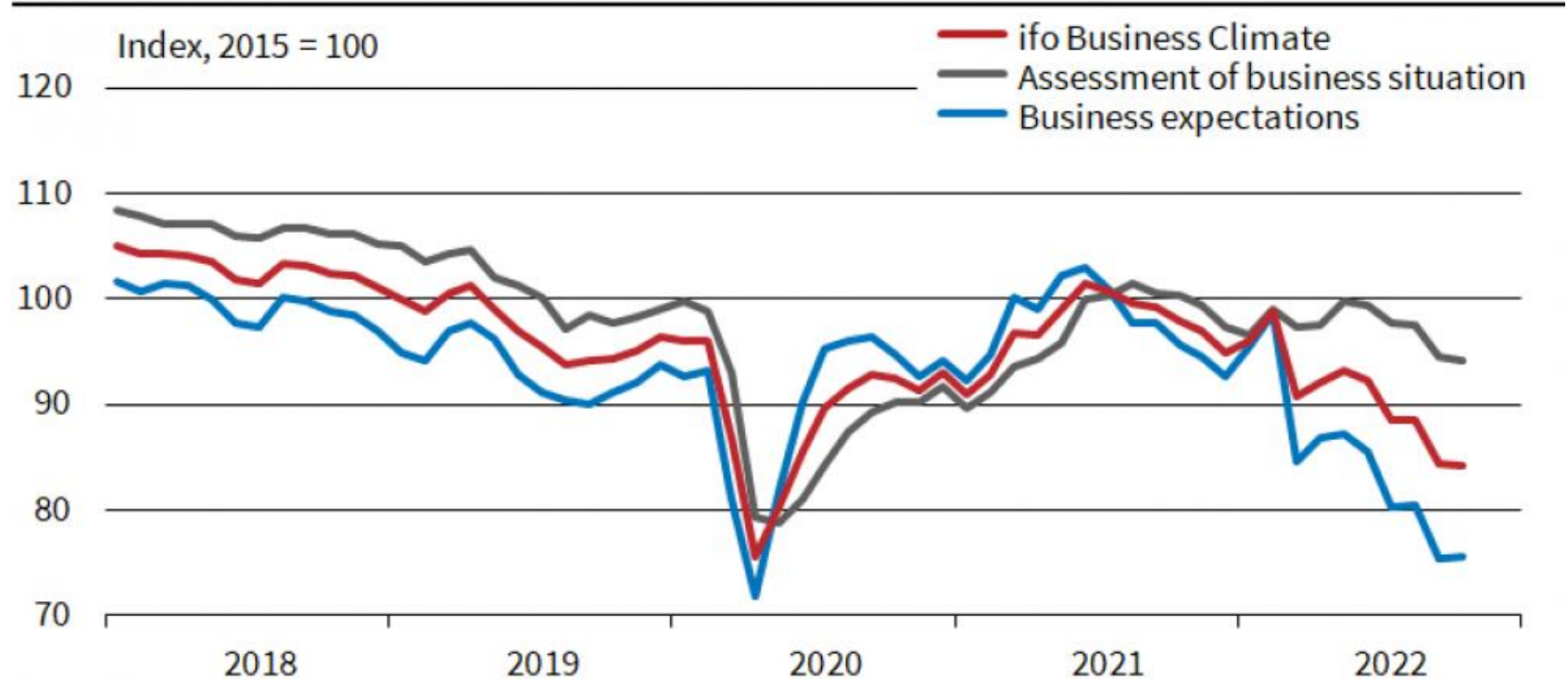
## Wirtschaftsleistung dürfte im dritten Quartal schrumpfen

Der Stimmungsindeks des Münchner Ifo-Instituts ist den dritten Monat in Folge gesunken. Die deutsche Wirtschaft steht damit kurz vor einer Rezession. Besonders hart trifft es den Einzelhandel.

25.08.2022, 10.32 Uhr

# Ifo Business Climate Germany

## ifo Business Climate Germany<sup>a</sup> Seasonally adjusted



<sup>a</sup> Manufacturing, service sector, trade, and construction.

