

# **ifo Business Climate: Backgrounds and Potentials for Armenia**

**Dr Klaus Wohlrabe**

Berlin/Yerevan, June 2020

# Agenda

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- Behind the scenes of the ifo Business Climate
- How to interpret the index and its relationship to the German Business Cycle
- Practical Issues

# The ifo survey

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- Regular survey
- Voluntary participation
- Mostly qualitative questions
- Provides up-to-date information about the current economic situation and the upcoming development
- Information exchange between firms and the institute

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# The questionnaire

**Rücksendung erbeten bis 10. Dezember 2018**

umfragen@ifo.de Rückfragen bitte an:

F 089 9224-1508 Frau Demmelhuber T 089 9224-1284  
F 089 9224-1911 Herrn Marjenko T 089 9224-1382

**Ihr aktueller Informationsstand Dezember 2018**

Fragen bitte nur für inländische Standorte, angegebenen Bereich/Erzeugnis und unter Ausschaltung rein saisonaler Schwankungen beantworten.

Bereich/Erzeugnis: **123456 Herstellung von xxx**  
Angaben Bereichsabgrenzung

**Kenn-Nr. 8123456-12.34/12-1234**

**AKTUELLE SITUATION IM DEZEMBER**

1. Wir beurteilen unsere derzeitige

**Geschäftslage** als

- gut  
 befriedigend  
 schlecht

2. Wir beurteilen unsere Lagerbestände an unverkauften Fertigwaren zurzeit als

- zu klein  
 normal  
 zu groß  
 Lagerhaltung nicht üblich

3. Unseren Auftragsbestand (sofern branchenüblich) empfinden wir als

- a) **insgesamt**  verhältnismäßig groß  
 ausreichend  
 zu klein  
wir exportieren nicht
- b) **für den Export**

**RÜCKBLICK – TENDENZEN IM NOVEMBER**

4. Die Nachfragesituation hat sich

- gebessert  
 nicht verändert  
 verschlechtert

5. Unser Auftragsbestand ist

- gestiegen  
 etwa gleich geblieben  
 gesunken

6. Unsere Produktionstätigkeit ist im Vergleich zum Oktober

- gestiegen  
 etwa gleich geblieben  
 gesunken  
 keine nennenswerte inländische Produktion

7. Unsere Preise wurden im Vergleich zum Oktober

- erhöht  
 nicht verändert  
 gesenkt

8. Die Zahl unserer Beschäftigten ist

- gestiegen  
 etwa gleich geblieben  
 gesunken

**PLÄNE UND ERWARTUNGEN FÜR DIE NÄCHSTEN 3 MONATE**

9. Unsere Produktionstätigkeit wird voraussichtlich

- steigen  
 etwa gleich bleiben  
 abnehmen  
 keine nennenswerte inländische Produktion

10. Unsere Preise werden

- steigen  
 etwa gleich bleiben  
 fallen

11. Der Umfang unseres Exportgeschäfts wird voraussichtlich

- zunehmen  
 etwa gleich bleiben  
 abnehmen  
 wir exportieren nicht

12. Die Zahl unserer Beschäftigten wird voraussichtlich

- zunehmen  
 etwa gleich bleiben  
 abnehmen

**ERWARTUNGEN FÜR DIE NÄCHSTEN 6 MONATE**

13. Unsere Geschäftslage wird voraussichtlich

- eher günstiger  
 eher gleich bleiben  
 eher ungünstiger

**SONDERFRAGEN**

**A) Kreditvergabe**

Wir haben in den vergangenen 3 Monaten Kreditverhandlungen mit Banken geführt.

Ja

wenn ja: die Banken verhielten sich dabei:

- entgegenkommend  
 normal  
 restriktiv

Nein

wenn nein:

- kein Bedarf an einem Bankkredit  
 andere Gründe

**SONDERFRAGEN**

B1) Wir arbeiten zurzeit mit Überstunden

- ja  
 nein

B2) wenn ja, mehr als betriebsüblich

- ja  
 nein

C1) Wir haben zurzeit Kurzarbeit

- ja  
 nein

C2) Im Laufe der nächsten 3 Monate werden wir voraussichtlich kurzarbeiten

- ja  
 nein

D1) Innovationen\*

Wir haben 2018 Innovationen im

a) **Produktbereich** b) **Produktionsbereich**

- |  |                          |
|--|--------------------------|
| <input type="checkbox"/> realisiert              | <input type="checkbox"/> |
| <input type="checkbox"/> abgebrochen             | <input type="checkbox"/> |
| <input type="checkbox"/> Planung abgeschlossen   | <input type="checkbox"/> |
| <input type="checkbox"/> noch im Planungsstadium | <input type="checkbox"/> |
| <input type="radio"/> nicht vorgesehen           | <input type="radio"/>    |

D2) Haben Sie im Jahr 2018 FuE-Aktivitäten durchgeführt?

