

ifo Business Climate Germany
Preliminary Results of the ifo Business Survey for March 2020

ifo Business Climate Index Collapses

Munich, March 19, 2020 – Sentiment among German managers has worsened drastically. The *preliminary* ifo Business Climate Index plummeted from 96.0 points¹ in February to 87.7 points in March. This marks the biggest drop since 1991 and brings the index to its lowest level since August 2009. Companies' expectations in particular have darkened as never before. Assessments of the current situation have also worsened considerably. The German economy is speeding into recession.

The preliminary assessment is based on approximately 90 percent of the usual number of responses. The survey was conducted between March 2 and March 18.

In *manufacturing*, the Business Climate Index fell to its lowest level since August 2009. Never in the history of a reunified Germany has it fallen so far. The drop in expectations is the single most precipitous in 70 years of industry surveys. The fall in the indicator of the current situation was less pronounced. The Business Climate Index fell across all branches of industry, in some cases considerably. Many companies have announced plans to curtail production and have slashed their plans for exports.

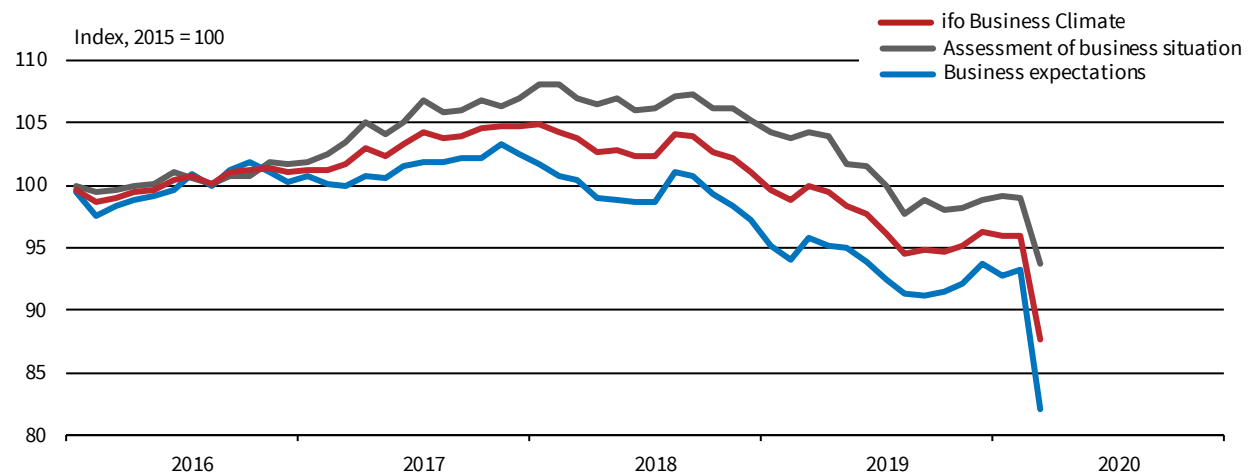
In the *service sector*, the business climate indicator saw the greatest fall since this data was first recorded in 2005. This applies both to the assessment of the current situation and to expectations.

In *trade*, the business climate indicator collapsed. Expectations tumbled to their lowest level since German reunification. Companies also revised their assessment of the current situation markedly downward. This development was equally negative across wholesale and retail.

In *construction*, the index fell comparatively moderately. Assessments of the current situation are still very positive. However, the outlook has worsened notably.

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 2020, preliminary results from 19.03.2020.

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

Month/year	03/19	04/19	05/19	06/19	07/19	08/19	09/19	10/19	11/19	12/19	01/20	02/20	03/20
Climate	99.9	99.5	98.3	97.7	96.1	94.5	94.9	94.7	95.1	96.3	95.9	96.0	87.7
Situation	104.2	103.9	101.7	101.5	99.9	97.7	98.8	98.0	98.2	98.9	99.2	99.0	93.8
Expectations	95.8	95.2	95.0	93.9	92.5	91.4	91.1	91.5	92.1	93.8	92.7	93.2	82.0

