

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

## ifo Business Climate Index Rises Slightly

Munich, April 26, 2021 – Sentiment among German managers has improved slightly. The ifo Business Climate Index rose from 96.6 points in March to 96.8 points in April. Companies once again raised their assessments of the current business situation. However, they were no longer quite so optimistic about the coming six months. Both the third wave of infections and bottlenecks in intermediate products are impeding Germany's economic recovery.

In *manufacturing*, the business climate rose to its highest value since May 2018. Companies reported greatly improved business. The demand situation is still very good. Capacity utilization rose considerably from 81.9 to 86.2 percent. This brings it above its long-run average of 83.5 percent for the first time in almost two years. However, optimism declined with regard to expectations. Fully 45 percent of companies reported bottlenecks in intermediate products – the highest value since 1991.

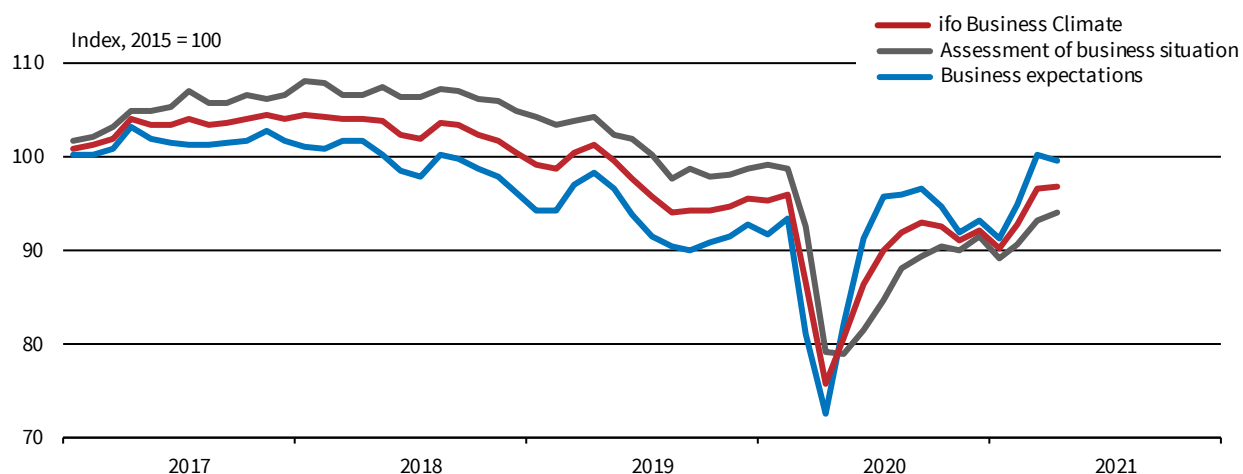
In the *service sector*, the business climate indicator fell somewhat following a steep rise in the previous month. Service providers were slightly less satisfied with their current situation. Recent signs of optimism have disappeared again. While the logistics industry is benefiting from the upswing in manufacturing, other industries are still suffering, in particular hospitality and tourism.

In *trade*, the business climate improved a little. This was due to significantly improved assessments of the current situation, especially among car dealerships. In contrast, there was much greater pessimism regarding the coming months. The mood in wholesale is still better than in retail.

In *construction*, the business climate indicator fell. Companies were somewhat less satisfied with their current situation. Their expectations are also still marked by notable skepticism. Here, too, many companies reported material shortages.

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 2021.