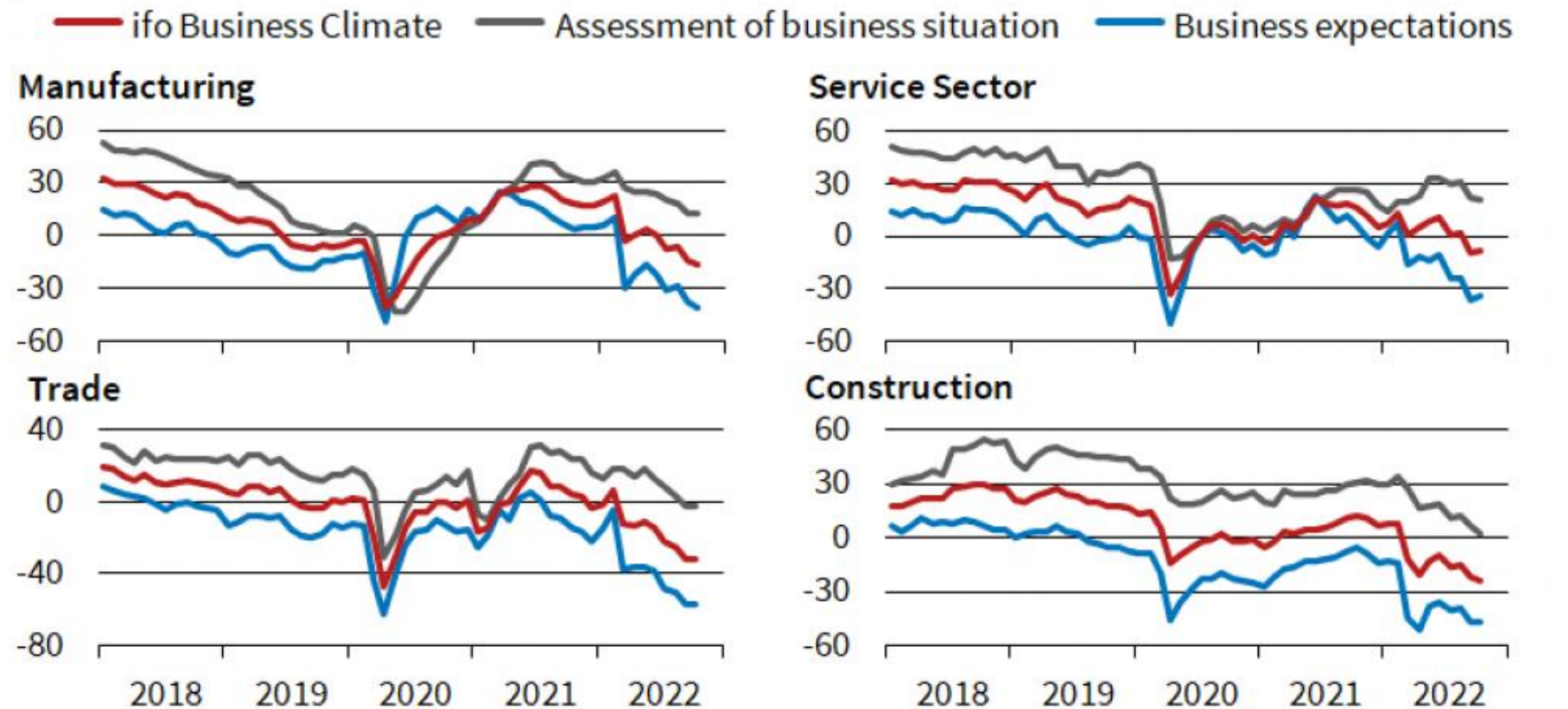
Source: Ifo Business Survey, October 2022.