- ja  
 nein

a) Bezogen auf die Beschäftigten des Erzeugnisbereiches betrug der Anteil des FuE-Personals:

\_\_\_\_\_ %

b) Bezogen auf den Umsatz des Erzeugnisbereiches betrug der Anteil der FuE-Ausgaben:

\_\_\_\_\_ %

D3) 2018 befanden sich unsere Produkte - gemessen an Ihrem Gesamtumsatz - in folgenden Phasen (Schätzwerte genügen):

Markteinführungsphase \_\_\_\_\_ %

(Innovation) \_\_\_\_\_ %

Wachstumsphase \_\_\_\_\_ %

Stagnationsphase \_\_\_\_\_ %

Schrumpfungsphase \_\_\_\_\_ %

100 %

\* Innovationen sind Neuerungen und wesentliche Verbesserungen im Produkt- und/oder Produktionsbereich

# The Header

**ifo** - Konjunkturumfrage Verarbeitendes Gewerbe

ifo Institut – Zentrum für Makroökonomik und Befragungen

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Bereich/Erzeugnis: **123456 Herstellung von xxx**

**ifo** INSTITUT

Leibniz-Institut für Wirtschaftsforschung  
an der Universität München e.V.

Postfach 86 04 60  
81631 München

**Kenn-Nr. 8123456-12.34/12-1234**

# The questionnaire – Current Situation

## Current Situation

1) We evaluate our **business situation** with respect to XY as

good

satisfactory

unsatisfactory

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>

Business Situation

2) We feel that at present our stocks of unsold **finished goods** of XY are

too small

adequate (normal for the time of year)

too large

we do not normally maintain stocks

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>
<input type="checkbox"/>		

3) We feel that at present our **backlogs of orders** on hand of XY are

relatively large

adequate (normal for the time of year) or not customary

too small

we don't export XY

	over-all	export
relatively large	<input type="checkbox"/>	<input type="checkbox"/>
adequate (normal for the time of year) or not customary	<input type="checkbox"/>	<input type="checkbox"/>
too small	<input type="checkbox"/>	<input type="checkbox"/>
we don't export XY		<input type="checkbox"/>

# Ex post: Situation in the previous month

4) The **demand situation** with respect to XY has

improved

remained unchanged

got worse

5) Our **backlog of orders** for XY (home and foreign, *in terms of value*) has

increased

remained the same  
(or not applicable)

declined

6) Our domestic **production activity<sup>t</sup>** with respect to XY has

increased

remained virtually unchanged

gone down

no noteworthy  
domestic production

7) Taking into account changes in the condition of selling transactions, our net **domestic sales prices** for XY have

increased

remained about the same

gone down

# Expectations for the next three (six) months

## Expectations for the next 3 months

- 8) Our domestic **production activity**\*) with respect to XY will probably
- increase
- remain virtually unchanged
- decline
- no noteworthy domestic production
- 9) Taking into account changes in the conditions agreed upon in selling transactions, our net **domestic sales prices** for XY will probably
- increase
- remain about the same
- decline
- 10) Taking into account the foreign orders received to date and the sales negotiations being conducted, the volume of our **exports** of XY will probably
- increase
- remain about the same
- go down
- we don't export XY

- 11) **Employment** related to the production of XY in domestic production unit(s) will probably

increase

remain about the same

go down

## Expectations for the next 6 months

- 12) Our **business situation** with respect to XY will in a cyclical view

improve

remain about the same

develop unfavourably

# Special Questions

## A) Stocks of raw materials and intermediary inputs

Our stocks on hand of the raw materials and intermediary inputs of most importance to us in the production of XY are sufficient for

... **weeks\*\*** of production

no								more than 6
stocks	<1/2	1	2	3	4	5	6	(please state)
<input type="checkbox"/>								

\*\* ) supposing that current production continues unchanged

## B) Stocks of finished goods

At the present time our stocks of unsold finished goods correspond to

... **weeks** of production activity\*\*

no								more than 6
stocks	<1/2	1	2	3	4	5	6	(please state)
<input type="checkbox"/>								

\*\* ) supposing that current production continues unchanged

# Participation Rates

	Firms	Effective	Online	Paper
Industry	3000	2500	70%	30%
Construction	1000	1800	60%	40%
Trade	2800	2200	45%	55%
Services	3000	2500	70%	30%

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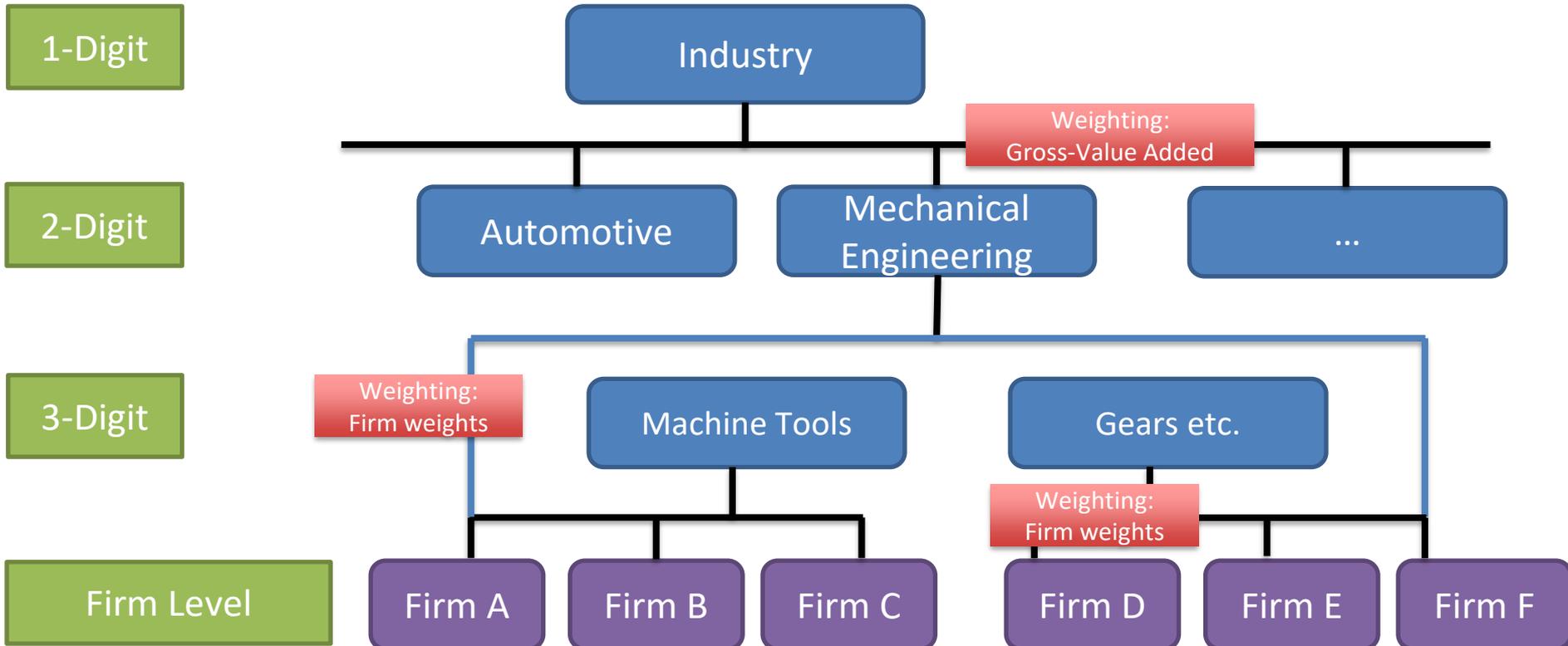
# Weighting