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

Month/year	04/20	05/20	06/20	07/20	08/20	09/20	10/20	11/20	12/20	01/21	02/21	03/21	04/21
<b>Climate</b>	75.7	80.6	86.3	90.0	91.9	92.9	92.5	91.0	92.2	90.3	92.8	96.6	96.8
<b>Situation</b>	79.1	79.0	81.5	84.6	88.0	89.3	90.4	90.1	91.4	89.2	90.7	93.1	94.1
<b>Expectations</b>	72.5	82.2	91.3	95.7	96.0	96.6	94.6	91.9	93.1	91.3	94.9	100.3	99.5

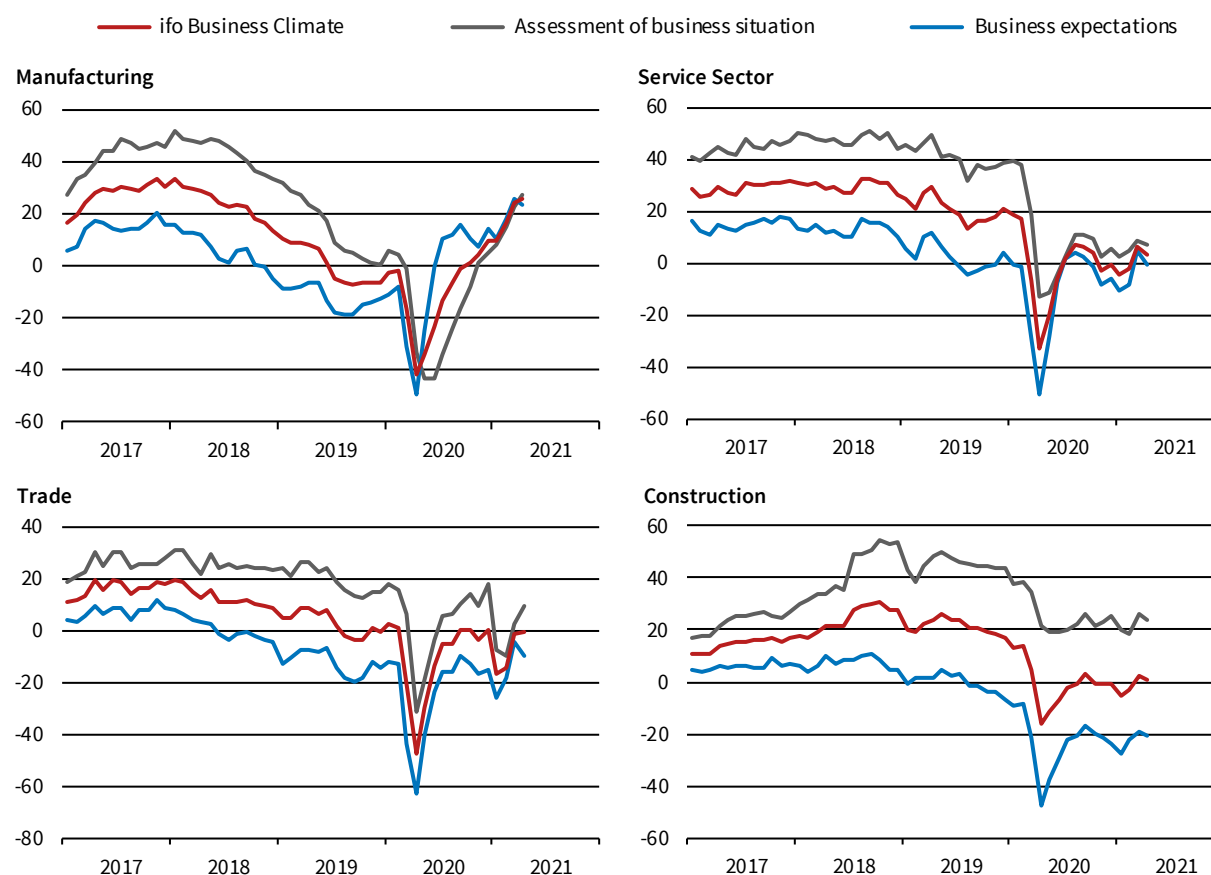
Source: ifo Business Survey

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

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

Balances, seasonally adjusted



Source: ifo Business Survey, April 2021.

