

**ifo Business Climate Germany**  
**Results of the ifo Business Survey for March 2021**

## ifo Business Climate Index Rises Notably

Munich, March 26, 2021 – Sentiment among German managers has improved noticeably. The ifo Business Climate Index rose from 92.7 points<sup>1</sup> in February to 96.6 points in March. This is its highest value since June 2019. Companies were clearly more satisfied with their current business situation. Optimism about the coming months has also returned. Despite the rising rate of infections, the German economy is entering the spring with confidence.

In *manufacturing*, the business climate continued to recover. Companies were considerably more satisfied with their current business. Their expectations were the most optimistic they have been since November 2010. Demand for manufactured goods rose appreciably. The indications are for recovery across all industries.

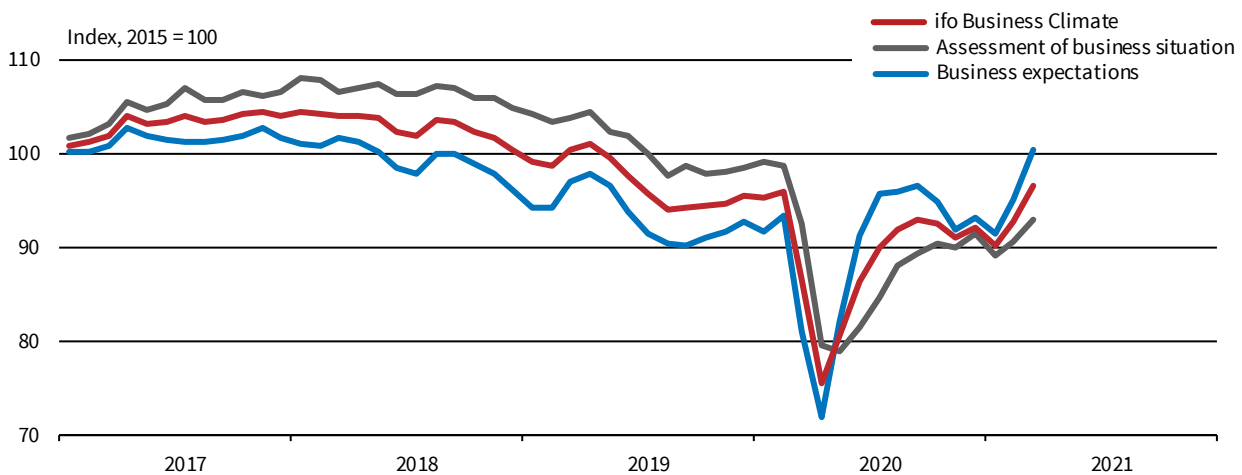
In the *service sector*, the Business Climate Index rose markedly. Satisfaction with the current situation grew. As to expectations, cautious optimism returned for the first time since the fall. Business was particularly good for IT service providers. But hotels, restaurants, and tourism still find themselves in a very bad situation.

In *trade*, the Business Climate Index surged. The indicators for the current situation and for business expectations both rose sharply. In retail, however, the situation is still bad, albeit slightly less so than the previous month. Positive exceptions were supermarkets, bicycle dealers, and florists.

In *construction*, the Business Climate Index is back in positive territory. The indicator of the current business situation rose to its highest value in a year. Companies' expectations also improved.

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, March 2021.

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

Month/year	03/20	04/20	05/20	06/20	07/20	08/20	09/20	10/20	11/20	12/20	01/21	02/21	03/21
Climate	86.7	75.6	80.6	86.3	90.0	91.9	92.9	92.6	91.0	92.2	90.3	92.7	96.6
Situation	92.6	79.5	79.0	81.5	84.6	88.0	89.3	90.4	90.1	91.4	89.2	90.6	93.0
Expectations	81.1	72.0	82.2	91.3	95.7	96.0	96.7	94.8	92.0	93.1	91.4	95.0	100.4

