

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

ifo Business Climate Index deteriorates

Munich, August 26, 2024 – The sentiment among companies in Germany is on a downward trend. The ifo Business Climate Index fell from 87.0 points in July to 86.6 points in August. Companies assessed their current situation as worse. In addition, expectations were more pessimistic. The German economy is increasingly falling into crisis.

In *manufacturing*, the index fell considerably. Companies were significantly less satisfied with the current business situation. Expectations fell to the lowest level since February. Companies once again reported declining order backlogs. The situation for investment goods manufacturers, in particular, is difficult.

In the *service sector*, the business climate deteriorated. This was due in particular to skeptical expectations. In addition, the current business situation worsened somewhat.

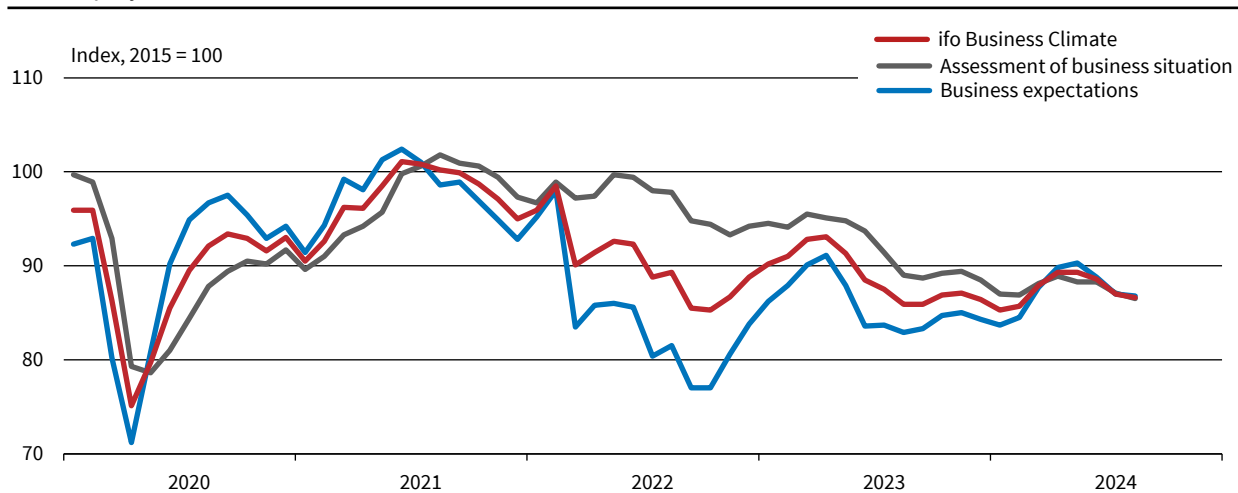
In *trade*, the business climate rose slightly after declining two times in a row. That was due to the somewhat less pessimistic expectations. Traders were, however, less satisfied with the current business situation.

In *construction*, the index was unchanged. On the one hand, companies were slightly more satisfied with the current business situation. On the other, their expectations declined slightly.

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, August 2024.

© ifo Institute

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

Month/year	08/23	09/23	10/23	11/23	12/23	01/24	02/24	03/24	04/24	05/24	06/24	07/24	08/24
Climate	85.9	85.9	86.9	87.1	86.4	85.3	85.7	87.9	89.3	89.3	88.6	87.0	86.6
Situation	89.0	88.7	89.2	89.4	88.5	87.0	86.9	88.1	88.9	88.3	88.3	87.1	86.5
Expectations	82.9	83.3	84.7	85.0	84.3	83.7	84.5	87.7	89.8	90.3	88.8	87.0	86.8

