

24 April 2008

# Economic news

## APRIL IFO BUSINESS CLIMATE

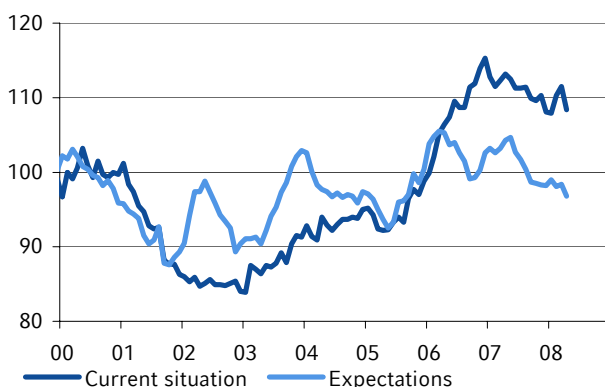
### Sharp drop in April's Ifo index

The Ifo index declined sharply in April. Companies assessed not only their current situation but also business expectations more unfavourably. This suggests a slowdown in growth in the second quarter.

- April's Ifo index saw a sharp **decline from 104.8 to 102.4 points**. The current situation in particular was assessed much more unfavourably at 108.4, down from 111.5 points. But the business expectations component also deteriorated, declining to 96.8 points or slightly below its long-term average of 98.5. In manufacturing, as well as in wholesaling and - in particular - retailing, the business climate worsened appreciably, whereas the climate indicator rose in the construction industry.
- **Negative factors** for the German economy such as flagging growth momentum in the global economy, the strong euro and high energy prices **are taking their toll**. The results of the Ifo index confirm our growth forecast. Following relatively strong growth in the first quarter, **growth momentum is likely slow significantly later in the year**. However, the fact that the expectations component of the Ifo index is only marginally lower than its long-term average points to an economic cooldown, but not a recession.
- In **France**, the business climate in the manufacturing sector also **clouded significantly** in April. The index from French statistics bureau INSEE dropped from 108 to 106 points. This is the lowest level recorded in 16 months. In historical terms, however, the index still exceeds its average of 100. As in Germany, the order books remain relatively full in France. Nonetheless, the pressures mentioned above also seem to be gradually emerging in France and should continue to weigh on industrial sentiment in the months ahead.

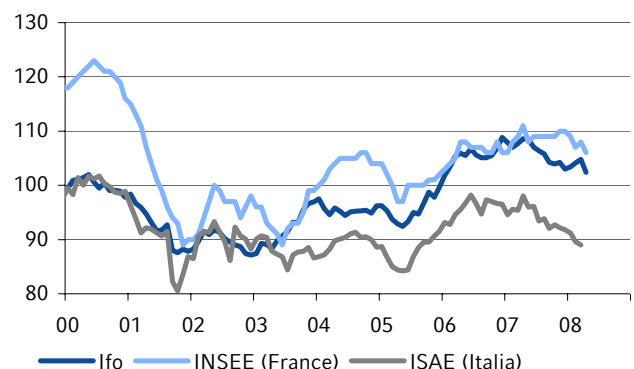
Monika Wohlmann  
+49 211 826-22221  
monika.wohlmann@westlb.de

Ifo business situation and expectations



Source EcoWin, WestLB Research

Business climate in major EMU countries



Source EcoWin, WestLB Research

**WestLB AG**  
Herzogstraße 15  
D-40217 Düsseldorf

T: +49 (0)211 826 71841  
F: +49 (0)211 826 6154

**WestLB AG**  
**London Branch**  
Woolgate Exchange  
25 Basinghall Street  
London EC2V 5HA  
United Kingdom

T: +44 (0)20 7020 2000  
F: +44 (0)20 7020 4209

#### **Disclaimer**

This publication has been prepared by the independent economics department within the research department of WestLB AG ("WestLB"). This report is for information purposes only.

Publications in the United Kingdom are distributed by WestLB AG London Branch, and are available only to investment professionals, not private customers, as defined by the rules of the Financial Services Authority. Individuals who do not have professional experience in matters relating to investments should not rely on it.

The information contained herein has been obtained from public sources believed by WestLB to be reliable, but which may not have been independently justified. No guarantees, representations or warranties are made as to its accuracy, completeness or suitability for any purpose.

This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument or any other action and will not form the basis or a part of any contract.

Neither WestLB nor any of its affiliates, its respective directors, officers or employers accepts any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith. Any opinion, estimate or projection expressed in this publication reflects the current judgement of the author(s) on the date of this report. They do not necessarily reflect the opinions of WestLB and are subject to change without notice. WestLB has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

The past performance of financial instruments is not indicative of future results. No assurance can be given that any financial instrument or issuer described herein would yield favourable investment results.

WestLB, its affiliates, principals or employees may have a long or short position or may transact in the financial instrument(s) referred to herein or may trade in such financial instruments with other customers on a principal basis. WestLB may act as a market maker in the financial instruments or companies discussed herein and may also perform or seek to perform investment banking services for those companies. WestLB AG may act upon or use the information or conclusion contained in this report before it is distributed to other persons.

This report is subject to the copyright of WestLB. No part of this publication may be copied or redistributed to persons or firms other than the authorised recipient without the prior written consent of WestLB.

WestLB AG London Branch is a member of the London Stock Exchange and of the International Capital Market Association. It is regulated in the UK by the Financial Services Authority.

By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.

Copyright: 2008 WestLB AG. All rights reserved.