Source: ifo Business Survey

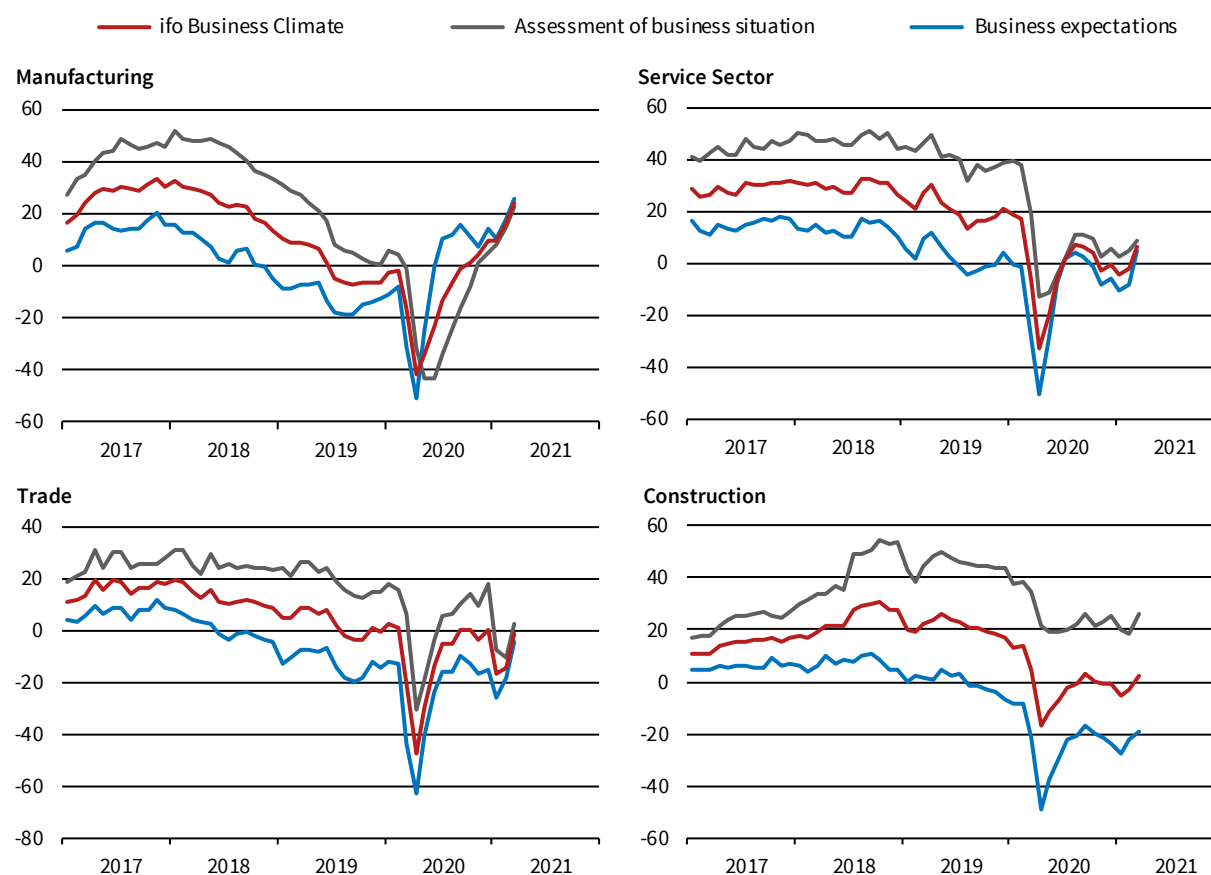
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For long time-series in Excel format, please see <https://www.ifo.de/en/umfragen/time-series>.

<sup>1</sup> Seasonally adjusted

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

Balances, seasonally adjusted



Source: ifo Business Survey, March 2021.

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

Month/year	03/20	04/20	05/20	06/20	07/20	08/20	09/20	10/20	11/20	12/20	01/21	02/21	03/21
<b>Germany</b>	-10.5	-34.7	-23.9	-11.5	-3.3	0.9	3.1	2.4	-1.0	1.6	-2.6	2.7	11.2
<b>Manufacturing</b>	-16.8	-41.6	-34.3	-23.3	-13.4	-6.8	-1.1	1.3	4.3	9.4	9.2	16.4	24.1
<b>Service sector</b>	-6.9	-32.5	-20.2	-5.9	1.7	7.2	6.6	4.0	-2.9	-0.3	-4.3	-2.2	6.5
<b>Trade</b>	-20.6	-47.7	-30.1	-14.1	-5.3	-5.1	0.1	-0.1	-3.9	0.4	-17.1	-14.6	-1.4
<b>Construction</b>	4.7	-17.0	-11.5	-6.6	-2.2	-0.4	3.4	-0.2	-0.7	-0.6	-5.2	-2.8	2.3

