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Ifo Economic Climate for the Euro Area

Advanced results of the Ifo World Economic Survey (WES) of 2nd quarter 2005,
in co-operation with the International Chamber of Commerce (ICC), Paris

Euro zone: Economic climate continues to worsen

The Ifo indicator for the economic climate in the euro zone fell again in April 2005 (Fig. 1). Especially the assessments of the current economic situation deteriorated again, but also the expectations for the next six months continued to worsen. The gap between the economic climate in the euro zone to that of the rest of the world has grown wider. This is an indication that the economic weakening in the euro area will persist for the time being.

Within the euro area, only in Ireland and Finland was there an improvement of the already very positive assessments of the current economic situation. From the other euro countries, a downgrading of the current economic situation was reported, particularly from Italy, Portugal, Germany and France. While in most euro countries at least a slight strengthening of economic growth in the course of the next six months is anticipated, the opposite holds for Spain and Greece: In these two countries the WES experts expect an economic slowdown in the next half year of the currently on the whole quite satisfactory economic situation.

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

Euro area (Index, 1995 = 100)

Quarter/year	II/03	III/03	IV/03	I/04	II/04	III/04	IV/04	I/05	II/05
Climate	74.6	78.0	85.6	95.8	89.8	96.6	89.8	85.6	78.8
Situation	50.5	48.6	48.6	67.3	63.6	76.6	84.1	74.8	65.4
Expectations	94.6	102.3	116.3	119.4	111.6	113.2	94.6	94.6	89.9

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 will be published on May 23, 2005.

The April euro area results, which are published here in advance, are based on the responses of 294 economic experts. WES is conducted in co-operation with the International Chamber of Commerce (ICC) in Paris and receives financial support from the European Commission.

Fig. 1

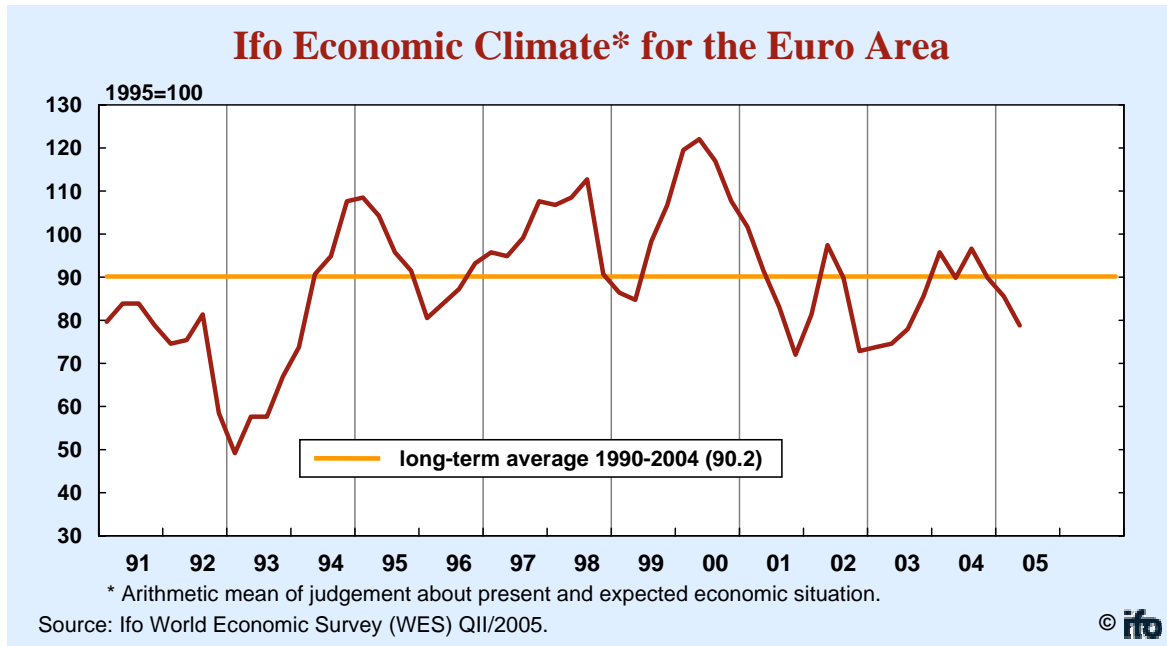


Fig. 2