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# Sector Results

## ifo Business Climate, Business Situation, and Expectations by Sector

Balances, seasonally adjusted

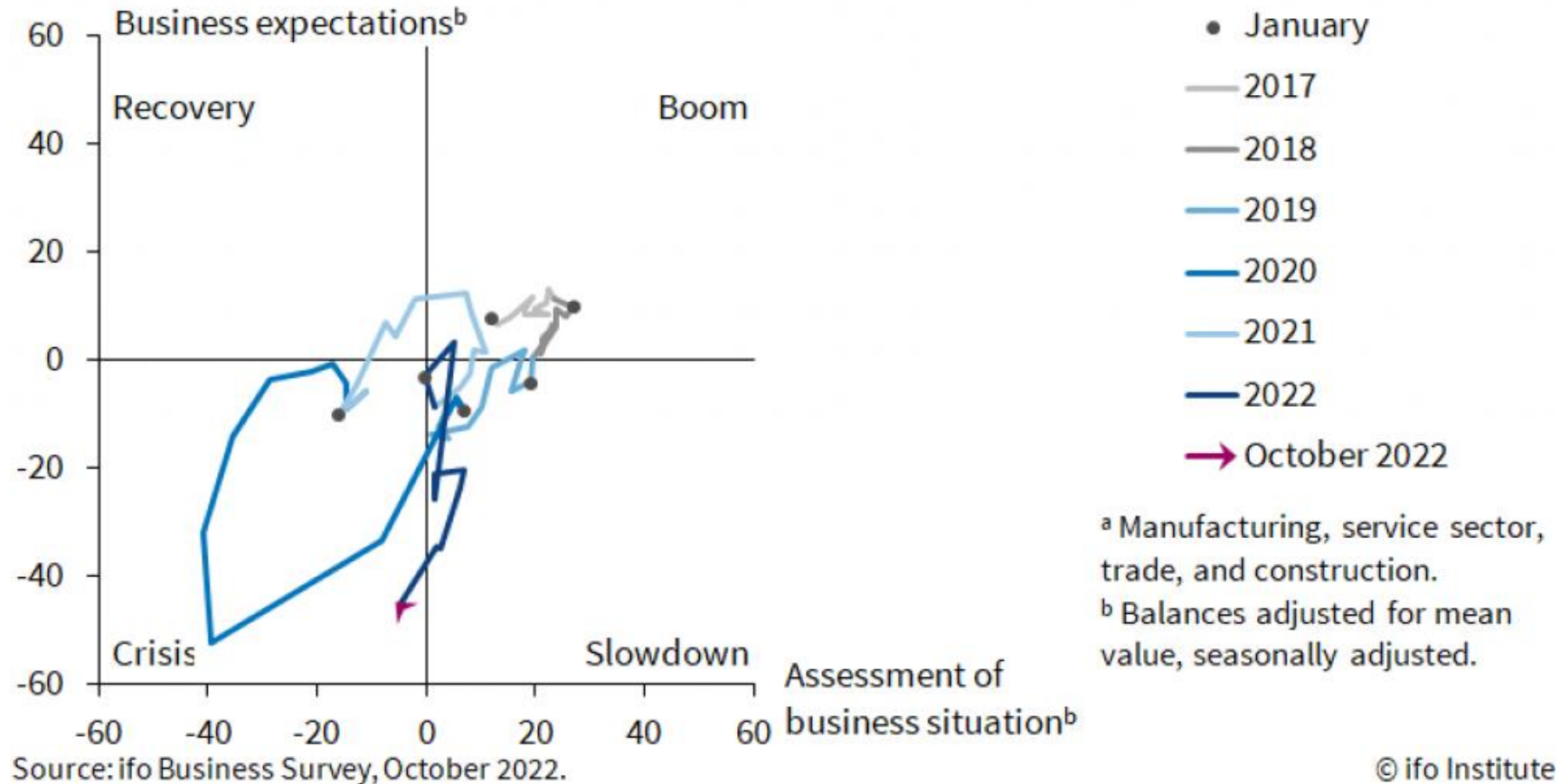


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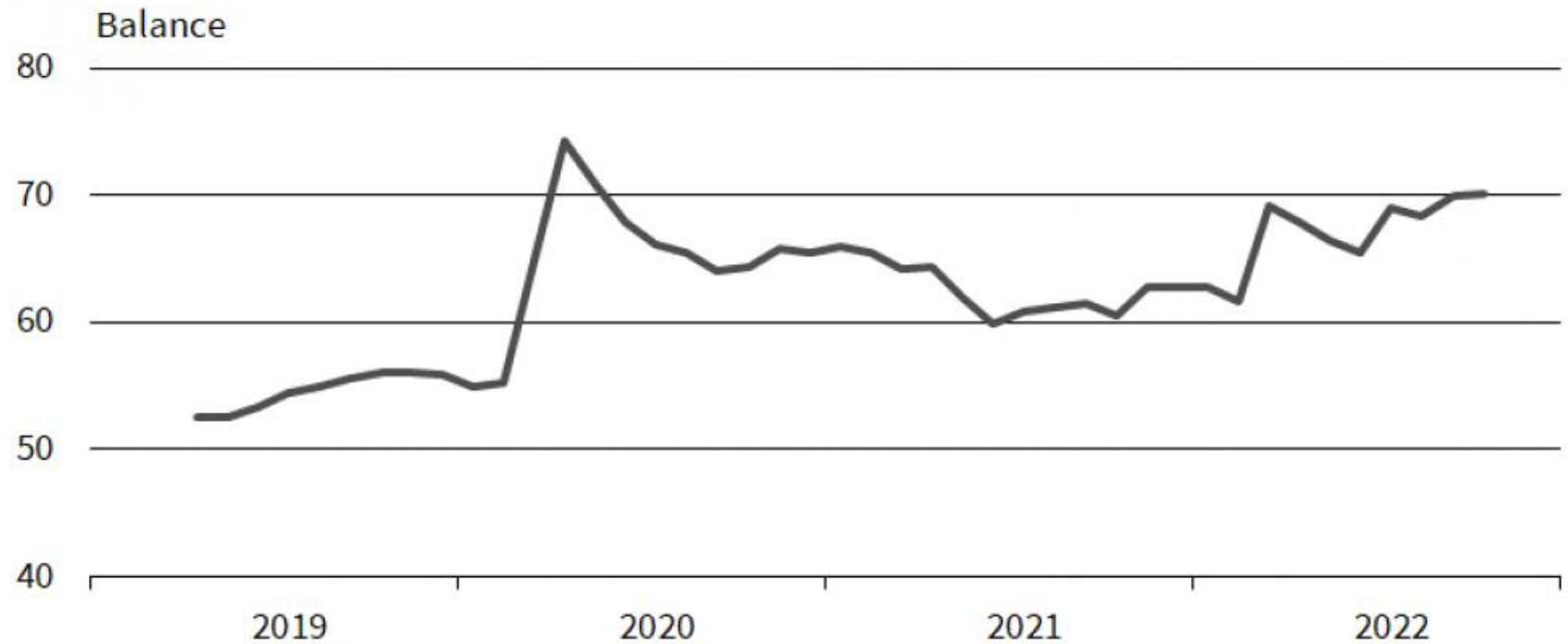
# Business „Cycle Clock“

