4.12 The ifo Architects' Survey

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4.12.1 Historic Background and Concept

The quarterly ifo Architects' Survey was begun in 1980, with the aim of generating an early indicator for the economic development of building construction in the Federal Republic of Germany. The rational was that, as the planning order is usually sent to the architect before the building permit is issued, the building construction planning volume could be recorded earlier via a survey of German architects than with the data from the building permit and incoming orders statistics (Gluch 1981; Neisen 1979; Oppenländer and Poser 1989b). The most important results of the survey appeared in the journal Deutsches Architektenblatt.

From 2003 to 2017, the ifo Institute conducted the survey in cooperation with the German Federal Chamber of Architects. For this purpose, the architects were surveyed with regard to contract conclusion, planning volumes, and the current and anticipated order situation. Results of the survey were published in the ifo Schnelldienst by Gluch from 2003 to 2017. However, in 2017 this project was discontinued. The survey participants were integrated into the panel of the ifo Business Survey in the service sector. Since the 4^{th} quarter of 2017, the ifo Institute has continued reporting on the basis of this monthly survey. The results are published on the website of the Federal Chamber of Architects[12] and occasionally in the ifo Schnelldienst (Brandt 2019, 2020a; Demmelhuber 2022; Zeiner 2018).

4.12.2 Descriptive Statistics

The monthly number of participants ranged from approximately 160 in the years from 2017, to 270 in 2022, with an average response rate of 58%. This rather low rate (compared to other ifo surveys) can be partly explained by the often volatile response behavior of new participants. New architectural firms are continually being recruited, but only a certain proportion of the recruited participants answers the survey consistently over a longer period. One reason for this could be the typically small number of employees in architectural firms: 15% of the panellists are solo entrepreneurs, 60% of the companies have 2–9 employees, and only 25% have 10 employees or more. Another reason is the small-scale structure of the architecture business segment (Demmelhuber 2022); the life cycle of architectural firms is often directly linked to the professional cycle of the respective architect.

Panellists who have not responded for more than 12 months are regularly removed from the panel. Panel mortality is a major challenge for a monthly survey and constant recruitment of

[12] Available at `https://bak.de/kammer-und-beruf/daten-fakten/konjunktur-im-architekturmarkt/ifo-umfrage/`, accessed March 17, 2023.

new companies therefore is essential. The ifo Institute is supported by the Federal Chamber of Architects in its acquisition efforts.

4.12.3 Questionnaire

Since 2017, the architects surveyed have received the questionnaire of the ifo Business Survey in the service sector (Section 2.6). As far as the time horizon is concerned, the questions relate to the current situation, past developments, and plans and expectations for the coming months. Topics of the questions include the current business situation, sales, the order situation, employment development, and prices. Most of the questions are based on the guidelines for business surveys in the European Union.[13]

4.12.4 Methodology

A detailed description of the calculation and indexation of time series in the service sector can be found in Section 2.6 of this handbook. First, each company response is assigned to a sub-class at the lowest level of the hierarchy (in the case of the ifo Architects' Survey, this is the five-digit level) and is given an individual weight. In the service sector, this is determined by the annual turnover. These company weights are necessary for taking greater account of the responses of larger companies and therefore reflecting their importance for the German economy. After the individual responses of the companies have been weighted at the micro data level, the balance calculations and aggregations can be executed. For the group of architectural firms, the aggregation follows the methodology of the ifo Business Survey (Section 2.2). Company responses are aggregated at the federal level and the results are calculated at the four-digit level. Based on the official Classification of Economic Activities (WZ 2008) of the German Federal Statistical Office, four sub-classes are considered (Table 4.9).