Source: ifo Business Survey

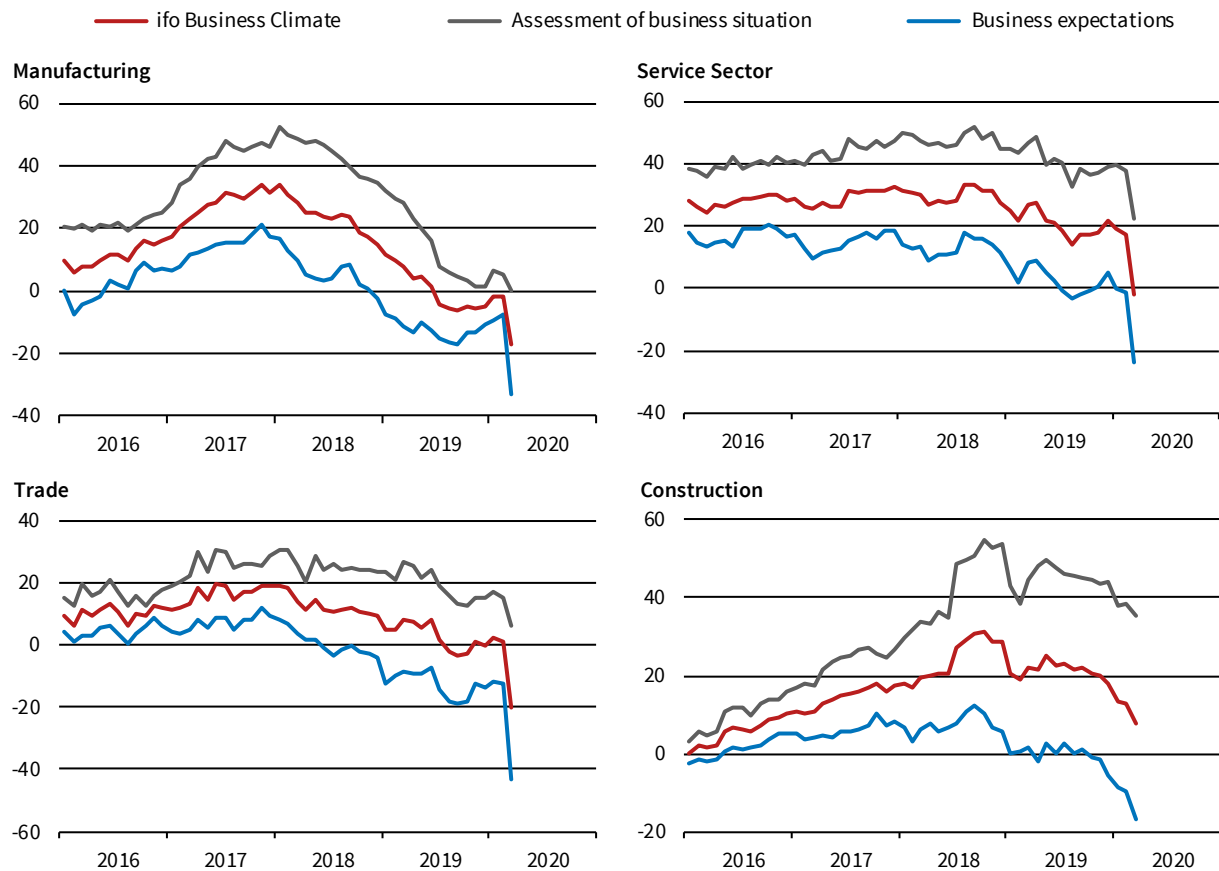
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For long time-series in Excel format, please see <https://www.ifo.de/en/umfragen/time-series>.

¹ Seasonally adjusted

ifo Business Climate, Business Situation, and Expectations by Sector

Balances, seasonally adjusted



Source: ifo Business Survey, March 2020, preliminary results from 19.03.2020.

