

ifo Business Climate Germany
Results of the ifo Business Survey for May 2024

ifo Business Climate Index Remains Unchanged

Munich, May 27, 2024 – Sentiment among companies in Germany remains unchanged. The ifo Business Climate Index in May stayed at 89.3 points¹. Companies were less satisfied with their current business situation, but expectations brightened. The manufacturing, trade, and construction sectors are recovering, although the service sector took a slight hit. Germany’s economy is working its way out of the crisis step by step.

In *manufacturing*, the business climate improved for the third time in a row. Companies were considerably more satisfied with their current business. In addition, the outlook for the coming months was less pessimistic than in the previous month. The order backlog continued to decline, however.

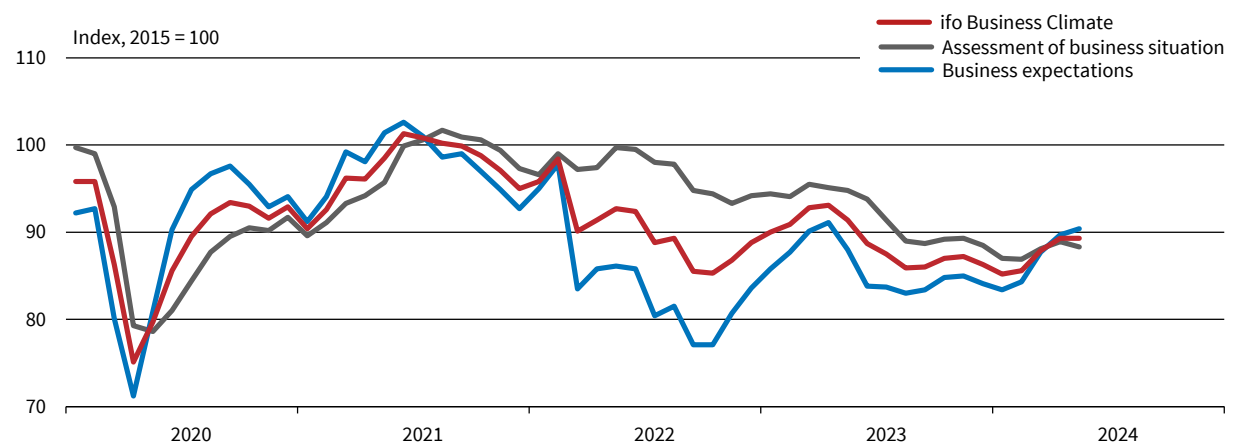
In the *service sector*, the index declined. This was due to somewhat worse assessments of the current business situation. However, expectations improved a bit. Companies reported additional orders.

In *trade*, the index took a significant step upward. Business expectations improved considerably, though they are still marked by skepticism. The current situation is looking up as well, a trend driven primarily by the wholesale segment.

In *construction*, the index improved once again. Companies were more satisfied with their current business situation, and their expectations were also somewhat less pessimistic. A lack of orders, however, remains a core problem.

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, May 2024.

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

Month/year	05/23	06/23	07/23	08/23	09/23	10/23	11/23	12/23	01/24	02/24	03/24	04/24	05/24
Climate	91.4	88.7	87.5	85.9	86.0	87.0	87.2	86.3	85.2	85.6	87.9	89.3	89.3
Situation	94.8	93.8	91.4	89.0	88.7	89.2	89.3	88.5	87.0	86.9	88.1	88.9	88.3
Expectations	88.0	83.8	83.7	83.0	83.4	84.8	85.0	84.1	83.4	84.3	87.7	89.7	90.4