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

Month/year	04/20	05/20	06/20	07/20	08/20	09/20	10/20	11/20	12/20	01/21	02/21	03/21	04/21
<b>Germany</b>	-34.5	-23.9	-11.4	-3.3	0.9	3.0	2.1	-1.1	1.6	-2.7	2.8	11.2	11.5
<b>Manufacturing</b>	-41.4	-34.3	-23.2	-13.3	-6.8	-1.1	1.0	4.2	9.3	9.2	16.5	24.0	25.3
<b>Service sector</b>	-32.7	-20.2	-5.9	1.7	7.2	6.6	3.9	-2.9	-0.3	-4.3	-2.1	6.6	3.5
<b>Trade</b>	-47.8	-30.1	-14.1	-5.3	-5.1	0.1	-0.2	-3.9	0.4	-17.1	-14.5	-1.4	-0.5
<b>Construction</b>	-16.4	-11.6	-6.6	-2.0	-0.4	3.4	-0.4	-0.9	-0.7	-5.4	-2.9	2.4	0.4

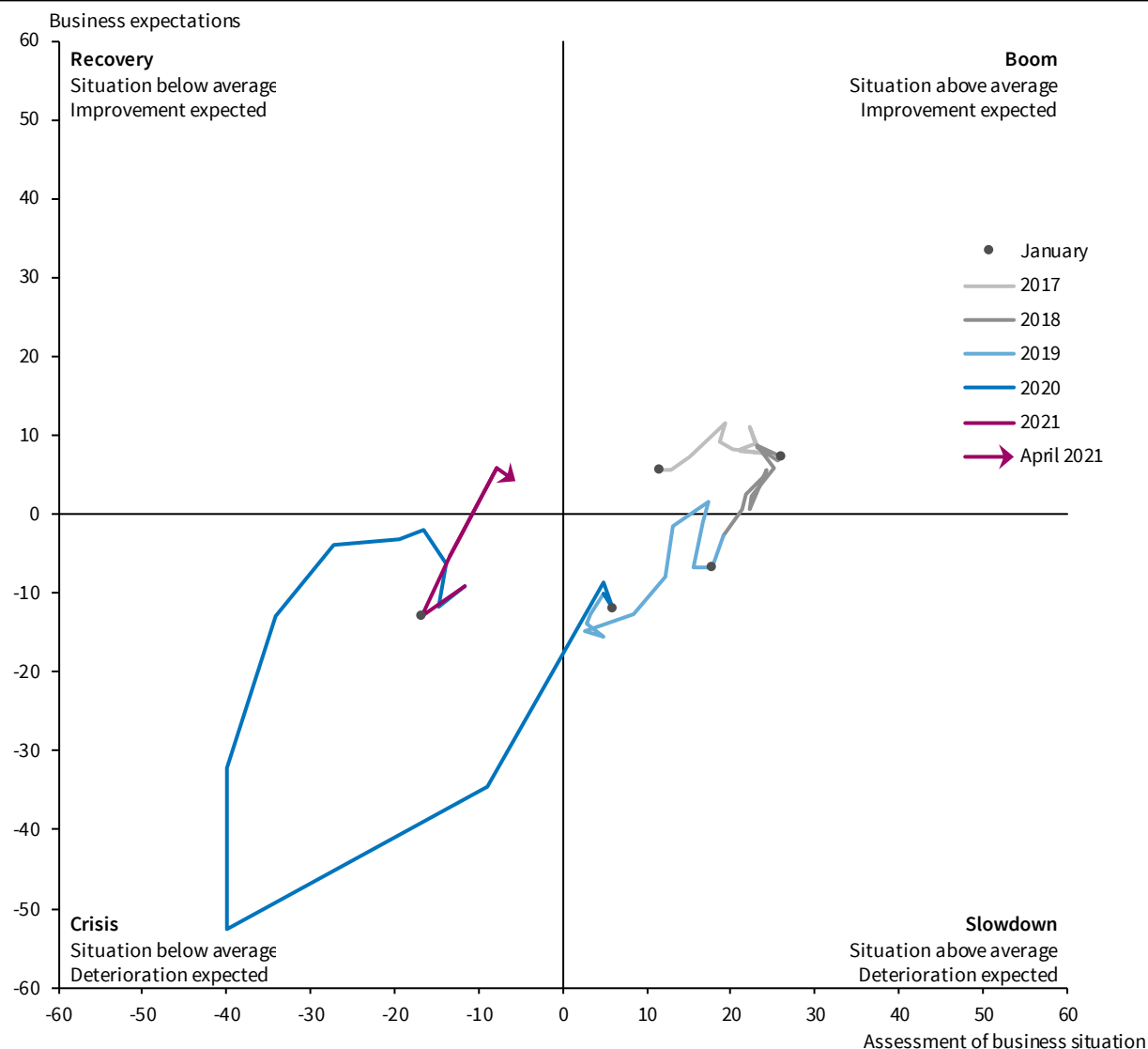
Source: ifo Business Survey

