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## Ifo World Economic Climate for the Euro Area

Results of the Ifo World Economic Survey (WES) of 1<sup>st</sup> quarter 2005,  
in co-operation with the International Chamber of Commerce (ICC), Paris

### Euro area: Renewed Cloudy Economic Climate

The latest results of Ifo World Economic Survey indicate that the economic climate in the euro area has also worsened in the first quarter of 2005 vis-à-vis the fourth quarter of 2004. Unfortunately, the assessments of the current economic situation now worsened as well before the upswing was able to gain momentum and enable Europe to connect with the still dynamic world economy. A positive result is that the expectations regarding the economic development over the coming six months have not declined further and still indicate a confident mood overall (Fig. 1 and Fig. 2). The constellation of the survey results indicate a moderate weakening of the economy in the first half of 2005. Europe's recovery is faltering.

Within the euro area the current economic situation was again most favourably assessed in Ireland and Finland. The worst appraisals from the survey experts again came from Portugal, the Netherlands, Italy and Germany. For France as well, the appraisals worsened. In all euro countries with the exception of Greece and Spain, although hardly different than in the last quarter, an improvement in the economy is expected in the course of the coming six months. Export expectations are not as high as before, not least because the survey experts anticipate that the euro will gain in value vis-à-vis the US dollar.

Hans-Werner Sinn, President of the Ifo Institute for Economic Research

Euro area (Index, 1995 = 100)

Quarter/year	I/03	II/03	III/03	IV/03	I/04	II/04	III/04	IV/04	I/05
<b>Climate</b>	73.7	74.6	78.0	85.6	95.8	89.8	96.6	89.8	85.6
<b>Situation</b>	52.3	50.5	48.6	48.6	67.3	63.6	76.6	84.1	74.8
<b>Expectations</b>	91.5	94.6	102.3	116.3	119.4	111.6	113.2	94.6	94.6

The Ifo World Economic Survey (WES) investigates world-wide economic trends by polling transnational as well as national organisations in different countries. This allows for a rapid, up-to-date assessment of the economic situation prevailing around the world. The full set of results for the WES survey were published on February 15, 2005.

The results for the euro area in January 2005 are based on the responses of 325 economic experts. The survey is conducted in co-operation with the International Chamber of Commerce (ICC) in Paris and receives financial support from the European Commission.

Fig. 1

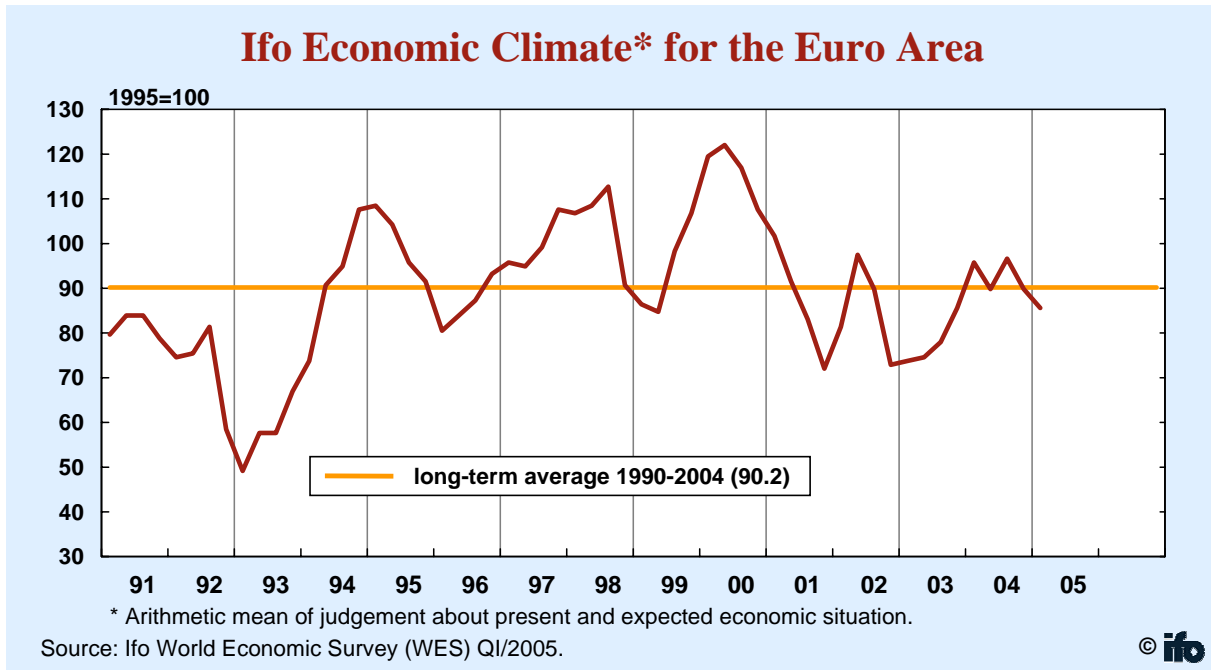


Fig. 2

