

**ifo Business Climate Germany**  
**Results of the ifo Business Survey for February 2024**

## ifo Business Climate Index rises

Munich, February 23, 2024 – Sentiment among German companies has brightened somewhat. The ifo Business Climate Index rose to 85.5 points in February, up from 85.2 points in January. This is due to slightly less pessimistic expectations. Assessments of the current situation remained unchanged – positive and negative responses here were nearly in balance. The German economy is stabilizing at a low level.

In *manufacturing*, the business climate index fell. Assessments of the current situation have not been so low since September 2020. Expectations are virtually as pessimistic as they were the previous month. The decline in the order backlog continues unabated. Companies have announced further cuts to production.

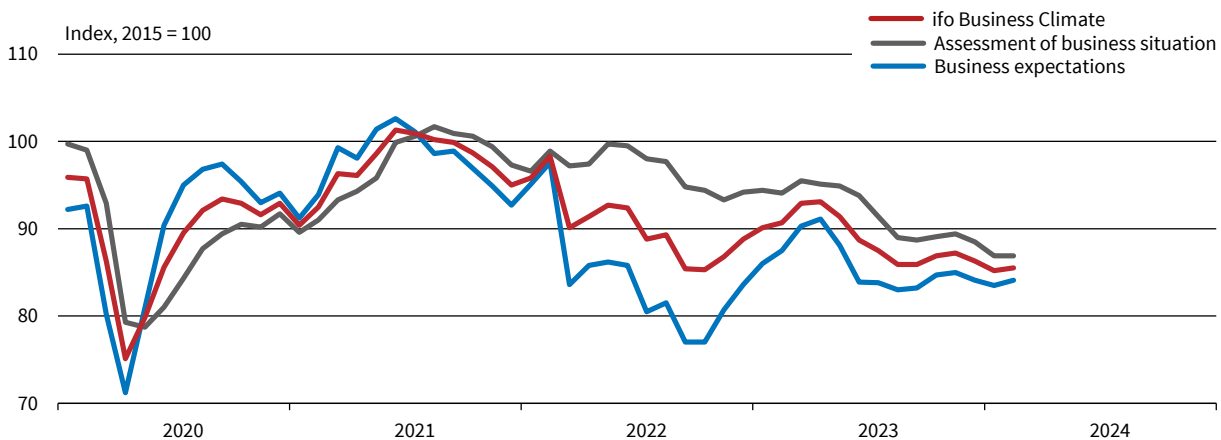
In the *service sector*, the business climate improved. Service providers were more satisfied with their current business situation. Expectations were still pessimistic, but somewhat less so than they were in January. Development of the order situation, however, is weak.

In *trade*, the index dropped again. Companies were noticeably less satisfied with their current business situation, although their expectations improved slightly. They are still deeply skeptical of how business will develop in the months ahead.

In *construction*, the business climate indicator rose slightly, although it remains at a low level. The increase is due to somewhat better assessments of the current situation. Expectations, however, declined to their lowest level since 1991.

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, February 2024.

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

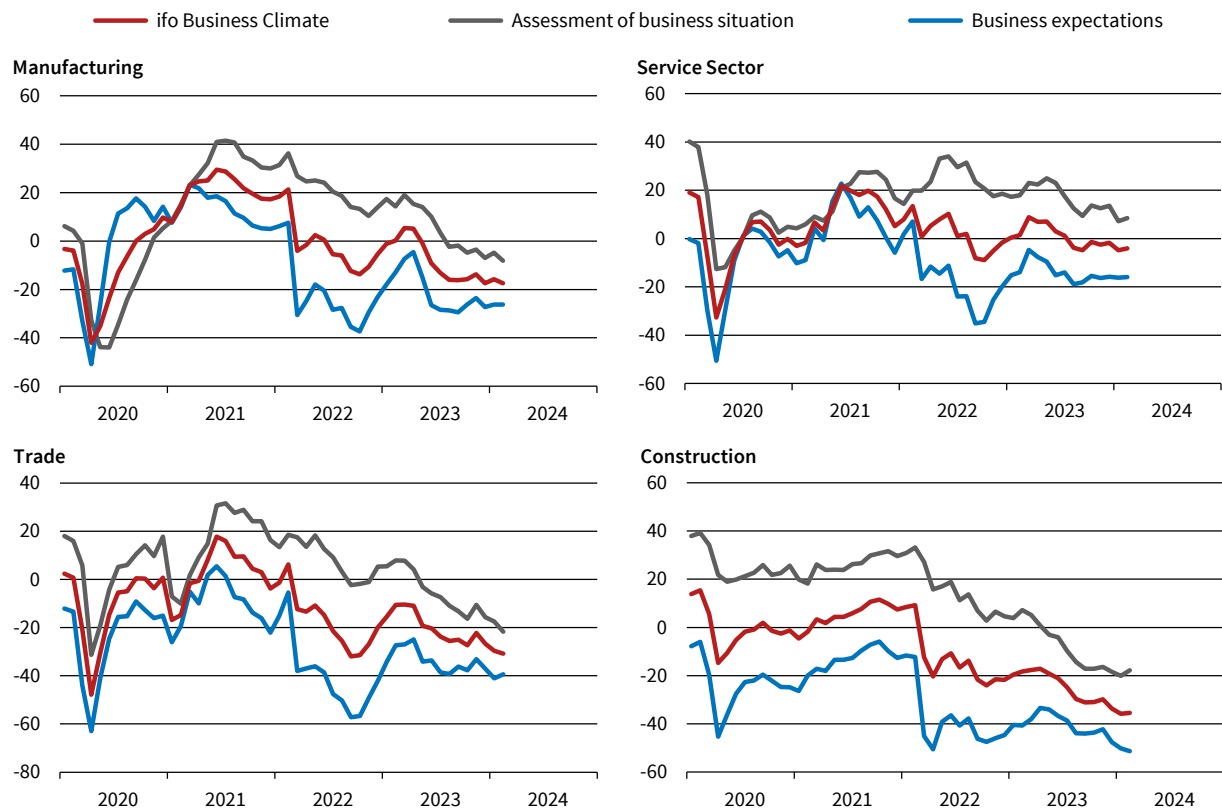
Month/year	02/23	03/23	04/23	05/23	06/23	07/23	08/23	09/23	10/23	11/23	12/23	01/24	02/24
<b>Climate</b>	90.7	92.9	93.1	91.4	88.7	87.5	85.9	85.9	86.9	87.2	86.3	85.2	85.5
<b>Situation</b>	94.1	95.5	95.1	94.9	93.8	91.4	89.0	88.7	89.1	89.4	88.5	86.9	86.9
<b>Expectations</b>	87.5	90.3	91.1	88.1	83.9	83.8	83.0	83.2	84.7	85.0	84.1	83.5	84.1

