

ifo Business Climate Germany
Results of the ifo Business Survey for June 2021

ifo Business Climate Index Rises Sharply

Munich, June 24, 2021 – Sentiment among German managers has improved markedly once again. The ifo Business Climate Index rose from 99.2 points in May to 101.8 points in June. Companies assessed their current business situation as much better. Optimism regarding the second half of the year also grew. The German economy is shaking off the coronavirus crisis.

In *manufacturing*, the index rose to its highest value since April 2018. Companies were notably more satisfied with their current business. Their expectations were somewhat less optimistic. Developments were generally very good across all industries, but especially for manufacturers of machinery and equipment and for the electrical and electronics industry. Many companies are concerned about increasing bottlenecks in intermediate products.

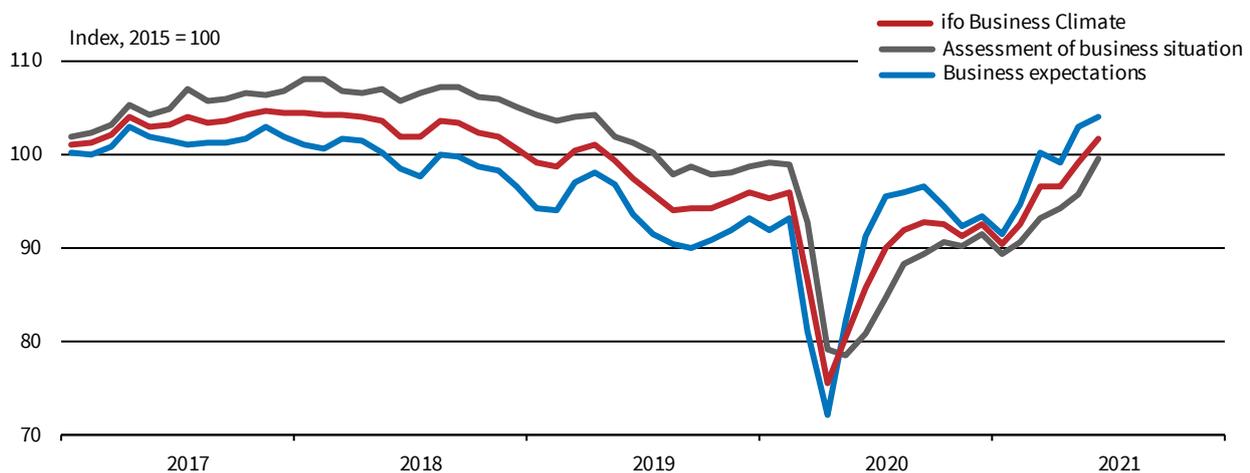
In the *service sector*, the Business Climate Index jumped higher. The indicators for the current situation and for expectations both rose appreciably. The logistics sector and IT service providers reported particularly good business. Service providers are expecting strong sales growth, even in the crisis-stricken hospitality industry.

In *trade*, the easing of restrictions improved the business climate greatly. This was due to a marked improvement in current business. Expectations also turned more optimistic. Sentiment rose particularly steeply in retail. Never has the indicator for the current situation seen such a steep rise.

In *construction*, the index rose a little. Assessments of the current situation were almost unchanged. Expectations improved, but remained pessimistic. Material shortages continue to pose major problems.

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, June 2021.