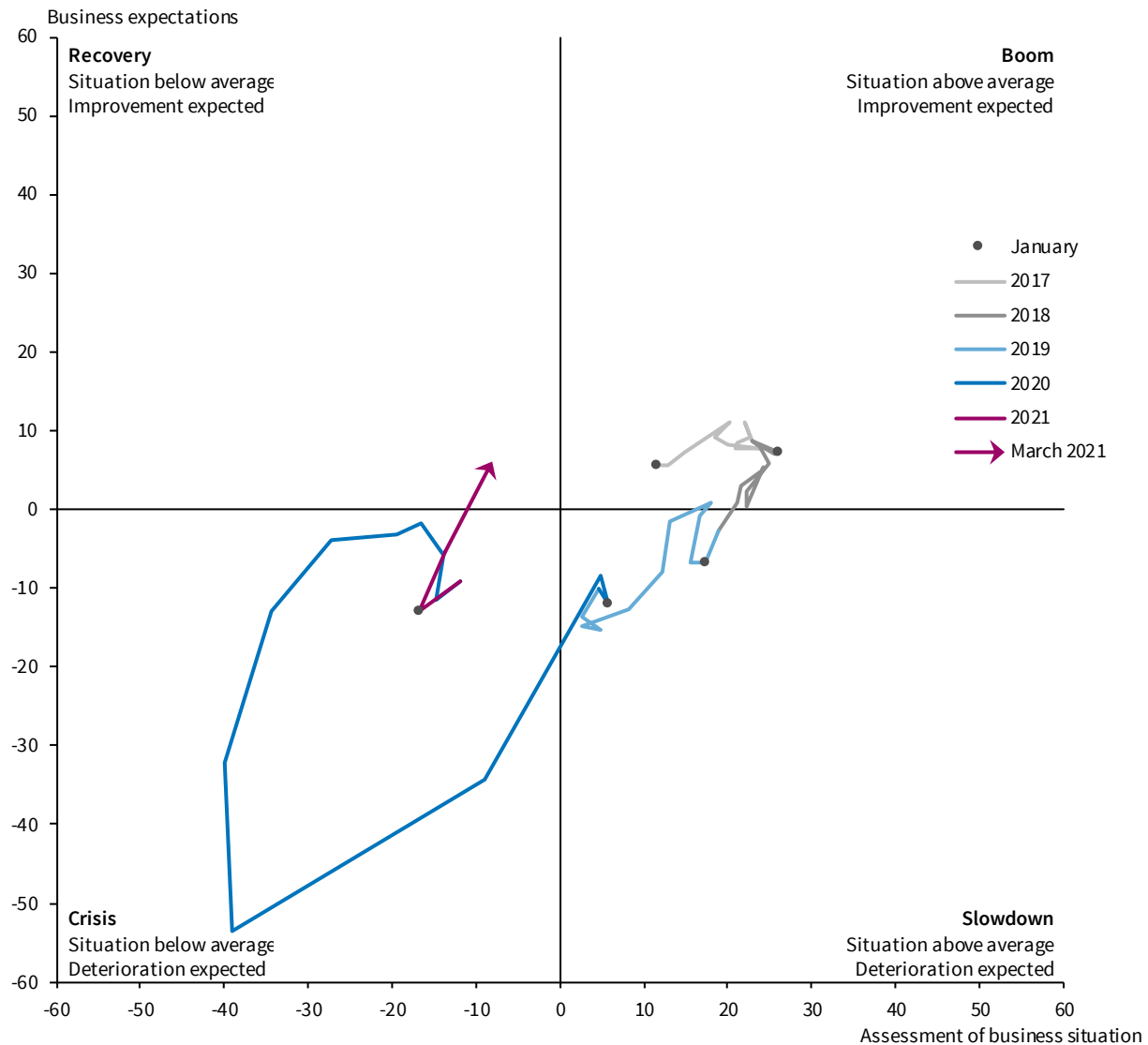
Source: ifo Business Survey

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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<sup>a</sup>**