Source: ifo Business Survey, February 2024

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, February 2024.

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

Month/year	02/23	03/23	04/23	05/23	06/23	07/23	08/23	09/23	10/23	11/23	12/23	01/24	02/24
<b>Germany</b>	-1.7	3.0	3.5	-0.2	-6.1	-8.7	-12.2	-12.3	-10.1	-9.5	-11.4	-13.8	-13.1
<b>Manufacturing</b>	0.2	5.4	5.2	-0.9	-9.1	-13.1	-16.0	-16.1	-15.8	-13.8	-17.4	-15.8	-17.4
<b>Service sector</b>	1.4	8.8	6.9	7.0	3.0	1.2	-3.8	-4.8	-1.4	-2.5	-1.7	-4.8	-4.1
<b>Trade</b>	-10.6	-10.4	-11.0	-19.3	-20.3	-23.7	-25.6	-25.1	-27.3	-22.2	-26.7	-29.7	-30.8
<b>Construction</b>	-18.3	-17.7	-17.1	-19.2	-21.1	-24.8	-29.7	-31.1	-31.0	-29.8	-33.7	-35.8	-35.4

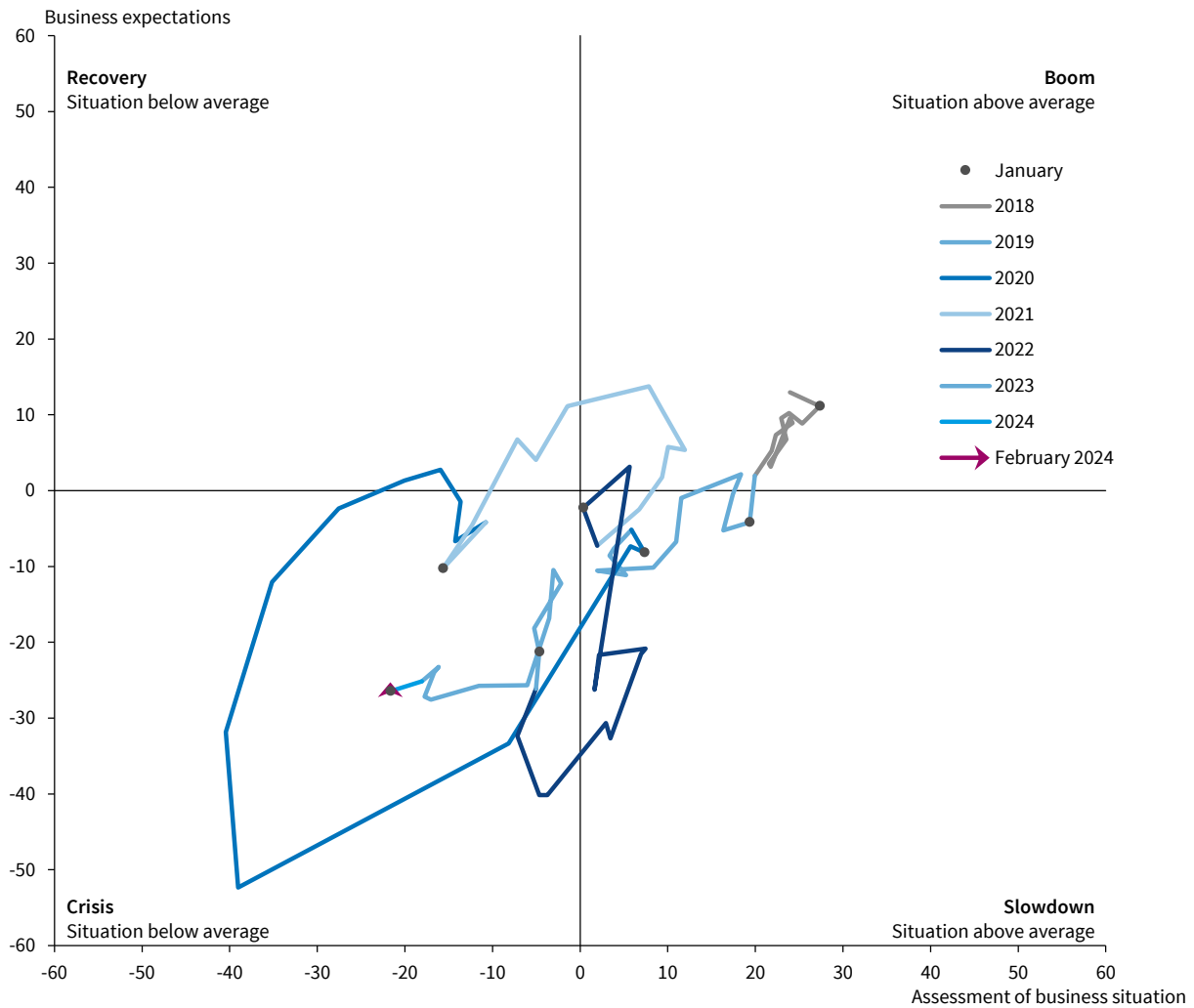
Source: ifo Business Survey, February 2024.

