

Ifo World Economic Climate

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

World economy: Climate indicator remains in the cooling-off zone

The indicator for the world economic climate sank for the fifth time in succession but is still above its long-term average. The most recent survey results continue to indicate a “soft landing” of the world economy and not an imminent sharp decline in economic activity (see Fig.1). This is also evident in the fact that the expectations for the next six months – in contrast to the judgements for the current economic situation – have hardly deteriorated. Apparently the majority of WES experts expect that the present cooling phase in the world economy will be short term.

A regional breakdown shows that the strongest drop of the climate indicator is again in *Western Europe*, where it has now clearly fallen below its long-term average. In *North America* the climate indicator weakened only slightly, since the perceptible drop in expectations was offset by a slight improvement of the current situation. In contrast to the other regions, the WES indicator improved in *Asia* for the first time in almost a year. The rise was the result of an again slightly more favourable appraisal of the economic outlook for the next six months. The judgements of the current economic situation continued to deteriorate, however.

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

World Economy (Index, 1995 = 100)

Quarter/year	II/03	III/03	IV/03	I/04	II/04	III/04	IV/04	I/05	II/05
Climate	83.2	91.3	100.2	111.0	110.1	109.2	103.8	101.1	97.5
Situation	67.6	67.6	76.7	93.2	95.0	102.3	105.9	102.3	96.8
Expectations	98.2	114.0	122.8	128.1	124.6	115.8	101.8	100.0	98.2

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 April 2005 survey received responses from 1,118 experts in 91 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