Source: ifo Business Survey, May 2024

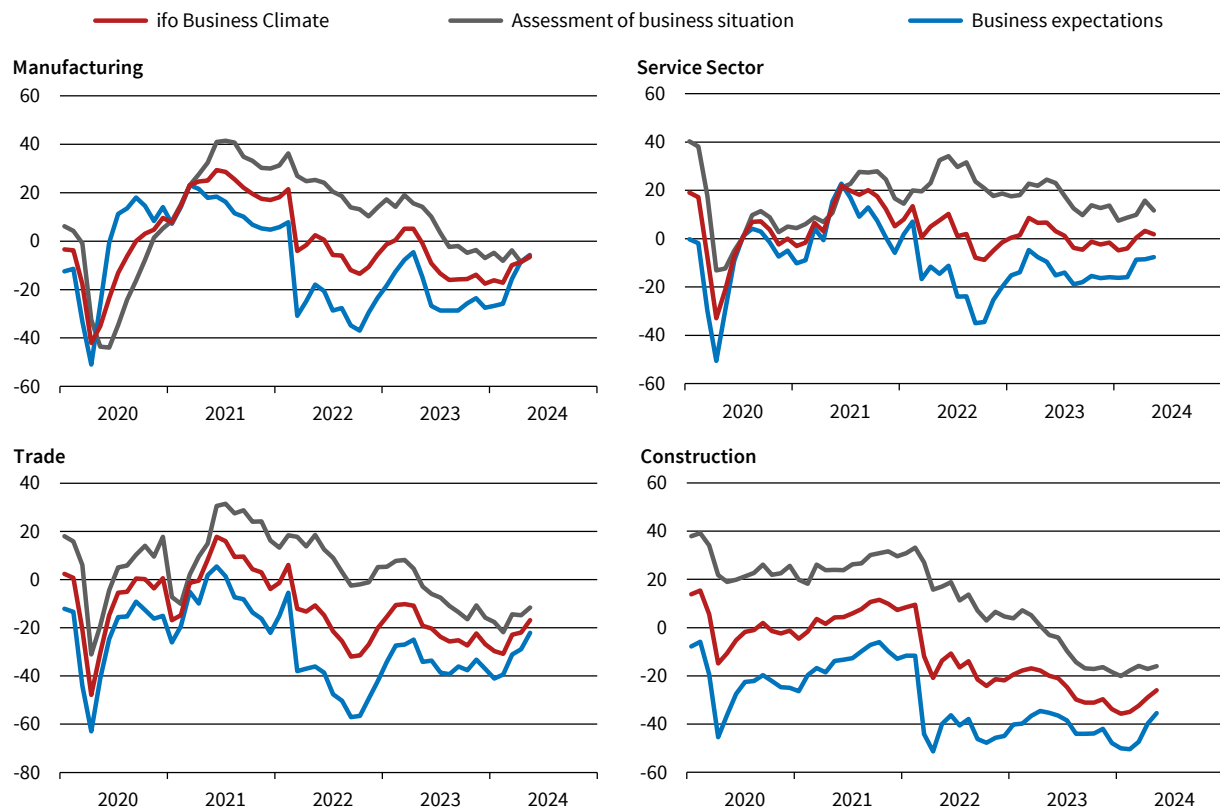
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For long time-series in Excel format, please see <https://www.ifo.de/en/umfragen/time-series>.

¹ The previous month's index was seasonally adjusted from 89.4 to 89.3 points.

ifo Business Climate, Business Situation, and Expectations by Sector

Balances, seasonally adjusted



Source: ifo Business Survey, May 2024.

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

Month/year	05/23	06/23	07/23	08/23	09/23	10/23	11/23	12/23	01/24	02/24	03/24	04/24	05/24
Germany	-0.3	-6.2	-8.8	-12.2	-12.1	-9.9	-9.5	-11.4	-13.9	-12.8	-7.9	-4.7	-4.7
Manufacturing	-0.8	-9.2	-13.3	-16.0	-15.8	-15.6	-13.9	-17.6	-16.1	-17.2	-9.9	-8.6	-6.2
Service sector	6.7	3.1	1.2	-3.8	-4.6	-1.3	-2.4	-1.6	-4.8	-4.0	0.4	3.2	1.8
Trade	-19.2	-20.3	-23.7	-25.7	-25.2	-27.4	-22.3	-26.8	-29.7	-30.8	-22.9	-22.0	-16.9
Construction	-19.9	-21.0	-24.7	-29.8	-31.1	-31.1	-29.7	-33.8	-35.7	-34.9	-32.4	-28.9	-26.0