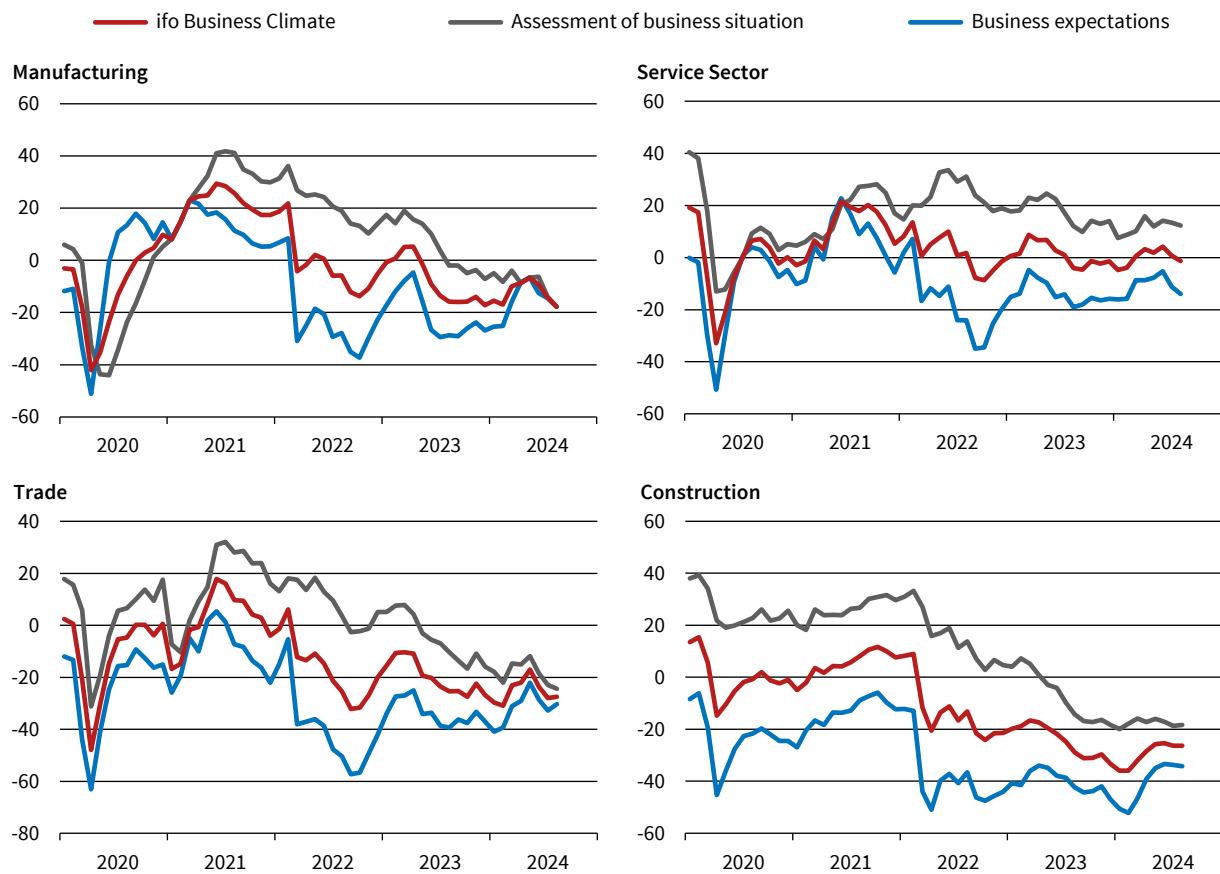
Source: ifo Business Survey, August 2024

© ifo Institute

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, August 2024.

© ifo Institute

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

Month/year	08/23	09/23	10/23	11/23	12/23	01/24	02/24	03/24	04/24	05/24	06/24	07/24	08/24
Germany	-12.2	-12.2	-10.0	-9.5	-11.2	-13.5	-12.6	-7.9	-4.7	-4.9	-6.4	-9.7	-10.7
Manufacturing	-15.8	-16.0	-15.8	-14.0	-17.2	-15.5	-16.9	-10.0	-8.7	-6.6	-9.4	-14.2	-17.8
Service sector	-4.0	-4.6	-1.3	-2.3	-1.5	-4.7	-3.9	0.5	3.2	1.9	4.2	0.8	-1.3
Trade	-25.4	-25.3	-27.5	-22.4	-26.8	-29.7	-30.9	-23.0	-22.1	-17.0	-23.6	-27.9	-27.4
Construction	-28.9	-31.2	-31.0	-29.7	-33.3	-36.0	-35.9	-32.0	-28.5	-25.7	-25.4	-26.4	-26.4