# Weighting

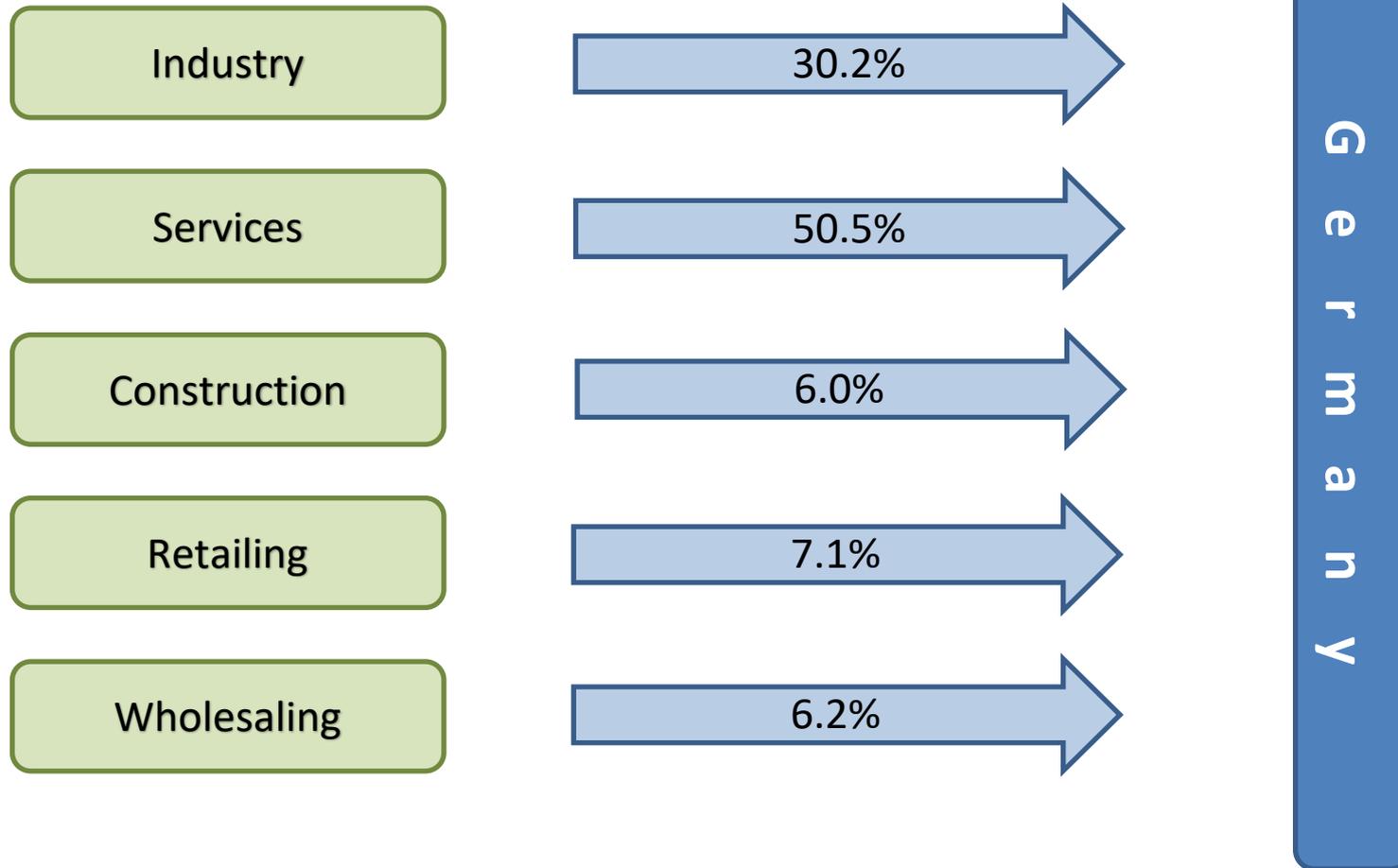
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- Individual weight depends on the size of the firm
- Industry: Employees
- Trade, Service: Turnover (Size Range)
- Construction: Employees (Size Range)
- Conversion of employees and turnovers into weighting points