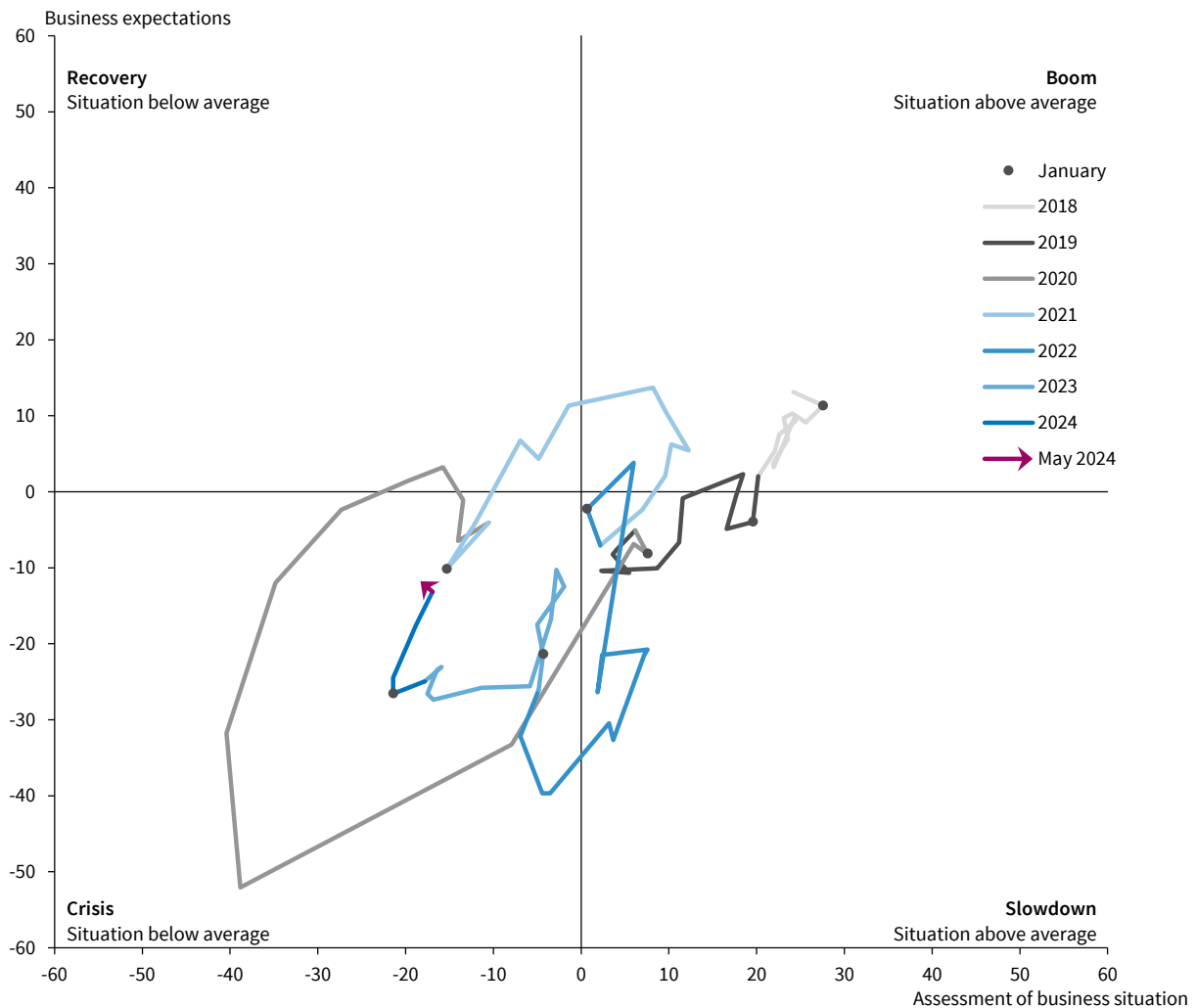
Source: ifo Business Survey, May 2024.