Table 4.9: Sub-classes of the architectural activities

WZ2008 Code	Description
71.11	Architectural activities
71.11.1	Consulting architectural activities in building construction
71.11.2	Consulting architectural activities in interior design
71.11.3	Consulting architectural activities in town, city and regional planning
71.11.4	Consulting architectural activities in landscape architecture

4.12.5 Results of the ifo Architects' Survey

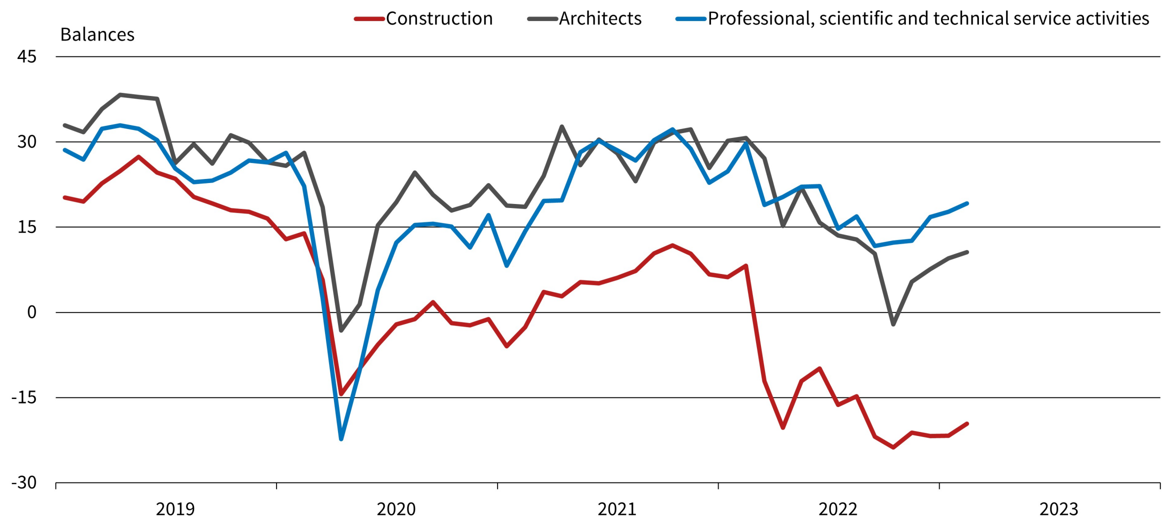
From the early project phase, some time series exist from 1980 onwards on, for example, new architect contracts, planning volume of new contracts, assessment of the order situation, and

[13] For an example of the quarterly questionnaire used in the past, see Oppenländer and Poser (1989b).

order backlog (Gluch 1990, 2003–2017).

Time series for the service sector in general as well as most time series for architectural activities start in January 2005. Most of them are also available seasonally adjusted. The ifo Architects' Survey focuses on the ifo Business Climate which is calculated as an average of the balances of the current business situation and the business expectations for the next six months. The time series of the indicators (in tabular and graphical form) are delivered monthly to the Federal Chamber of Architects. In addition, a report is produced in which the developments of the respective previous quarter are presented verbally. This report covers the development in the entire federal territory.

Figure 4.31: ifo Business Climate of architects compared with construction and the service sector



Source: ifo Business Survey. © ifo Institute

Architectural firms generate their revenue mainly in construction production, so their dependence on the construction cycle is high. Figure 4.31 shows the ifo Business Climate of architects since 2019, compared with the next highest level in the WZ2008, the "professional, scientific and technical services", and the construction industry. These three time series often show a similar pattern: the climate indicators fell considerably at the beginning of 2020 with the start of the Covid-19 pandemic, but the situation gradually stabilized during the following months as the indicators moved toward their pre-crisis level. In March 2022, the war in Ukraine caused a slump in sentiment in the German economy. Since then, the ifo Business Climate among architects has deteriorated: There was a downward trend in the climate indicator up to October 2022. Reasons for this were, for example, inflation and material and supply bottlenecks. This exacerbated the negative knock-on effects for technical service providers, such as delays at construction sites or increased planning and administrative expenses (Demmelhuber 2022). Since November 2022, an improvement in the business climate among architects has been observed. Procurement prices for electricity and gas have fallen noticeably since late summer 2022, and government price brakes have been in effect since January 2023. At the same time, construction output has recovered as supply bottlenecks have eased. However, further developments remain to be seen, as demand for construction services has slumped, not least as a result of rising financing costs (as of March 2023; Wollmershäuser et al. 2023).