Balances adjusted for mean value, seasonally adjusted



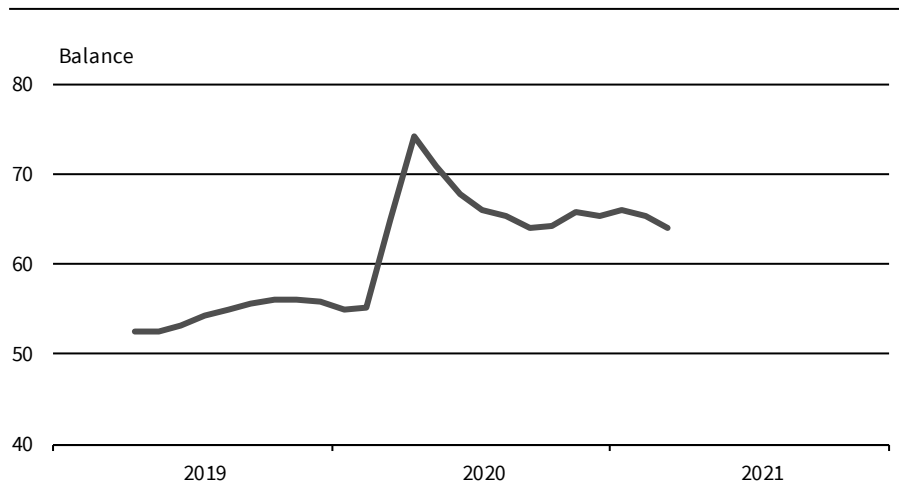
<sup>a</sup> Manufacturing, service sector, trade, and construction.

Source: ifo Business Survey, March 2021.

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 current situation against expectations – passes through quadrants labeled with the different phases of activity, namely recovery, boom, slowdown, and crisis; provided that the expectations indicator sufficiently precedes the current business situation indicator. If survey participants’ assessments of the current business situation and their business expectations are both below average on balance, economic activity is plotted in the “crisis” quadrant. If the expectations indicator is above average (with an improving but below average business situation on balance), economic activity moves to the “recovery” quadrant. If the business situation and expectations are both above average on balance, economic activity appears in the “boom” quadrant. If, however, the expectations indicator falls below average (with a deteriorating but above average business situation on balance), economic activity slips into the “slowdown” quadrant.

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

Original values



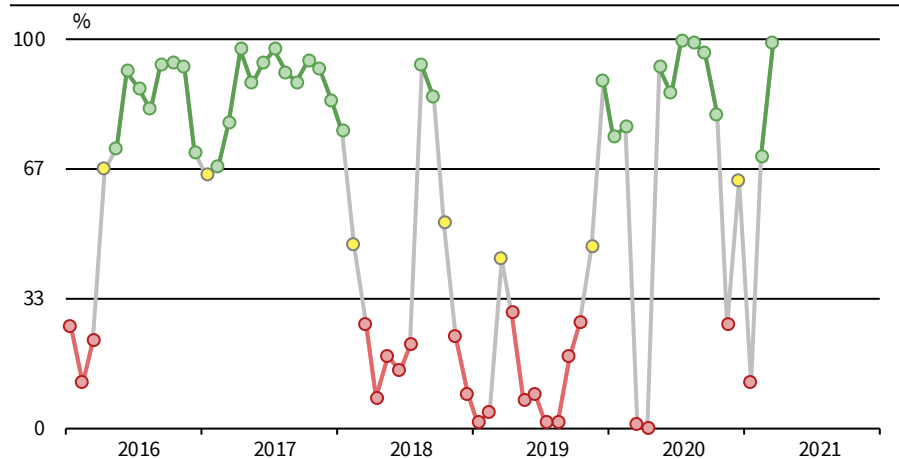
<sup>a</sup> Manufacturing, service sector, trade, and construction.  
 Source: ifo Business Survey, March 2021.

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The ifo Business Uncertainty measures how difficult it is for managers to predict the development of their company's business situation over the next six months. The measure is calculated based on the weighted fractions of companies that fall into the answer options "easy," "fairly easy," "fairly difficult," and "difficult" of a corresponding question in the ifo Business Survey. To this end, the answer categories are mapped onto a numerical scale with equally spaced intervals. Theoretically, the ifo Business Uncertainty can range from 0 to 100. Higher values indicate higher uncertainty: the future business situation is more difficult to predict.

### 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, March 2021.

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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 percent mark signal an economic expansion (green lights); probabilities under the 33 percent 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.