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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^a

Balances adjusted for mean value, seasonally adjusted

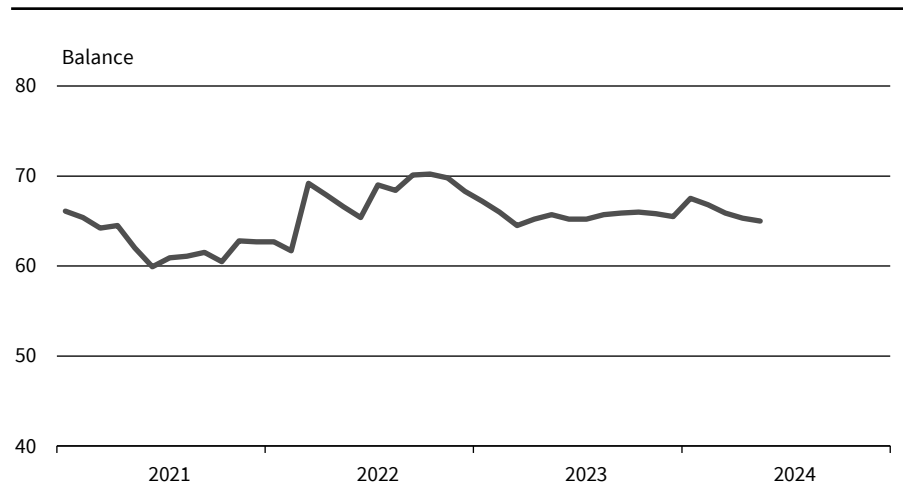


^a Manufacturing, service sector, trade, and construction.
 Source: ifo Business Survey, May 2024.

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^a

Original values

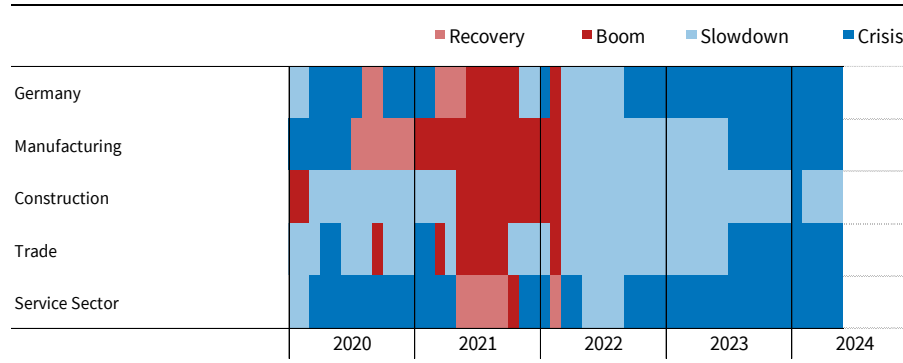


^a Manufacturing, service sector, trade, and construction.
 Source: ifo Business Survey, May 2024.

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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.

Heatmap of ifo Business Survey



Source: ifo Business Survey, May 2024.

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The ifo Heatmap is a compact summary of the ifo Business Cycle Clock for the individual sectors of the German economy. If the ifo Heatmap shows dark blue, then the business situation and expectations are below average and companies are in crisis. As business expectations improve, the light red recovery sets in. If the business situation and expectations are above average, companies are in a dark red boom, which is often referred to as overheating. If the light blue cooling sets in, then business expectations are deteriorating.