## ifo Business Cycle Clock Germany<sup>a</sup>



# Uncertainty Measure

ifo Business Uncertainty Germany<sup>a</sup>  
Original values

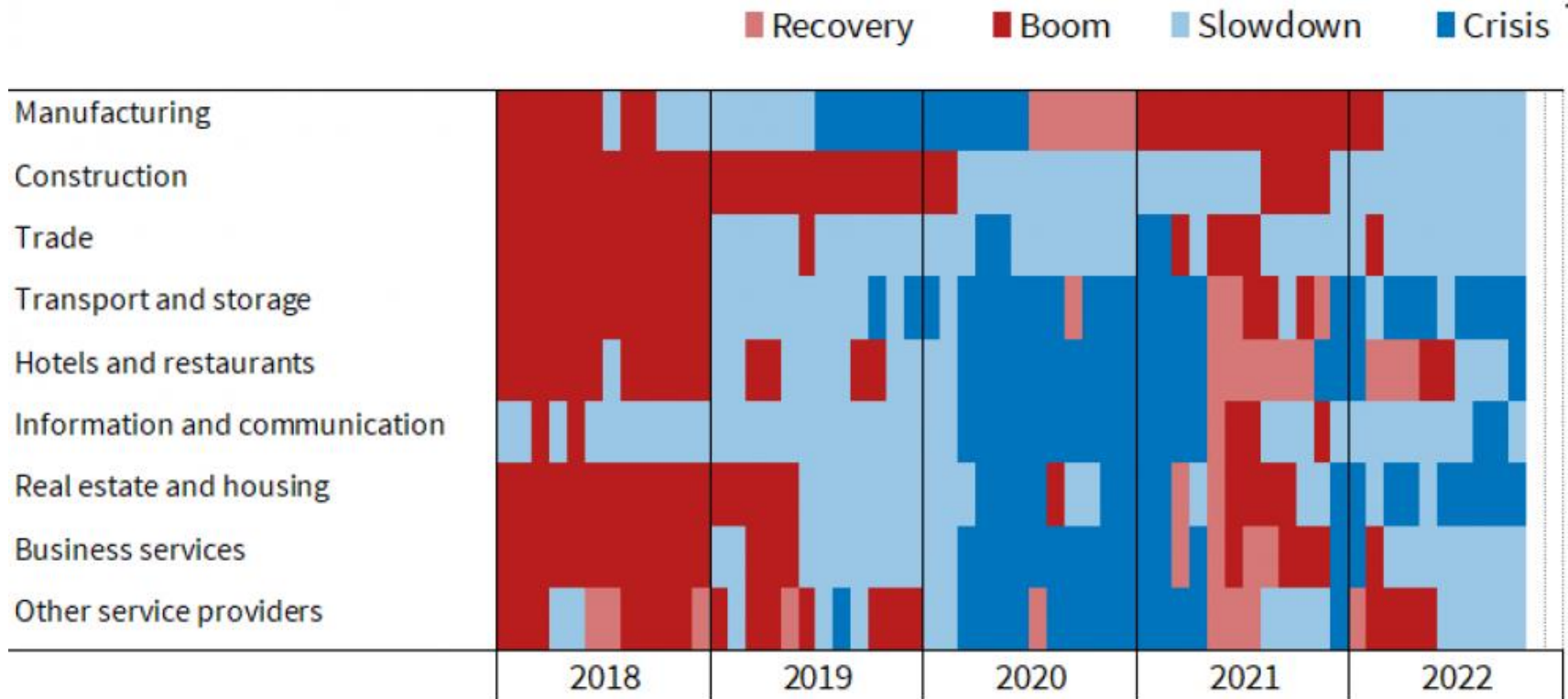


<sup>a</sup> Manufacturing, service sector, trade, and construction.  
Source: ifo Business Survey, October 2022.