# Aggregation



# ifo Business Climate Germany



# Aggregation: Balance Approach

Firm	Answer	Weight	Distribution		
			+	=	-
A	satisfactory	5		5	
B	good	2	2		
C	good	4	4		
D	unsatisfactory	2			2
E	satisfactory	5		5	
F	good	2	2		
<b>Sum of Weights</b>		<b>20</b>	<b>8</b>	<b>10</b>	<b>2</b>
<b>Percentage Share</b>		<b>100%</b>	<b>40%</b>	<b>50%</b>	<b>10%</b>

$$\begin{aligned}
 \text{Balance Statistic} &= (\text{Share „good“}) - (\text{Share „unsatisfactory“}) \\
 &= 40\% - 10\% = +30\%
 \end{aligned}$$

# Calculation of the ifo Business Climate

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$$BCL = \sqrt{(SIT + 200) \cdot (EXP + 200)} - 200$$

BCL: Business Climate, Balance

SIT: Business Situation, Balance

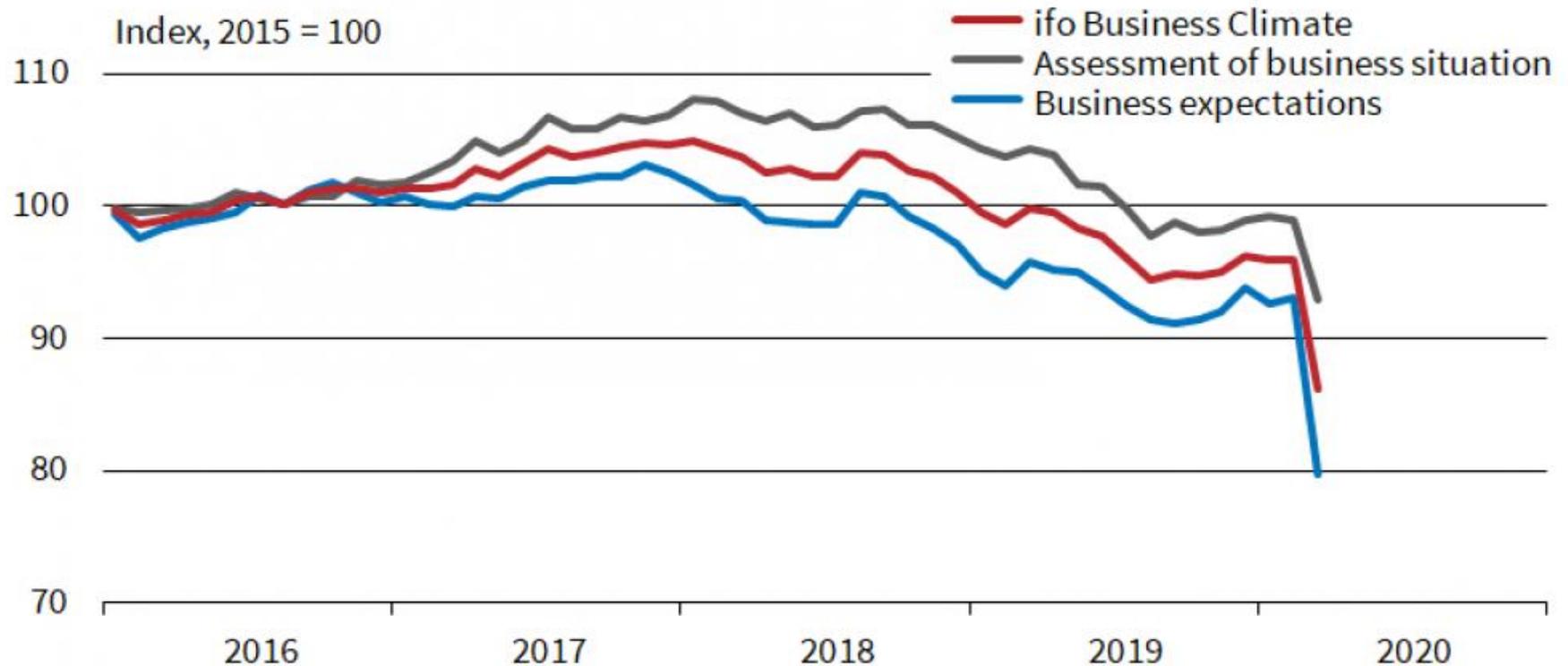
EXP: Business Expectations, Balance

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# Aggregated Results

# Ifo Business Climate Germany

## ifo Business Climate Germany<sup>a</sup> Seasonally adjusted



<sup>a</sup> Manufacturing, service sector, trade, and construction.