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

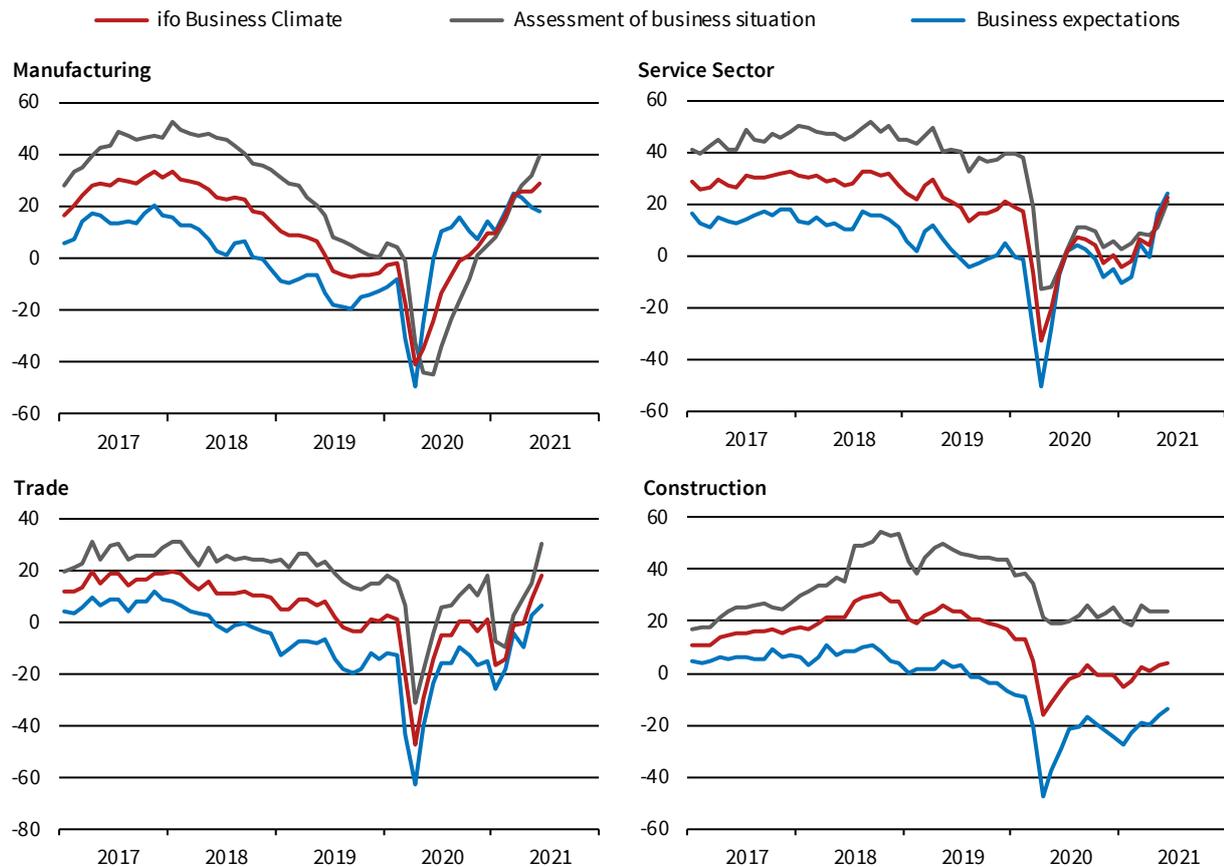
Month/year	06/20	07/20	08/20	09/20	10/20	11/20	12/20	01/21	02/21	03/21	04/21	05/21	06/21
Climate	85.8	90.0	92.0	92.8	92.5	91.3	92.5	90.4	92.6	96.7	96.7	99.2	101.8
Situation	80.8	84.7	88.2	89.4	90.6	90.2	91.5	89.4	90.7	93.2	94.3	95.7	99.6
Expectations	91.2	95.6	95.9	96.5	94.5	92.3	93.5	91.4	94.7	100.3	99.2	102.9	104.0

Source: ifo Business Survey

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, June 2021.

