

**ifo Business Climate Germany**  
Results of the ifo Business Survey for April 2020

## ifo Business Climate Index Plunges to Historic Low

Munich, April 24, 2020 – Sentiment at German companies is catastrophic. The ifo Business Climate Index crashed from 85.9 points<sup>1</sup> in March to 74.3 points in April. This is the lowest value ever recorded, and never before has the index fallen so drastically. This is primarily due to the massive deterioration in the current situation. Companies have never been so pessimistic about the coming months. The coronavirus crisis is striking the German economy with full fury.

In *manufacturing*, the Business Climate Index has fallen to its lowest value since March 2009. Industrial companies' current business situation worsened dramatically. Expectations are marked by extreme pessimism. The expectations indicator fell to a historic low. Demand for industrial products has collapsed.

In the *service sector*, the business climate indicator fell to a record low. Service providers have never reached such a poor assessment of their current situation. The pessimism of their expectations is also without precedent.

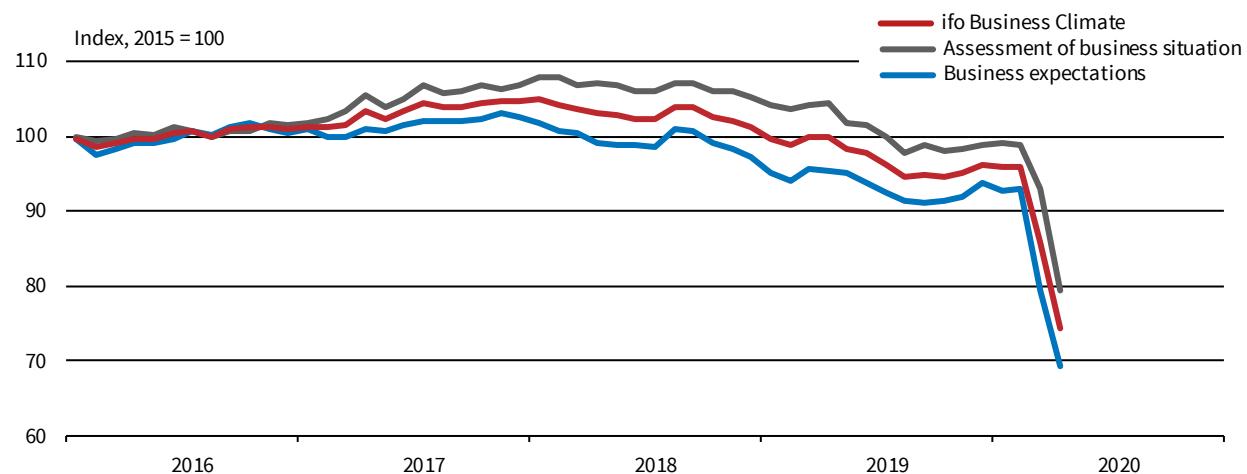
In *trade*, the Business Climate Index continued to nosedive. Assessments of the current situation have never worsened so quickly. Expectations came in even lower than March's record low.

In *construction*, the index has never sunk so abruptly. The same is true for the indicator of the current situation and for expectations. However, the majority of construction companies are still satisfied with their current situation.

Clemens Fuest  
President of the ifo Institute

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

Seasonally adjusted



<sup>a</sup> Manufacturing, service sector, trade, and construction.  
Source: ifo Business Survey, April 2020.

© ifo Institute

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

Month/year	04/19	05/19	06/19	07/19	08/19	09/19	10/19	11/19	12/19	01/20	02/20	03/20	04/20
Climate	99.9	98.3	97.7	96.1	94.5	94.8	94.6	95.1	96.3	95.9	96.0	85.9	74.3
Situation	104.4	101.7	101.5	99.8	97.7	98.7	97.9	98.2	98.8	99.1	98.9	92.9	79.5
Expectations	95.5	95.0	93.9	92.4	91.4	91.1	91.5	92.0	93.8	92.8	93.1	79.5	69.4

Source: ifo Business Survey.