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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.

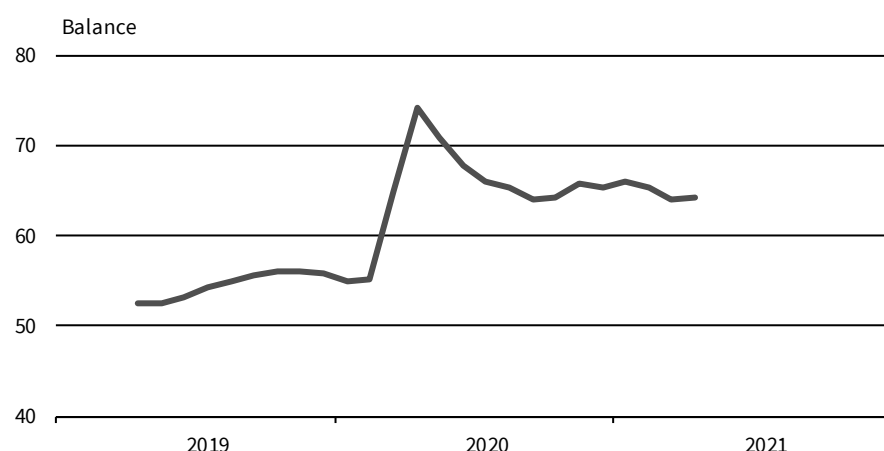
Source: ifo Business Survey, April 2021.

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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



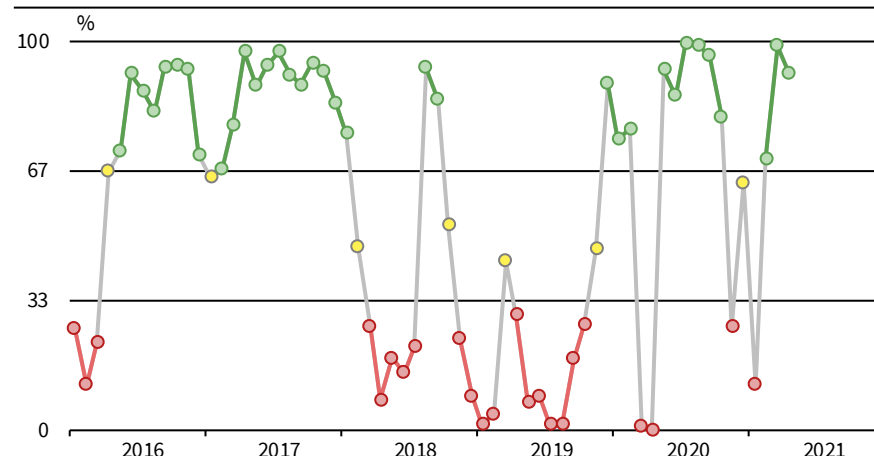
<sup>a</sup> Manufacturing, service sector, trade, and construction.  
Source: ifo Business Survey, April 2021.

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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, April 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.