

21 May 2008

Economic News

IFO BUSINESS CLIMATE IN MAY

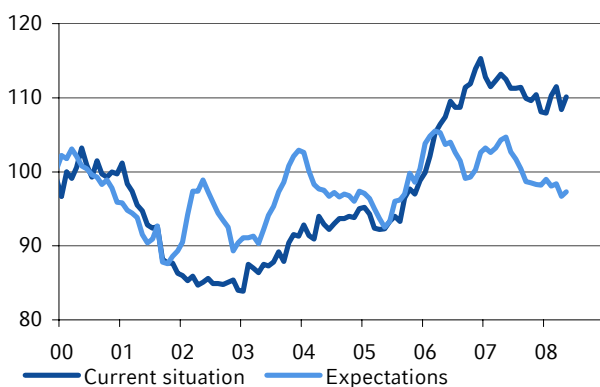
Ifo business climate continues to offer surprises

The May Ifo index recovered from its setback in April. Whereas the improved assessment of the business situation was in line with expectations, the rise in the expectations component was a positive surprise. Although growth momentum is likely to slow this year due to the large number of negative factors, today's results show that there is no need for undue pessimism about growth.

- The **Ifo business climate improved** in May in line with our expectations. Following its sharp decline in April, the index improved from 102.4 points to 103.5 points. The surveyed companies assessed not only their **current business situation** but also their **business expectations for the coming six months** as being more positive than in the previous month. Whereas the more positive business situation was to be expected following its sharp decline in April, which in our view was exaggerated, the improved business outlook came as a major surprise. In view of the high value of the euro, recent record-high oil price levels, overall negative economic reports from the US and potential repercussions of the financial market crisis, an unchanged assessment already would have been a positive outcome.
- With the exception of the construction industry, **the business climate in all sectors improved**. Particularly striking was the upturn in the wholesale and retail sectors, with wholesalers and retailers assessing both their current situation and expectations more favourably than in the previous month. In the industrial sector, export opportunities were appraised as slightly less optimistic than in April. Employment is expected to continue to rise, which is an encouraging sign for the further development of the labour market.
- All in all, today's Ifo index figures confirm that the German economy is far more robust at present than it was a few years ago. Although the numerous negative factors expected in the course of this year suggest to us that growth momentum will probably moderate, there is **no need for undue economic pessimism**.

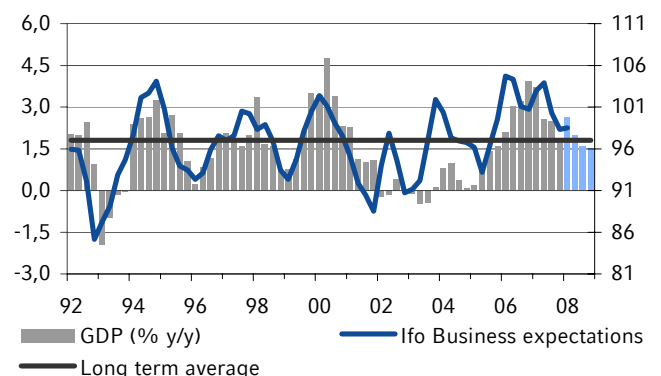
Jörg Lüschow
+49 211 826-2034
Joerg.lueschow@westlb.de

Ifo business climate and expectations



Source: EcoWin, WestLB Research

GDP and Ifo business expectations



Source EcoWin, WestLB Research

WestLB AG
Herzogstraße 15
D-40217 Düsseldorf
Deutschland

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,