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

Month/year	06/20	07/20	08/20	09/20	10/20	11/20	12/20	01/21	02/21	03/21	04/21	05/21	06/21
Germany	-12.4	-3.3	1.0	2.9	2.3	-0.5	2.3	-2.4	2.5	11.3	11.4	16.9	22.5
Manufacturing	-24.0	-13.3	-6.7	-1.1	1.2	4.4	9.7	9.3	16.4	24.0	25.4	25.7	28.5
Service sector	-6.6	1.8	7.4	6.6	4.0	-2.6	0.0	-4.2	-2.2	6.6	3.7	13.7	22.4
Trade	-14.6	-5.3	-5.0	0.1	-0.1	-3.8	0.5	-17.0	-14.6	-1.4	-0.4	8.5	17.8
Construction	-6.5	-2.0	-0.4	3.3	-0.4	-1.0	-0.9	-5.1	-3.2	2.5	0.7	3.0	4.2

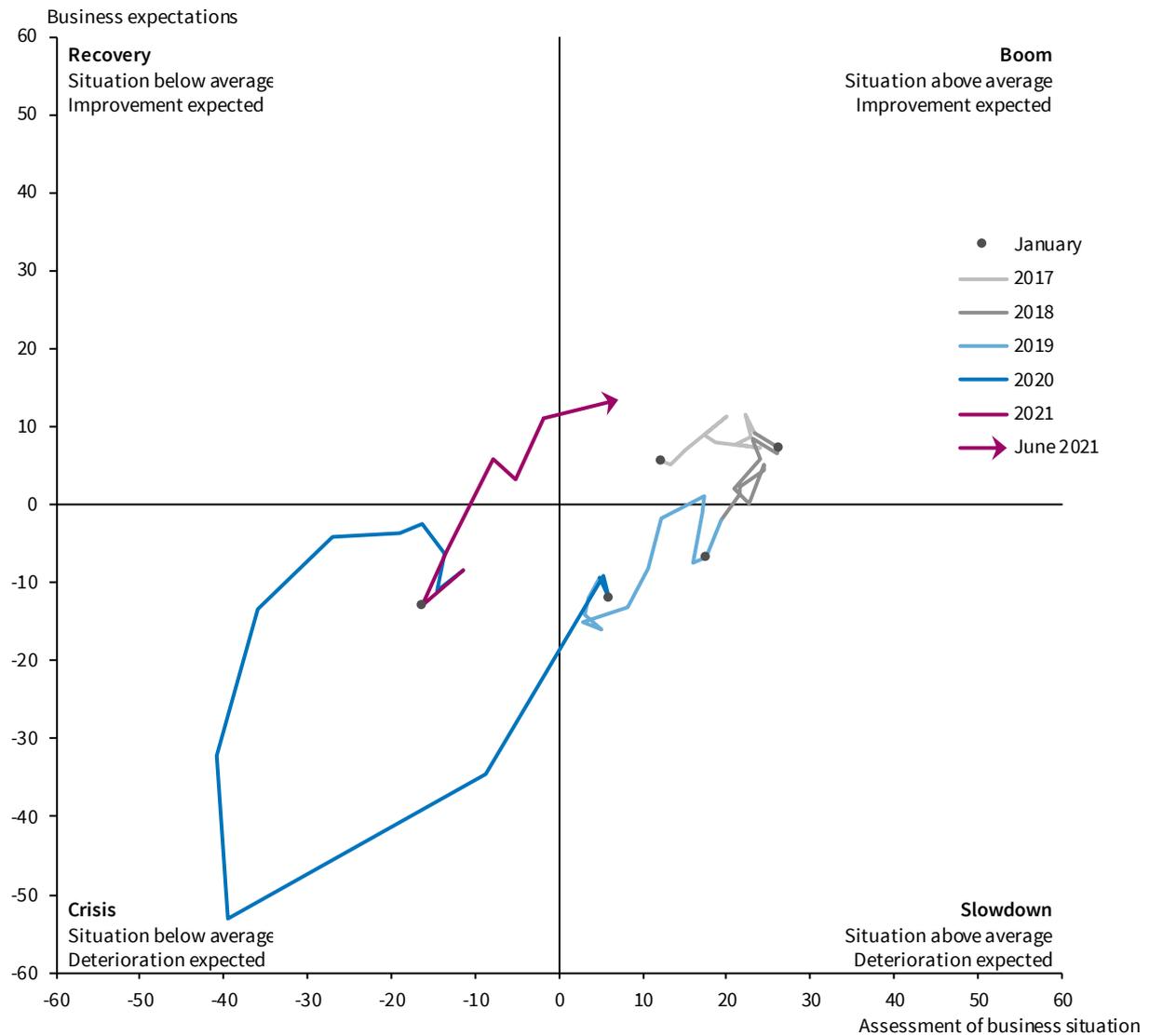
Source: ifo Business Survey

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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 adjusted for mean value, seasonally adjusted