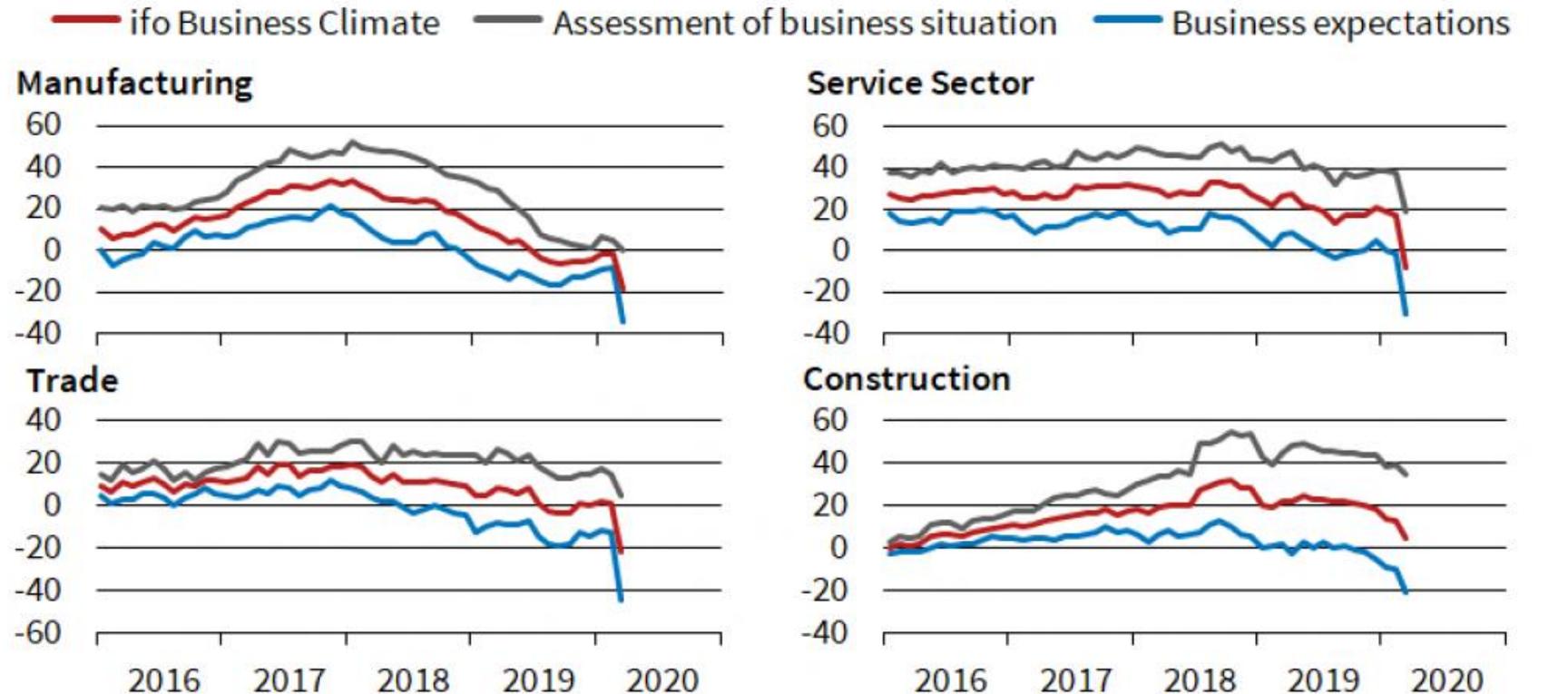
Source: Ifo Business Survey, March 2020.