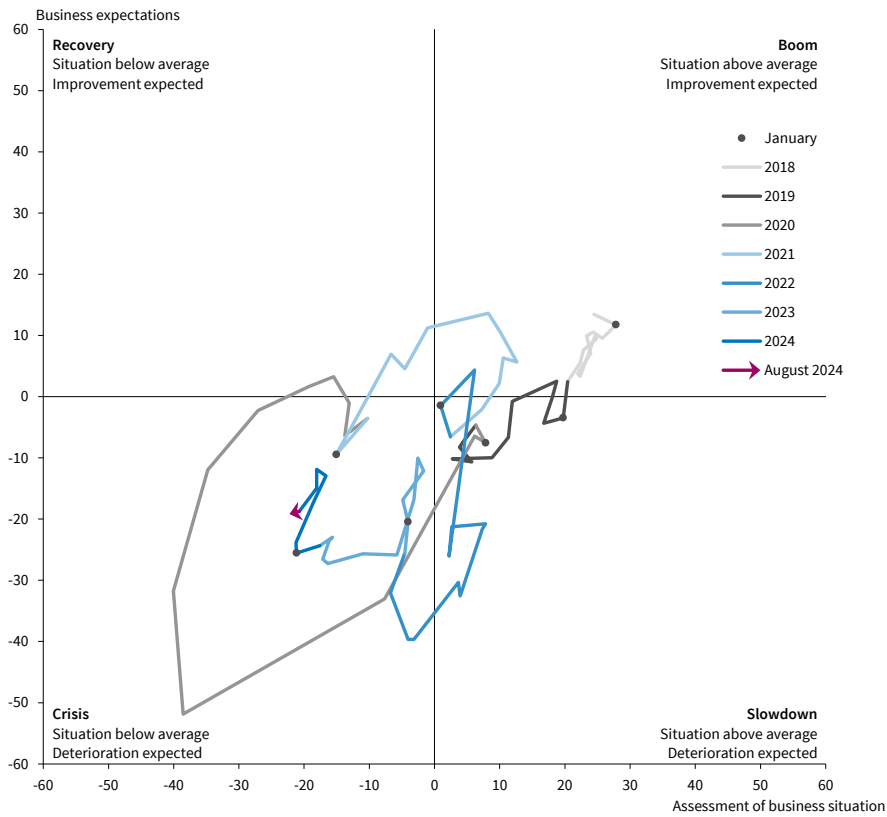
Source: ifo Business Survey, August 2024.

© ifo Institute

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

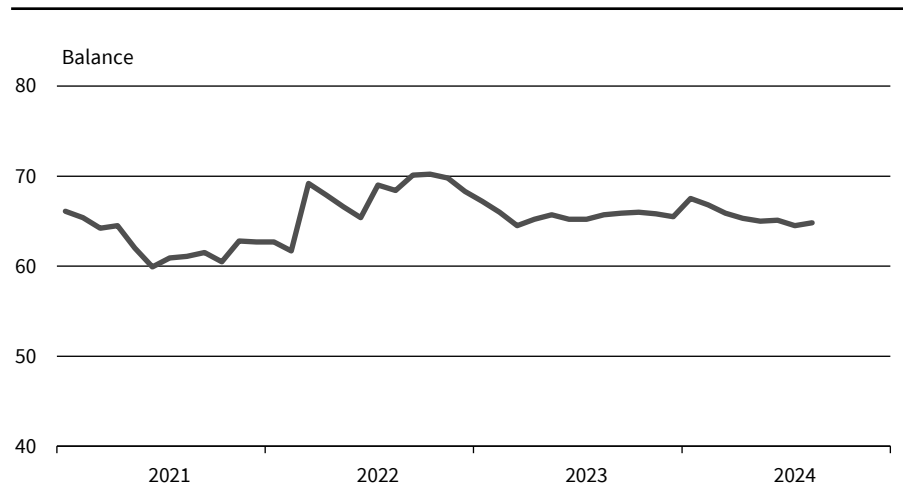


^a Manufacturing, service sector, trade, and construction.
 Source: ifo Business Survey, August 2024.

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

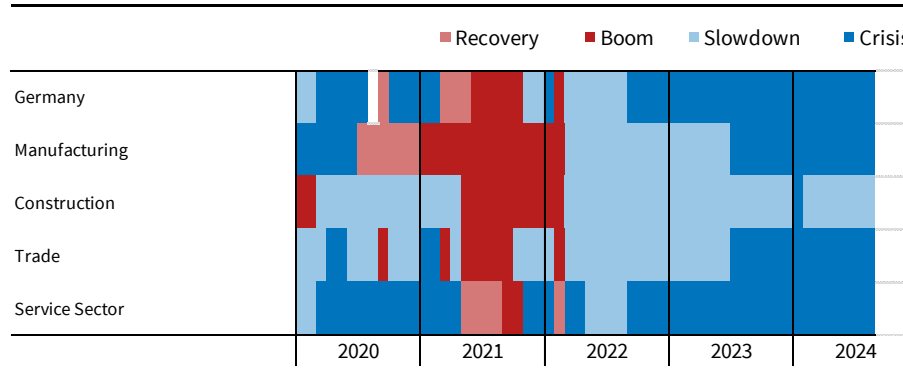


^a Manufacturing, service sector, trade, and construction.
 Source: ifo Business Survey, August 2024.

© ifo Institute

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, August 2024.

© ifo Institute

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.