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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

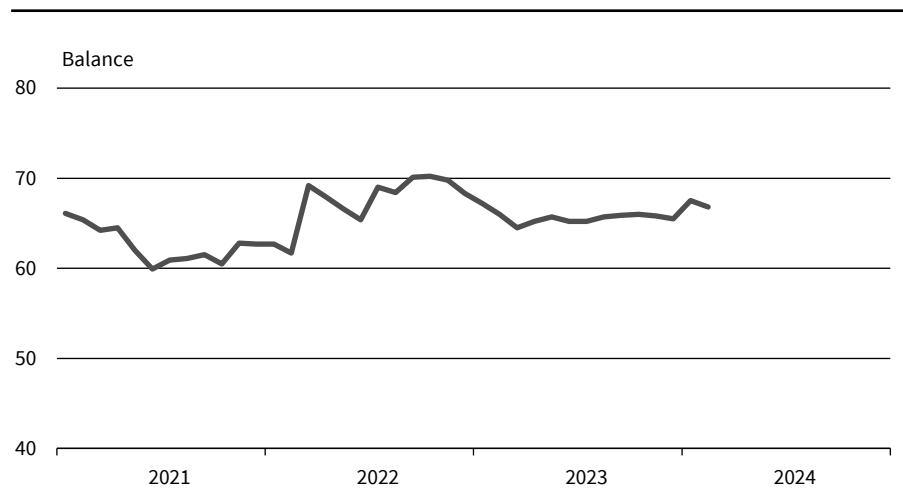


<sup>a</sup> Manufacturing, service sector, trade, and construction.  
 Source: ifo Business Survey, February 2024.

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



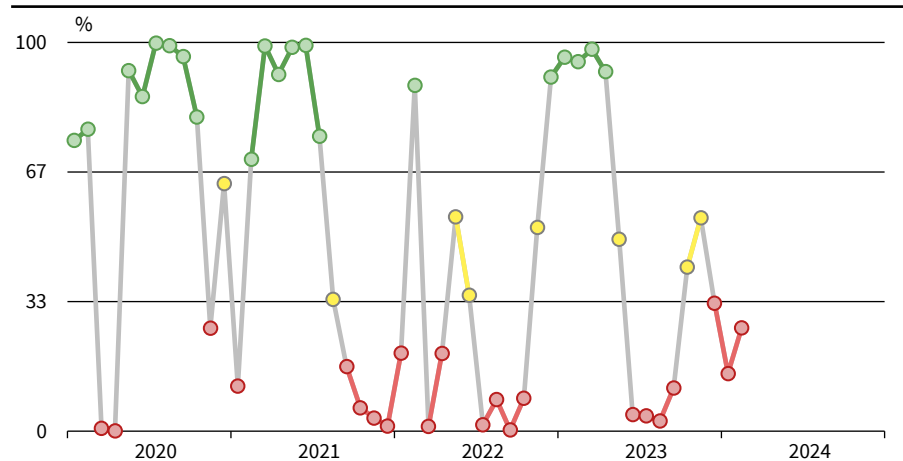
<sup>a</sup> Manufacturing, service sector, trade, and construction.  
 Source: ifo Business Survey, February 2024.

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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, February 2024.

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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.