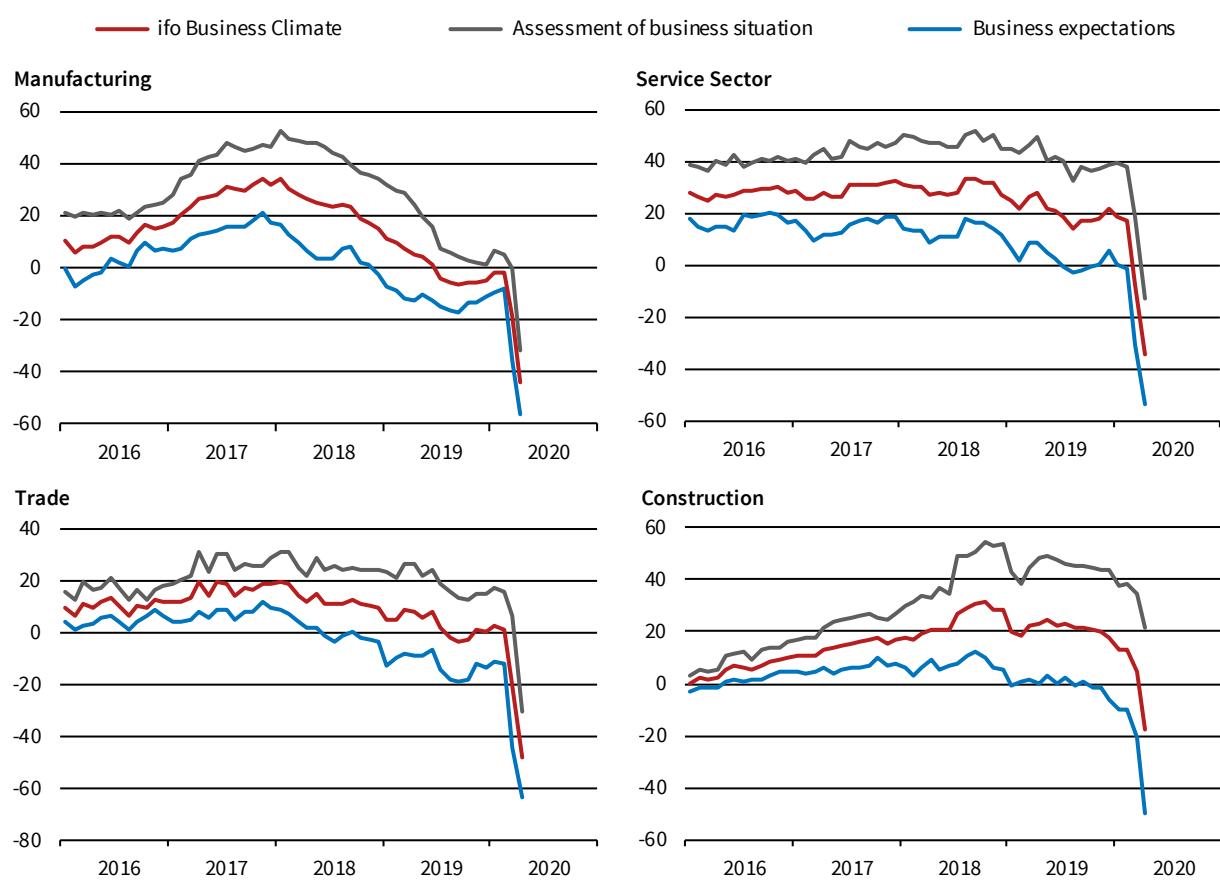
© ifo Institute

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

<sup>1</sup> Seasonally adjusted

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

Balances, seasonally adjusted



Source: ifo Business Survey, April 2020.