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# Sector Results

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

Balances, seasonally adjusted

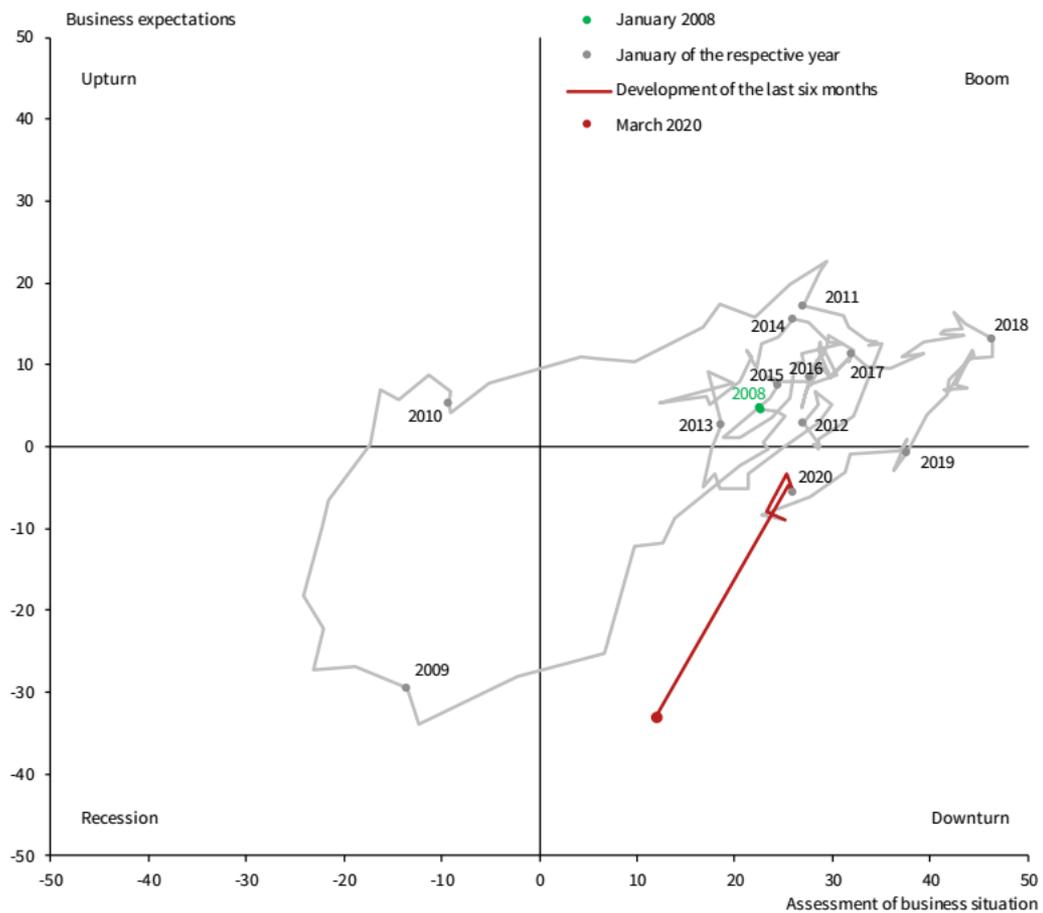


Source: ifo Business Survey, March 2020.

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# Business „Cycle Clock“

ifo Business Cycle Clock Germany<sup>a</sup>  
Balances, seasonally adjusted



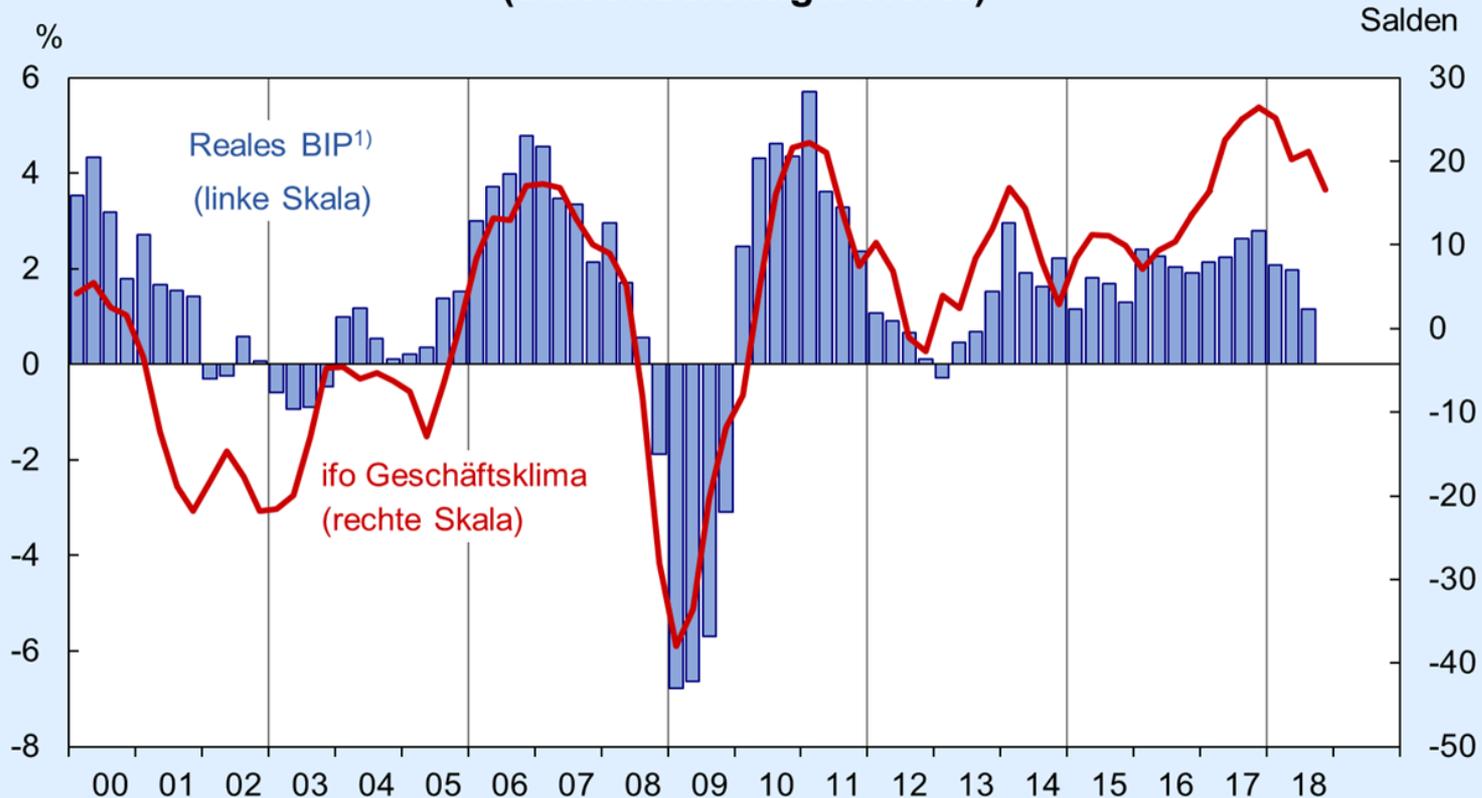
<sup>a</sup> Manufacturing, service sector, trade, and construction.  
Source: ifo Business Survey, March 2020.

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# How good does the ifo index track the German Economy?

