

Ifo World Economic Climate

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

World Economy: Climate Indicator Declines Again

According to the latest results of the Ifo World Economic Survey, the world economy will slow down in the first half of 2005 (see Fig. 1). Both the expectations for the coming six months as well as the appraisals of the current situation have weakened somewhat (Fig. 2). However, this constellation is not indicative of an economic downturn but merely of a temporary growth slowdown in the world economy.

For the fourth time in succession, the Ifo indicator for the world economic climate has fallen. At a level of 101.1 (1995=100) the indicator is still above its long-term average of 94.0. However, the assessments of the current situation have worsened for the first time in five quarters. The decline in still positive expectations also continued, albeit at a weaker pace.

A regional breakdown shows that the climate indicator fell most clearly in Western Europe, now standing slightly below the long-term average for the first time since the end of 2003. The decline in the indicator here especially reflects the less favourable assessments of the current situation in Germany and France. The worsening of the economic climate in Asia is solely the result of less favourable assessments of the current economic situation, especially in Japan, whereas the expectations for the coming six months improved slightly over the October survey. Unlike the other regions, the climate indicator rose in North America – but only in the US, not in Canada – for the first time in a year. The increase was the result of somewhat more favourable assessments of the current business situation; the six-month expectations, however, continued to worsen.

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

World Economy (Index, 1995 = 100)

Quarter/year	I/03	II/03	III/03	IV/03	I/04	II/04	III/04	IV/04	I/05
Climate	85.9	83.2	91.3	100.2	111.0	110.1	109.2	103.8	101.1
Situation	69.4	67.6	67.6	76.7	93.2	95.0	102.3	105.9	102.3
Expectations	101.8	98.2	114.0	122.8	128.1	124.6	115.8	101.8	100.0

Since 1981 the Ifo Institute has conducted a quarterly survey in numerous countries on business cycle developments and other economic factors in the experts' home countries. The January 2005 survey received responses from 1,131 experts in 90 countries. The survey is conducted in co-operation with the International Chamber of Commerce in Paris (ICC) and with financial support from the European Commission.

A detailed regional analysis appears in the quarterly journal, *CESifo World Economic Survey*. This report contains advance information on the most important results.