© ifo Institute

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

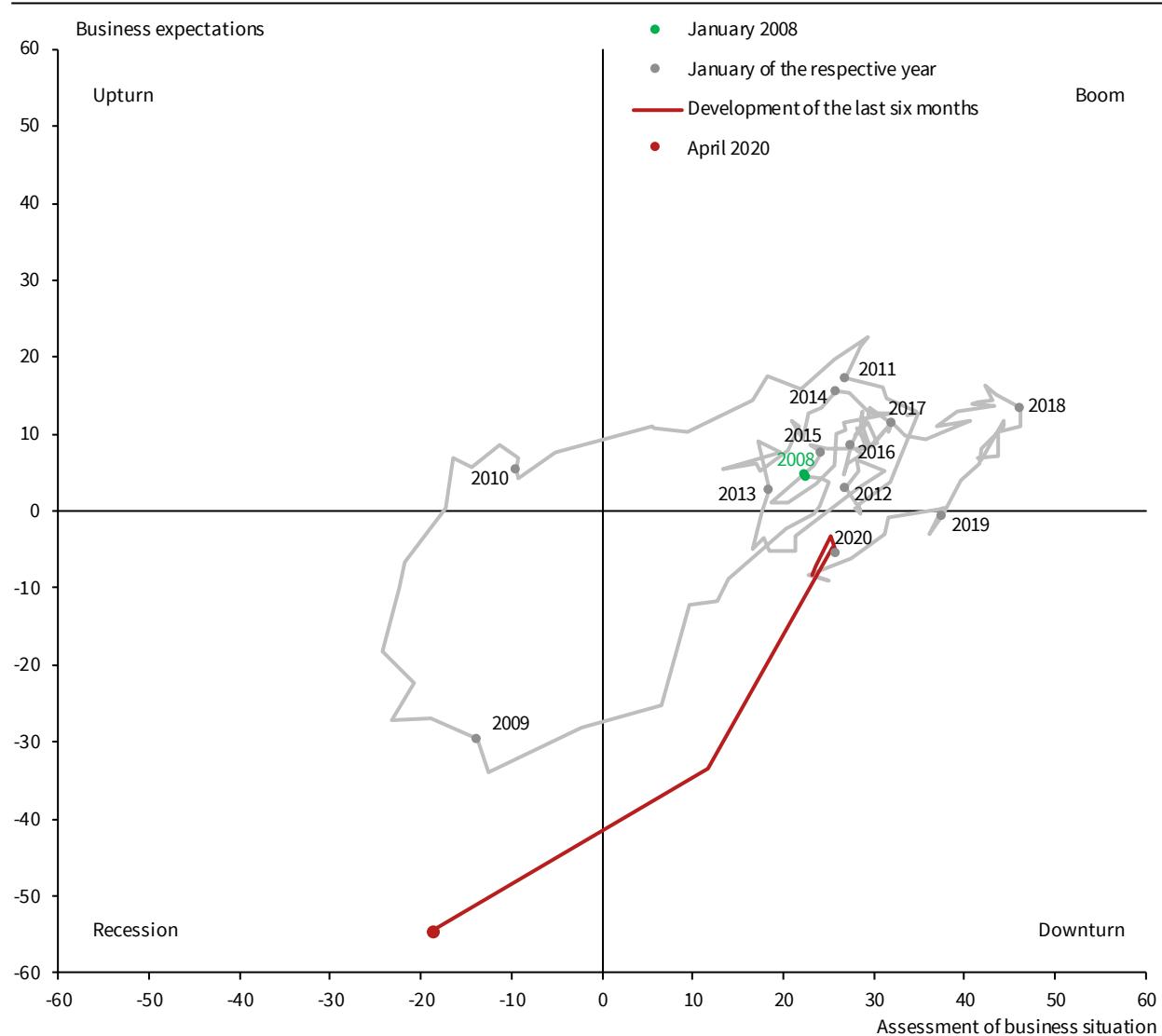
Month/year	04/19	05/19	06/19	07/19	08/19	09/19	10/19	11/19	12/19	01/20	02/20	03/20	04/20
Germany	18.3	14.9	13.5	10.0	6.6	7.3	6.9	7.8	10.5	9.6	9.8	-12.2	-37.6
Manufacturing	5.1	4.2	1.3	-4.2	-5.7	-6.5	-5.4	-6.0	-5.0	-1.8	-1.6	-18.7	-44.4
Service sector	28.0	21.7	21.0	18.6	13.8	17.1	16.8	17.7	21.4	18.8	17.3	-7.6	-34.2
Trade	7.7	5.5	8.0	1.4	-2.2	-3.6	-3.3	1.0	0.0	2.1	1.0	-21.0	-48.4
Construction	22.9	24.9	22.6	23.1	21.3	21.8	20.6	19.8	17.6	12.8	13.0	5.0	-17.6