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# Heat Map

## Heatmap of ifo Business Survey

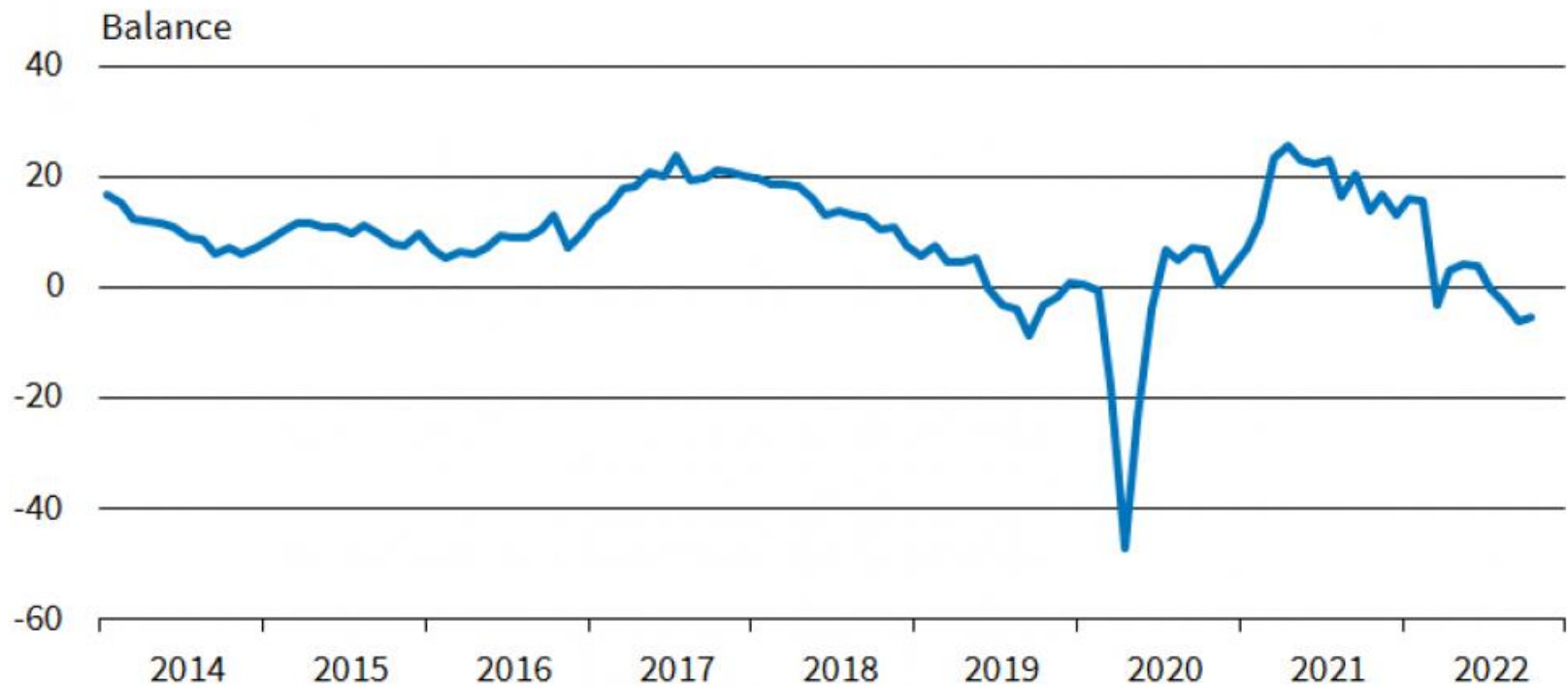


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# Export Expectations

## ifo Export Expectations for Manufacturing Seasonally adjusted

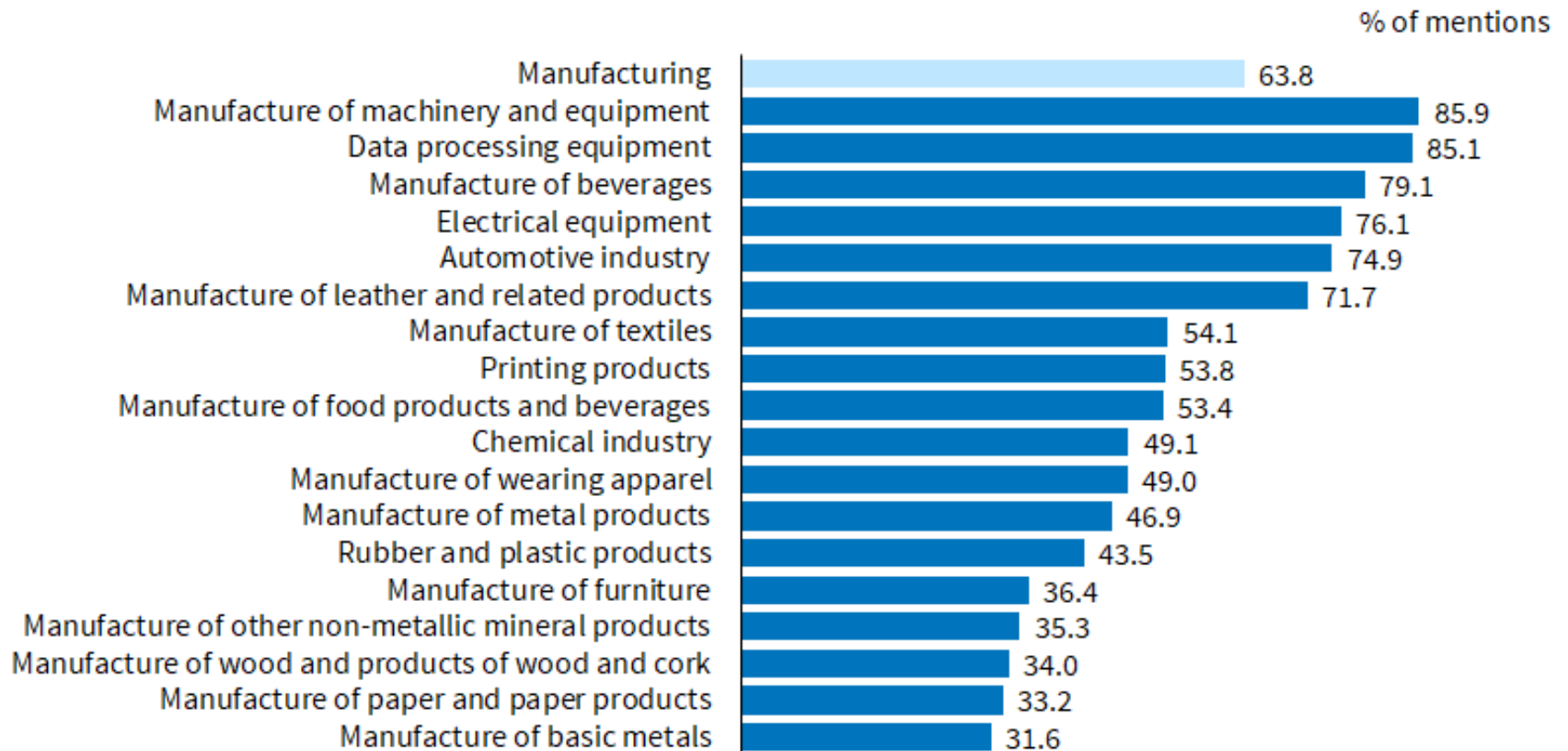


Source: ifo Business Survey, October 2022.

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# Production Shortages

## Shortage of Intermediate Products in Manufacturing



Source: ifo Business Survey, October 2022.

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# Survival Risks of Firm

Proportion of Companies That Classify Their Survival as at Risk (in %)