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

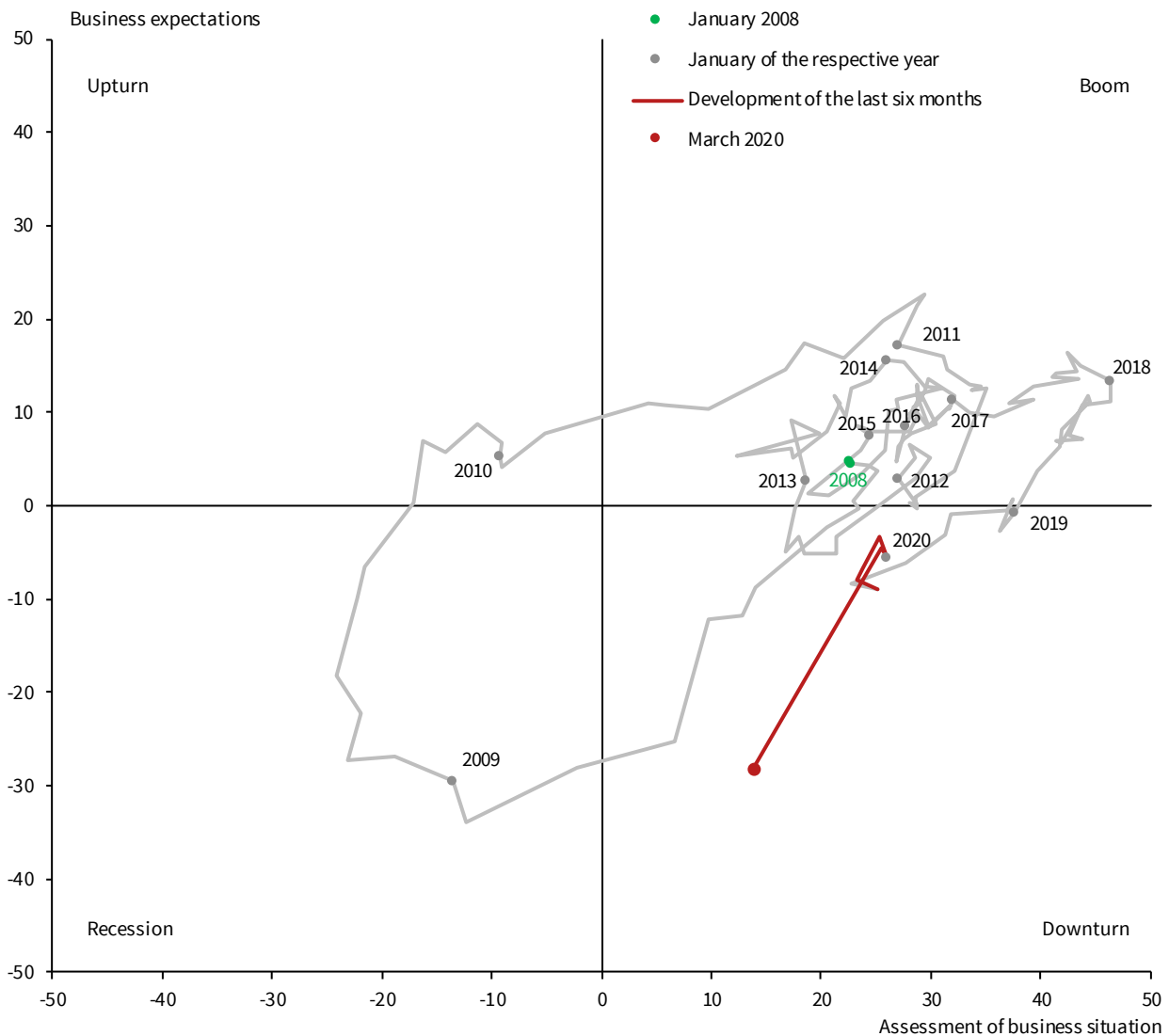
Month/year	03/19	04/19	05/19	06/19	07/19	08/19	09/19	10/19	11/19	12/19	01/20	02/20	03/20
Germany	18.4	17.5	14.9	13.5	10.2	6.6	7.4	7.1	7.9	10.6	9.6	9.9	-8.2
Manufacturing	7.8	4.0	4.3	1.3	-4.1	-5.6	-6.5	-5.3	-5.9	-5.0	-1.7	-1.5	-17.2
Service sector	26.5	27.6	21.7	21.0	18.7	13.9	17.2	16.9	17.7	21.4	18.8	17.4	-2.0
Trade	8.3	7.3	5.6	8.0	1.5	-2.2	-3.6	-3.2	1.0	0.0	2.2	1.0	-20.4
Construction	22.1	21.7	24.9	22.6	23.2	21.5	22.0	20.7	19.9	17.8	13.4	13.0	7.6

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, March 2020, preliminary results from 19.03.2020.

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.