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## Ifo Economic Climate for the Euro Area

Advanced results of the Ifo World Economic Survey (WES) of the 2<sup>nd</sup> quarter 2006, in co-operation with the International Chamber of Commerce (ICC), Paris

### Renewed Improvement in the Economic Climate of the Euro Area

**The Ifo indicator for the economic climate of the euro area rose in the second quarter of 2006, achieving at 103.4 points a five-year high. For the first time since 2001, the present economic situation was assessed as “satisfactory”. The outlook for the coming six months remained clearly optimistic in all countries. The results confirm that the economic recovery in the euro area has further solidified.**

The appraisals of the current economic situation improved in the majority of the euro countries against the January survey. Improving trends were reported especially in Germany, Belgium and the Netherlands. Also in France the assessments of the general economic situation were more favourable than in the previous survey but have not yet moved into positive territory. In Ireland and Finland the economic climate continues to be excellent, according to the WES participants. The experts in Austria were also positive regarding the economic situation and the six-month outlook. The most unfavourable assessments of the economic climate continued to come from Italy and Portugal.

Inflation expectations for 2006 stood at 2.1% – as on average of 2005 – somewhat above the target of the European Central Bank. Increases in central bank and capital market rates in the next six months were expected more frequently than in the previous survey.

In comparison to the euro, the US dollar is seen more or less fairly assessed. Nevertheless, the majority of the WES experts expect a further weakening of the US dollar in the coming six months. The Japanese yen was still seen as undervalued and the British pound as overvalued.

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#### Euro area (Index, 1995 = 100)

Quarter/year	II/04	III/04	IV/04	I/05	II/05	III/05	IV/05	I/06	II/06
<b>Climate</b>	89.8	96.6	89.8	85.6	78.8	78.8	84.8	99.2	103.4
<b>Situation</b>	63.6	76.6	84.1	74.8	65.4	59.8	67.3	86.0	97.2
<b>Expectations</b>	111.6	113.2	94.6	94.6	89.9	94.6	99.2	110.1	108.5

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 22 May 2006.

The 2<sup>nd</sup> quarter 2006 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

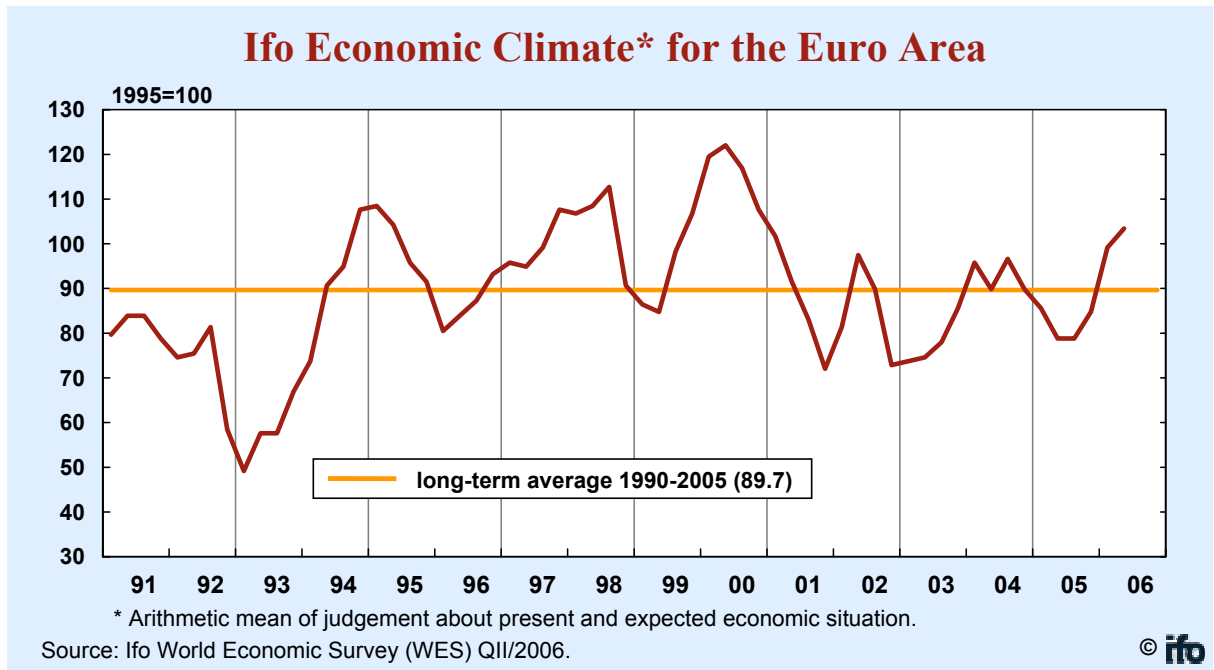


Fig. 2