# Ifo vs. GDP

## Wirtschaftswachstum in Deutschland und ifo Geschäftsklima (Saisonbereinigte Werte)



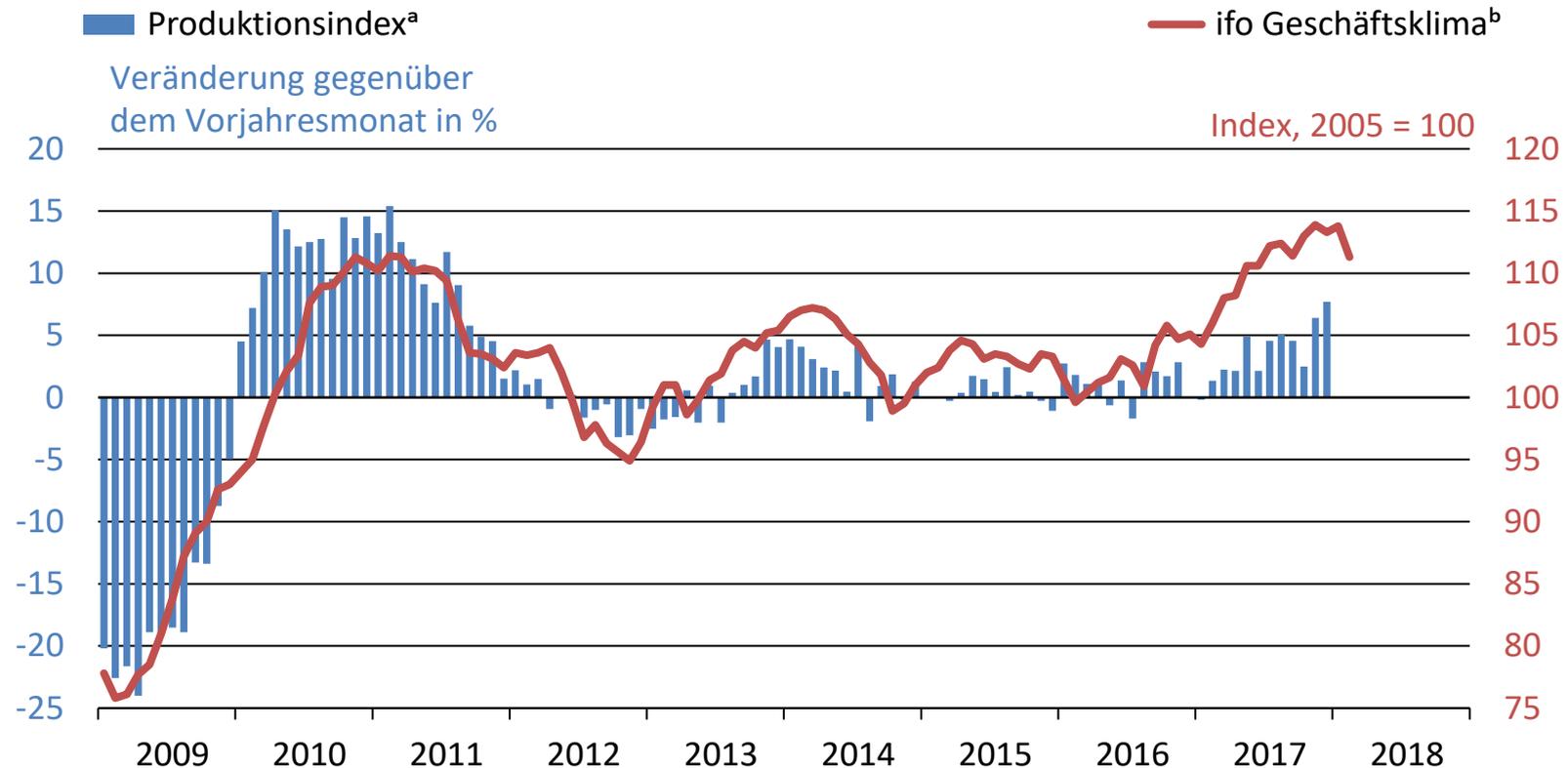
1) Veränderung gegenüber dem jeweiligen Vorjahresquartal in %, saison- und arbeitstäglich bereinigt.

Quelle: Statistisches Bundesamt, ifo Konjunkturumfragen.



# Ifo vs. Production

## Produktionsindex und ifo Geschäftsklima im Verarbeitenden Gewerbe



<sup>a</sup> Saison- und kalenderbereinigt.

<sup>b</sup> Verarbeitendes Gewerbe, saisonbereinigt.

Quelle: Statistisches Bundesamt; ifo Konjunkturumfragen, Februar 2018.