Fig. 1

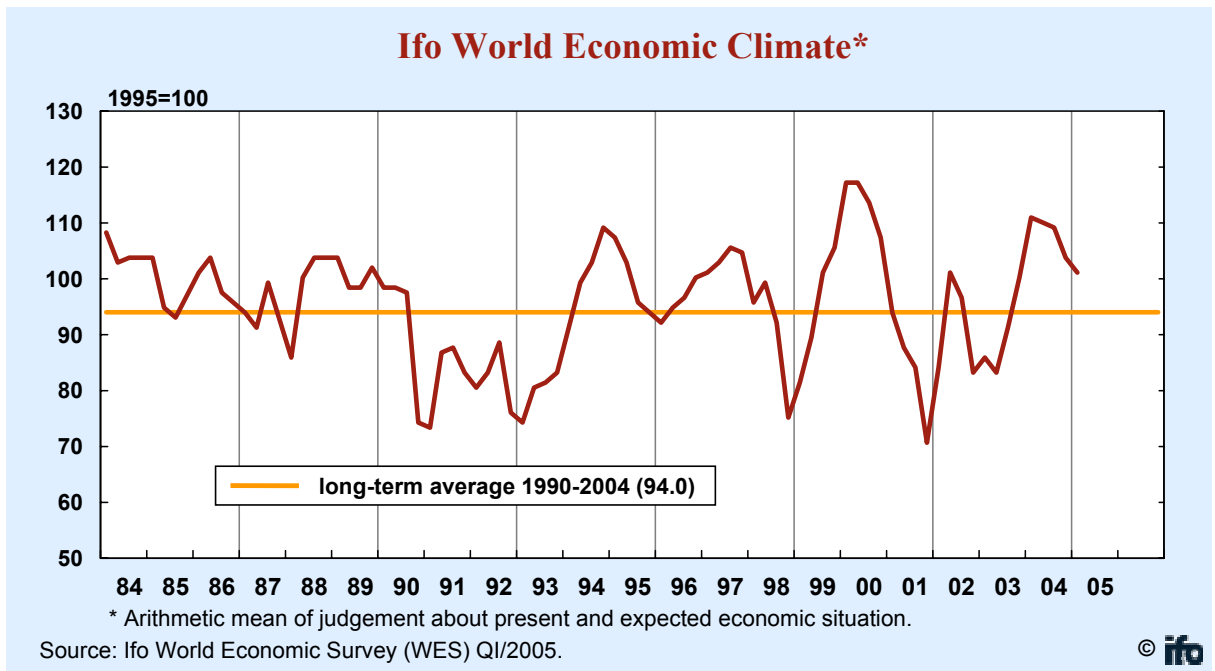


Fig. 2

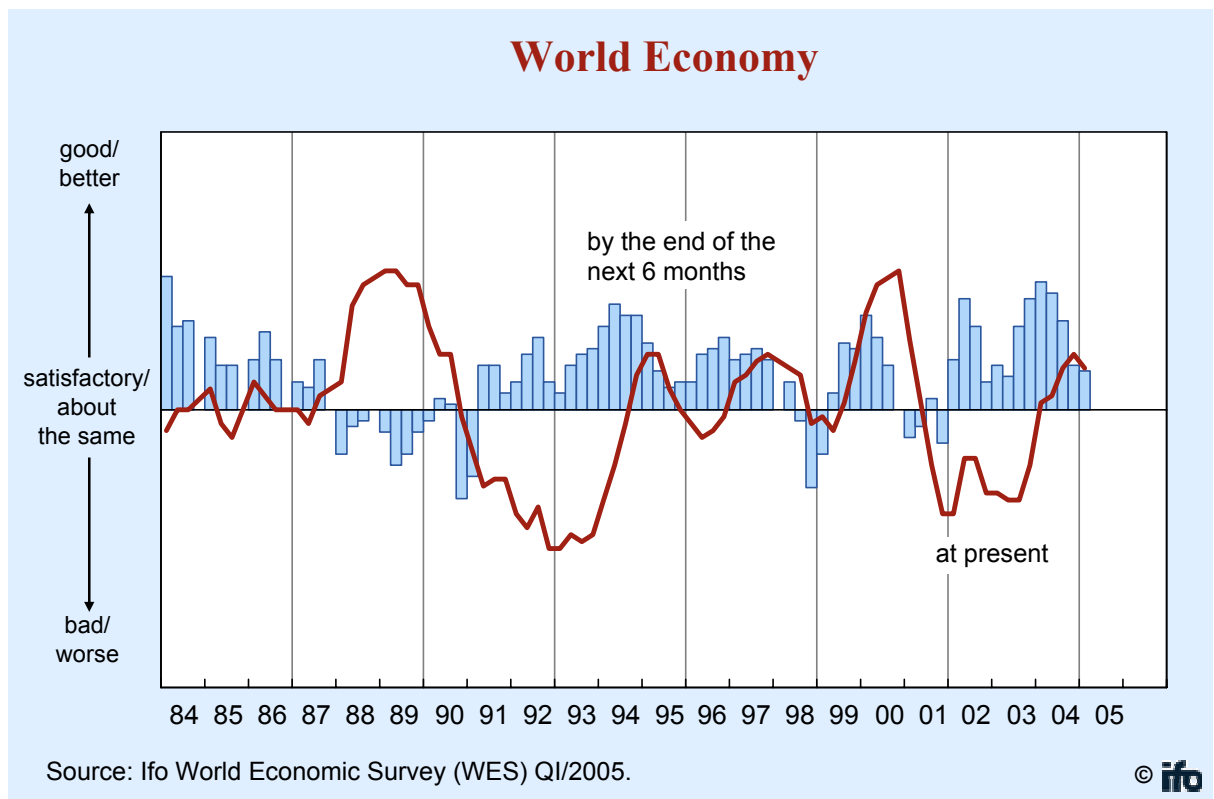
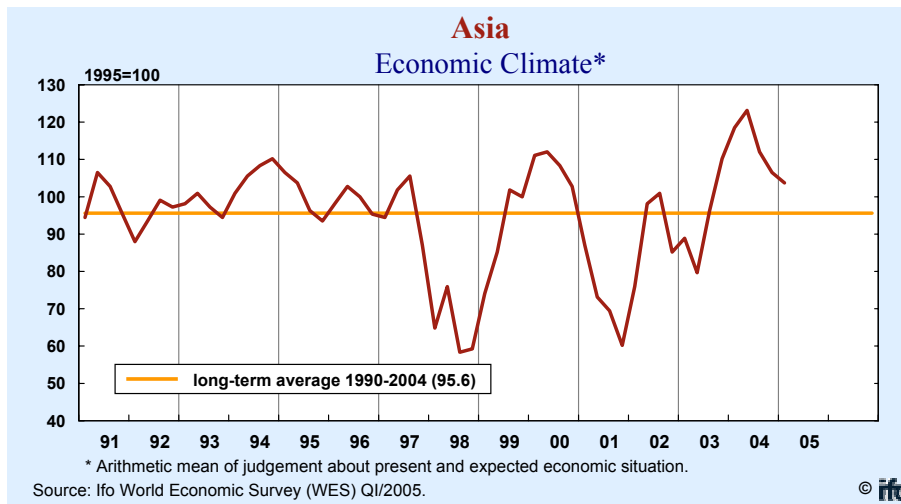
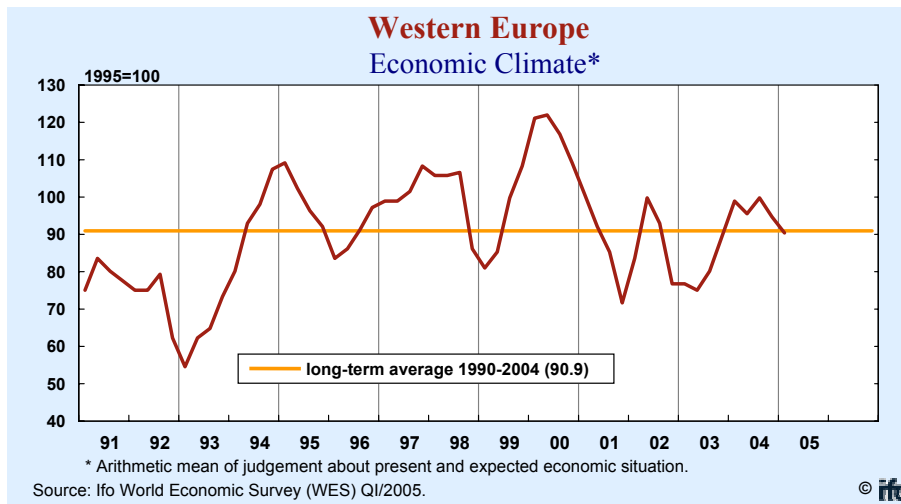
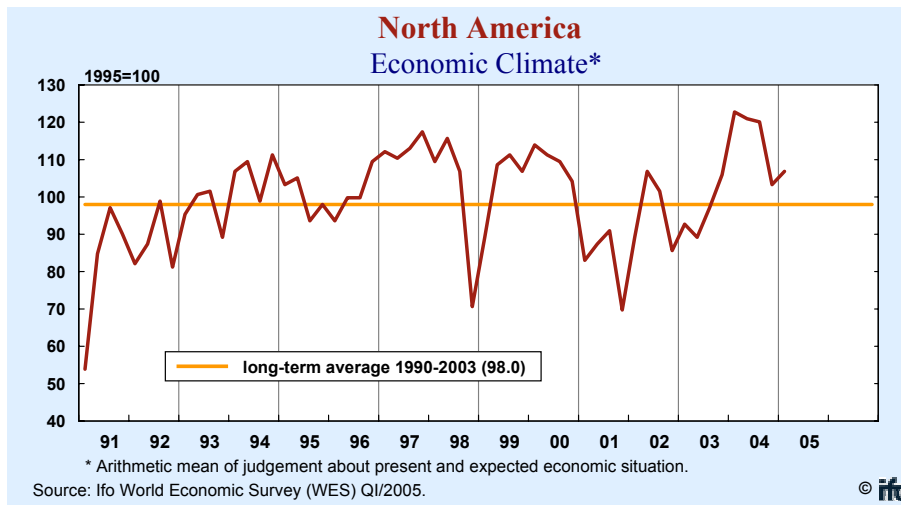


Fig. 3



Climate (1995=100)	I/03	II/03	III/03	IV/03	I/04	II/04	III/04	IV/04	I/05
North America	92.7	89.2	97.1	106.0	122.7	121.0	120.1	103.3	106.8
Western Europe	76.8	75.1	80.2	89.6	98.9	95.5	99.8	94.7	90.4
Asia	88.9	79.6	96.3	110.2	118.5	123.1	112.0	106.5	103.7