^a Manufacturing, service sector, trade, and construction.

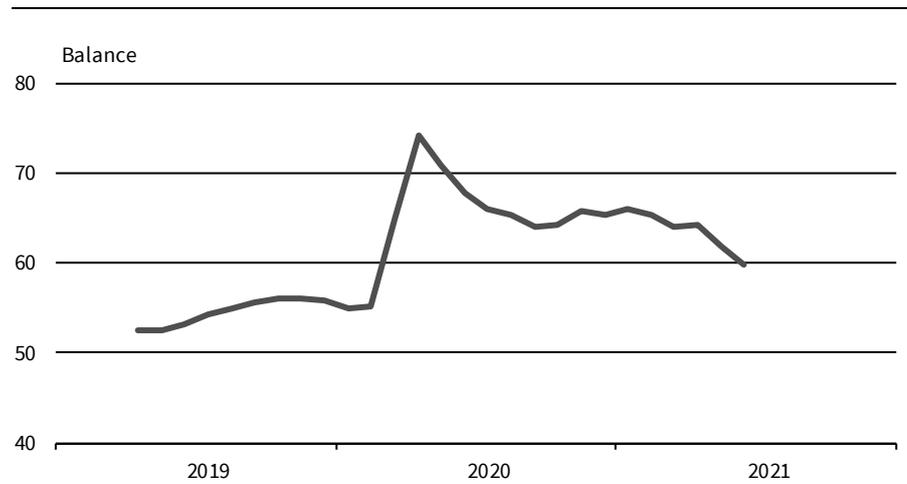
Source: ifo Business Survey, June 2021.

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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^a

Original values



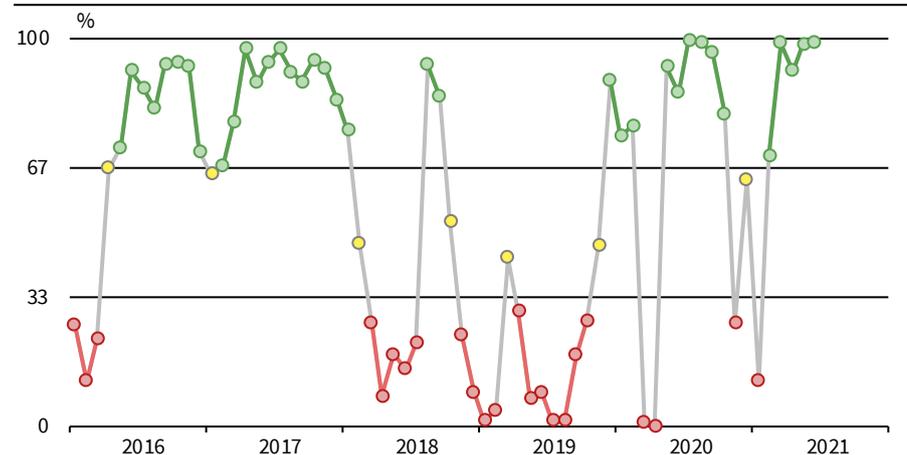
^a Manufacturing, service sector, trade, and construction.
 Source: ifo Business Survey, June 2021.

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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^a



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

Source: ifo Business Survey, June 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.