Source: ifo Business Survey.

© ifo Institute

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<sup>a</sup>**  
Balances, seasonally adjusted



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

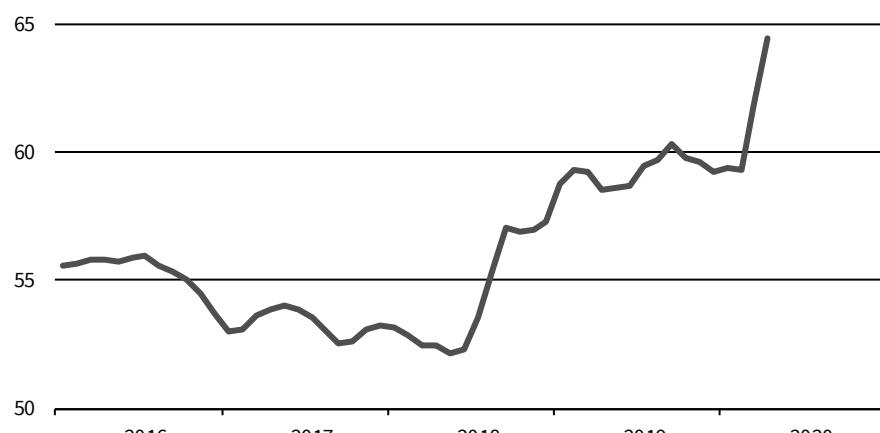
Source: ifo Business Survey, April 2020.

© ifo Institute

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<sup>a</sup>

Seasonally adjusted and three months moving average



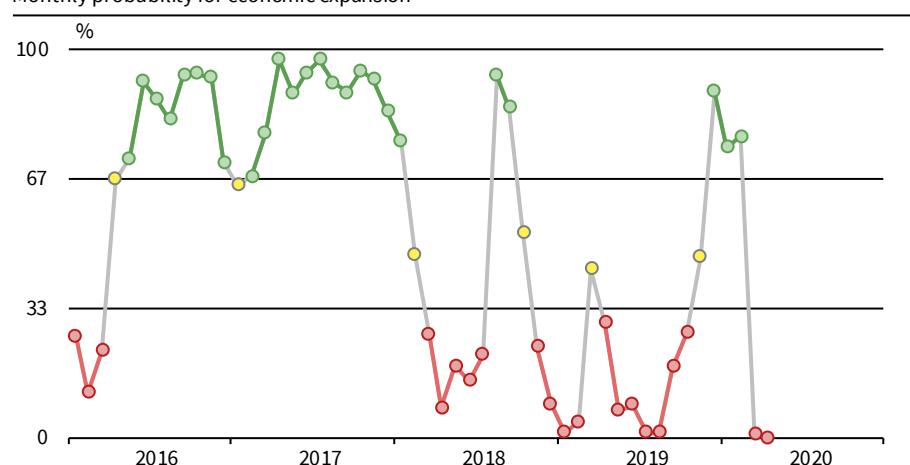
<sup>a</sup> Manufacturing, service sector, trade, and construction.  
Source: ifo Business Survey, April 2020.

© ifo Institute

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<sup>a</sup>



<sup>a</sup> Green = high, yellow = medium, red = low. Calculated on the basis of monthly movements in the ifo Business Climate Index Germany.

Source: ifo Business Survey, April 2020.

© ifo Institute

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.