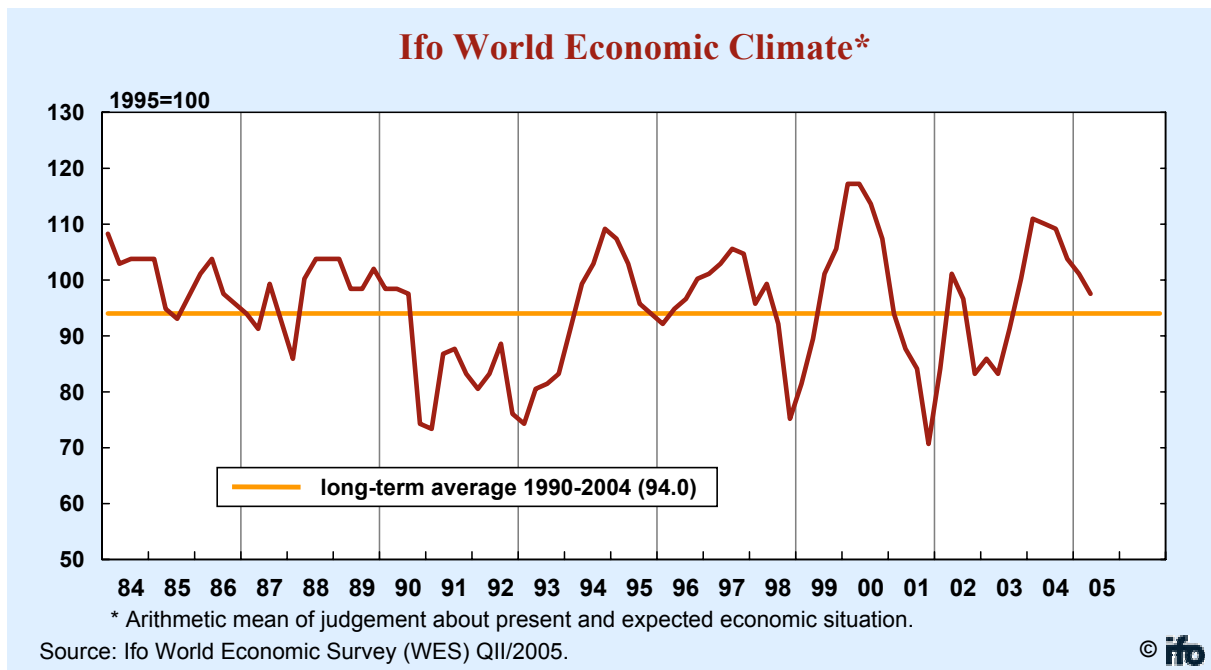


Fig. 2

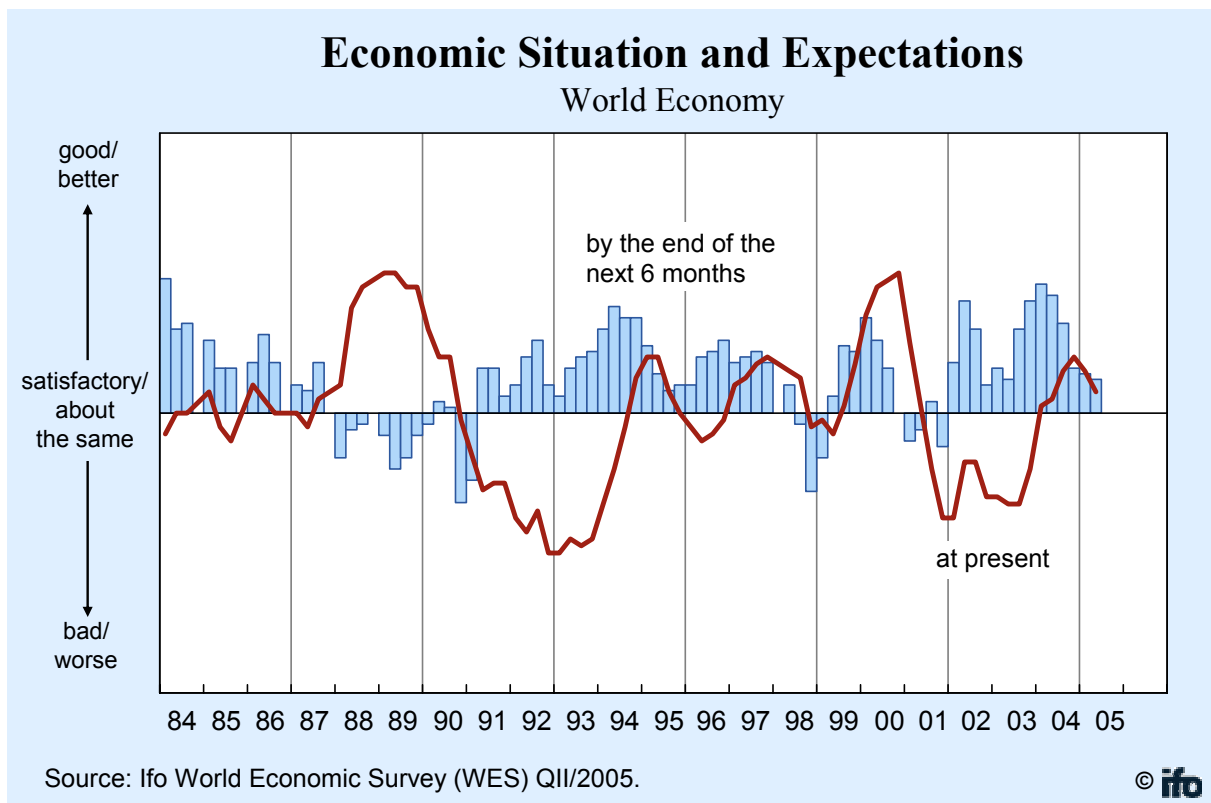
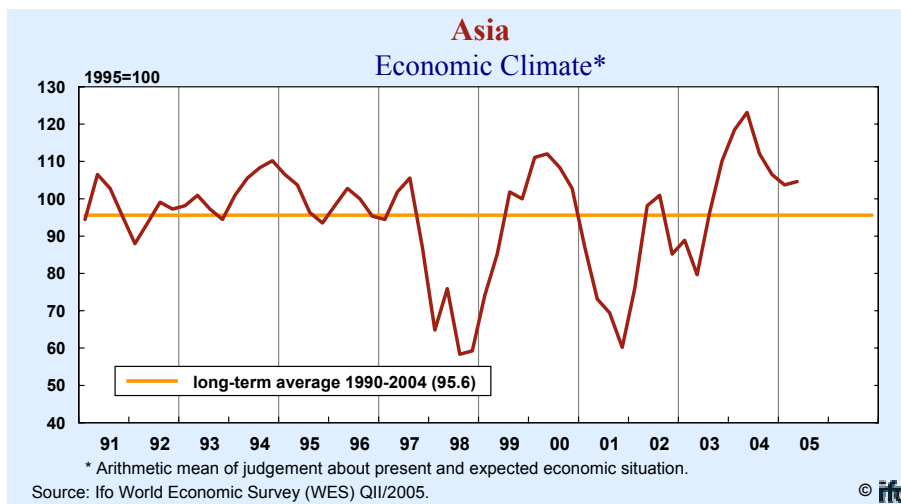
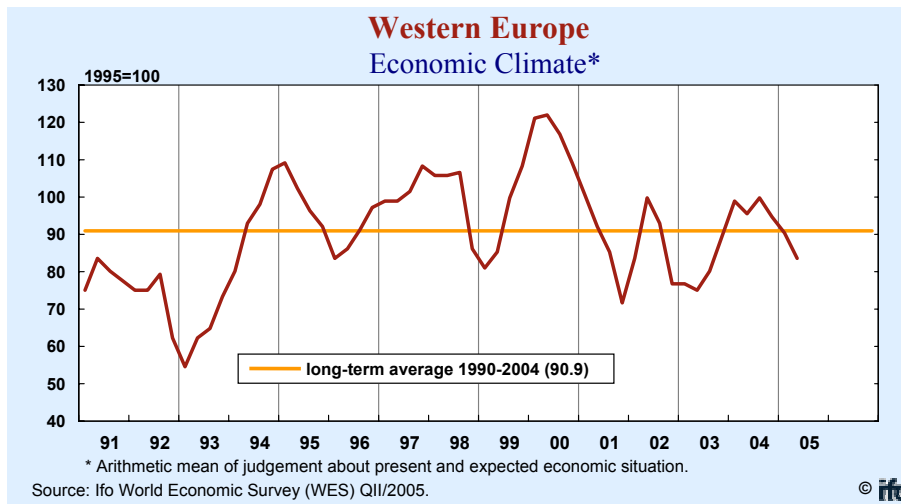
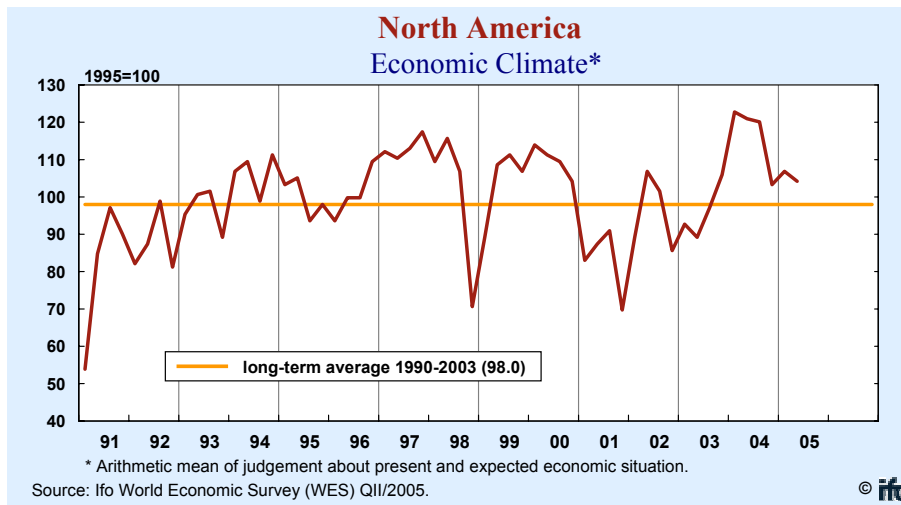


Fig. 3



Climate (1995=100)	II/03	III/03	IV/03	I/04	II/04	III/04	IV/04	I/05	II/05
North America	89.2	97.1	106.0	122.7	121.0	120.1	103.3	106.8	104.2
Western Europe	75.1	80.2	89.6	98.9	95.5	99.8	94.7	90.4	83.6
Asia	79.6	96.3	110.2	118.5	123.1	112.0	106.5	103.7	104.6