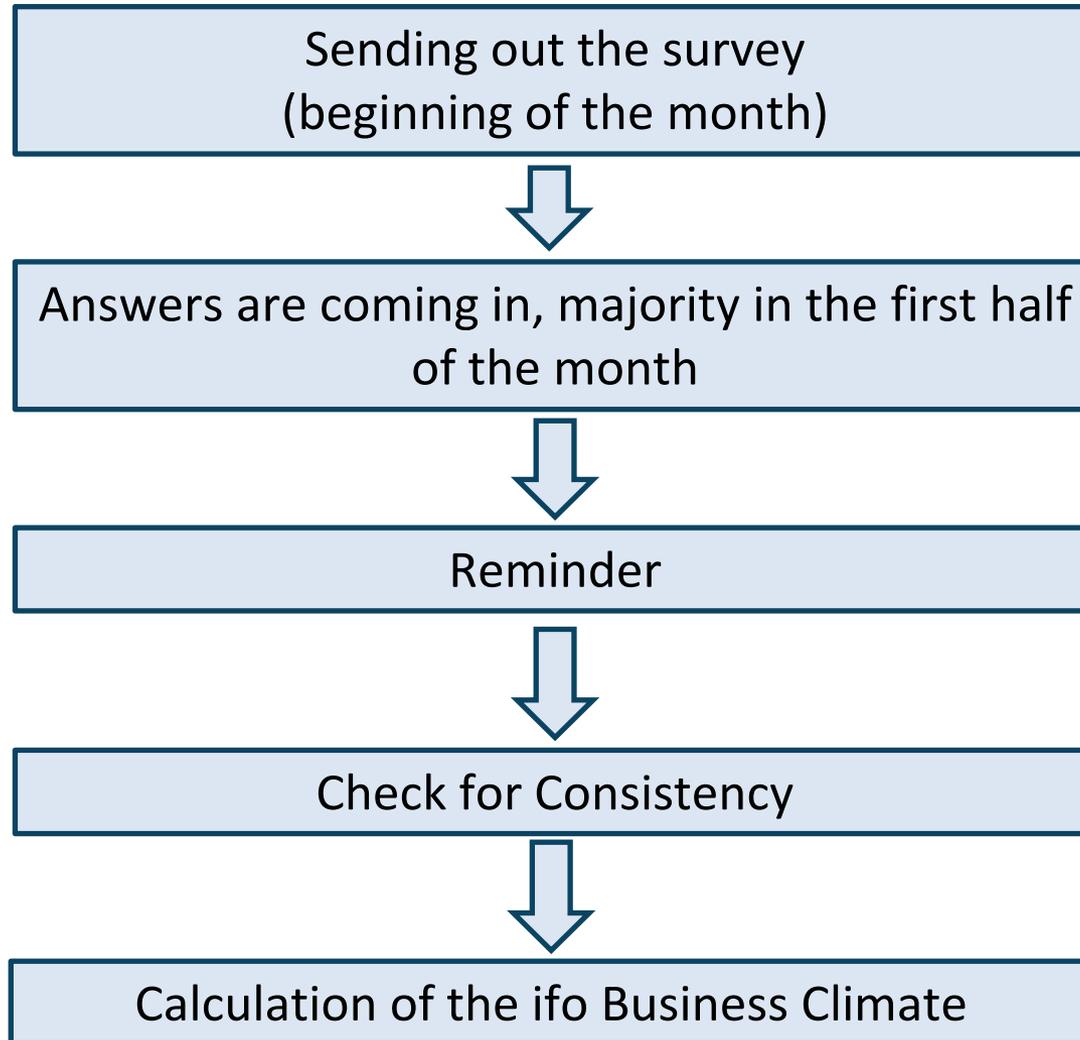
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# Practical Issues

# Monthly time frame

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# How to acquire new firms?

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- Mailings (address providers)
- Cooperation with associations
- In principle: Every firm can participate

# Practical Issues

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- A representative sample is important and necessary to draw valid conclusions from the survey.
- The survey can either been set up as a panel, i.e. registered firms answer every month. This can ensure a high response rate due to a higher commitment of the firms.
- The alternative is that one draws a random sample from the firm register and the participating firms change over time.
- The survey is conducted at the product level. This means that fill out the survey with the most important product in mind. This is in important issue, as many firms are multi-product firms and these makes it difficult to classify with respect to the branch.
- Firms should be rewarded for participating in the survey. They should get branch specific information that is not generally available to the public.

# Problems

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- Panel mortality
  - „aversion“
  - insolvency
  - fusion
  - change of the contact person
- Numerous surveys (Students, associations)
- Increasing „panel fatigue “
- Competition with official statistics
- Special surveys
- Surveys vs. science

# The first Questionnaire

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- Assessment of the current business situation
- Development in the past month of turnover, prices and employment
- Expected development (e.g. three months horizon) for turnover, prices and employment
- Expected development of the business situation over the next six months

# How to get started?

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- How many firms are there in Armenia?
- Define number of firms the survey wants to cover.
- Do you want a quarterly or a monthly survey?
- Identify the most important sectors and branches where firms shall be recruited for the survey. Ignore branches that do not have typical business cycle properties, like the health sector, (state) administration or art.
- For the identified branches, get the gross-value added for the weighting scheme.

# How to get started?

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- Get the addresses of firms. Is there a firm register?
- Set up a questionnaire. The wording of questions should be fix for a long time of period once it has been determined. Please have in mind that it is always delicate and not suggested to change the wording of questions later.
- The first contact should be via standard mail. Invite the firms to the survey and ask them to participate. Please collect the recent number of employees and the turnover from them. Furthermore, they should themselves classify into a branch. Every firm gets an ID.

# How to get started?

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- Be patient it might take some time to convince the firms.
- Set up a database where the micro data is stored.
- Programme the aggregation procedure. This can be done using many statistics or econometric software packages like Matlab or R.
- Set up also a time series database where the aggregated time series are stored.
- Future issue: seasonal adjustment.

# About the German Economic Team



The German Economic Team (GET) advises the governments of Ukraine, Belarus, Moldova, Georgia and Uzbekistan regarding the design of economic policy reform processes and a sustainable development of the economic framework. As part of the project we also work in other countries such as Armenia on selected topics.

In a continuous dialogue with high-level decision makers of the project countries, we identify current problems in economic policy and then provide concrete policy recommendations based on independent analysis.

In addition, GET supports German institutions in the political, administrative and business sectors with its know-how and detailed knowledge of the region's economies.

The German Economic Team is financed by the Federal Ministry of Economics and Energy. The consulting firm Berlin Economics has been commissioned with the implementation of the project.

## CONTACT

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