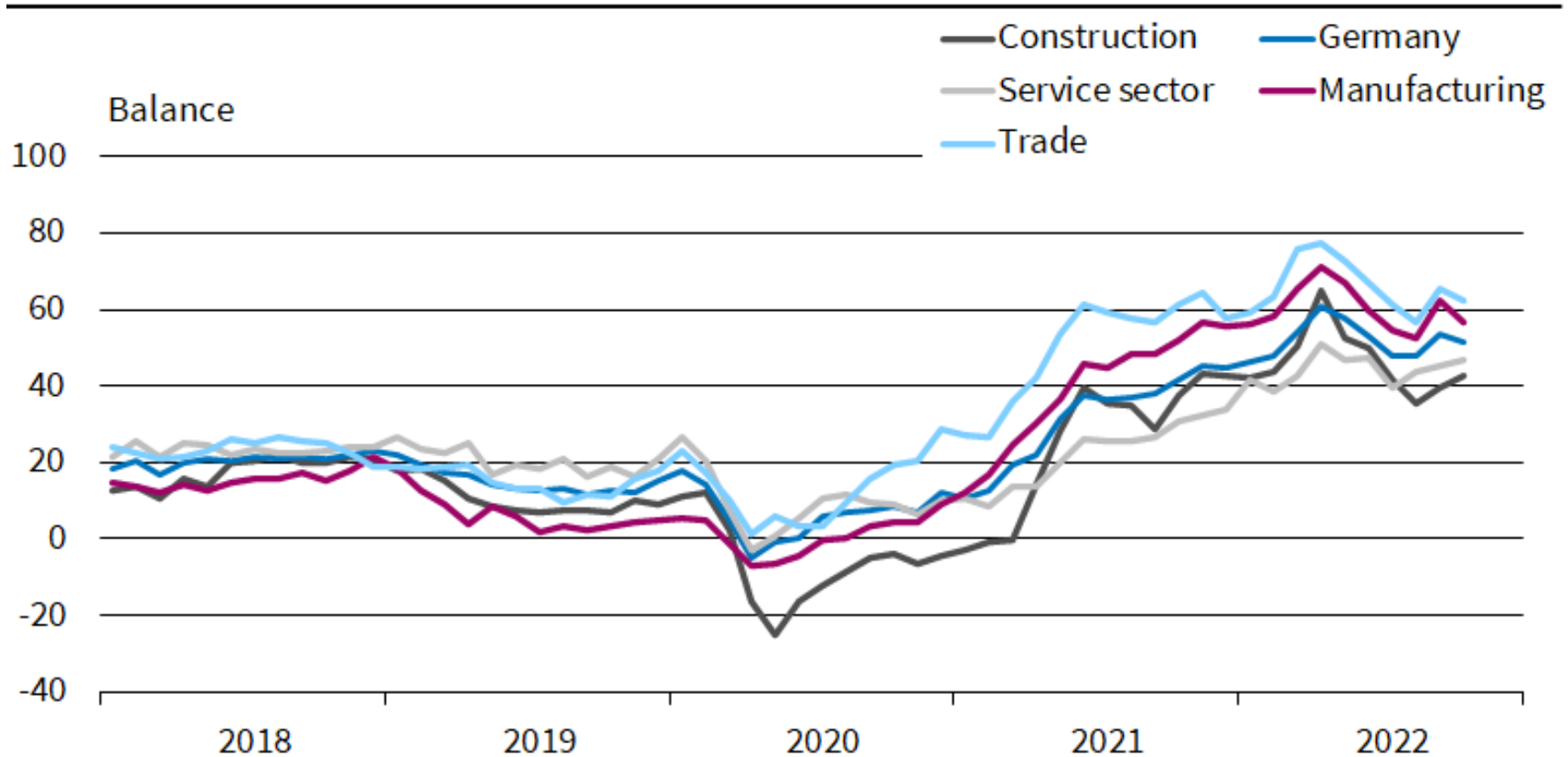
	Oct. 2022	Apr. 2022	Jan. 2022	Dec. 2021	Jun. 2021	Feb. 2021	Nov. 2020	Jun. 2020
Germany	7.5	7.1	13.7	14.0	14.0	18.7	17.6	21.8
Manufacturing	7.0	4.9	5.6	5.7	6.6	7.5	10.8	16.8
Service sector	7.7	9.3	20.3	20.4	20.3	26.3	24.1	28.1
Trade total	7.3	5.1	11.0	11.6	10.4	22.3	13.4	17.6
Retail trade	11.6	6.9	15.1	17.1	14.4	34.5	18.0	20.9
Wholesale	4.0	3.7	7.9	7.8	7.5	12.8	9.9	15.2
Construction	7.2	3.3	3.3	5.1	4.7	3.6	4.4	2.2

Source: ifo Business Survey, October 2022.

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# Price Expectations -> Inflation (!?)

## Price Expectations of Companies



Source: ifo Business Survey, October 2022.

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# Summary

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1. The ifo Business Climate is the most important indicator for the German Economy
2. It gains a lot of attention in Germany and all over Europe
3. The large number of participating firms allows a zoom into many branches
4. Special questions are a valuable source for business cycle analysis and for giving policy advice

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