

## Ifo World Economic Climate

Results of the Ifo World Economic Survey (WES) of the 1<sup>st</sup> quarter 2007  
in co-operation with the International Chamber of Commerce (ICC), Paris

### Slight Brightening of the Ifo World Economic Climate

**The Ifo World Economic Climate indicator improved in the first quarter of 2007 following a moderate cooling in the second half of 2006. The improvement applied to both the assessments of the current economic situation as well as to the expectations for the coming six months. The Ifo World Economic Survey thus indicates a continuation of the robust world economic upturn in the first half of 2007.**

The Ifo World Economic Climate Index rose in the three major economic regions: Western Europe, North America and Asia. In *Western Europe* the current economic situation was again assessed more favourably, especially in *Germany, Austria* and *Belgium*. Although the Index rose in *North America*, in the *US* the positive assessments of the current economic situation are in contrast to the still reserved expectations for the coming six months. In *Asia* as well, the climate indicator rose, although the economic trends in the surveyed countries vary: In *Japan* and *South Korea*, the current economic situation was assessed somewhat less favourably but the six-month outlook has been revised upwards. In *China* the indicator remained stable and improved again in *India*.

Price anticipations for 2007 declined slightly in the *US* (2.5% vis-à-vis 3.1% in 2006) and in *Western Europe* (2.1% vis-à-vis 2.2% in 2006) while remaining stable in *Asia* (2.8%). In the light of a reduced danger of inflation, fewer WES experts than in the previous survey anticipate rising interest rates. In *North America* they even see an imminent end to the rise in key rates.

The *US dollar* continues to be seen as properly valued. In contrast, the WES experts see the *euro* and even more the *British pound* as overvalued. For more than a year the *Japanese yen* has been considered to be undervalued.

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

#### World Economy (Index, 1995 = 100)

Quarter/year	I/05	II/05	III/05	IV/05	I/06	II/06	III/06	IV/06	I/07
<b>Climate</b>	101,1	97.5	97.5	99.3	109.2	111.0	105.6	104.7	106.5
<b>Situation</b>	102.3	96.8	93.2	98.6	109.6	113.2	115.1	120.5	122.4
<b>Expectations</b>	100.0	98.2	101.8	100.0	108.8	108.8	96.5	89.5	91.2

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 January 2007 survey received responses from 1.030 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 press release contains advance information on the most important results.

Fig. 1

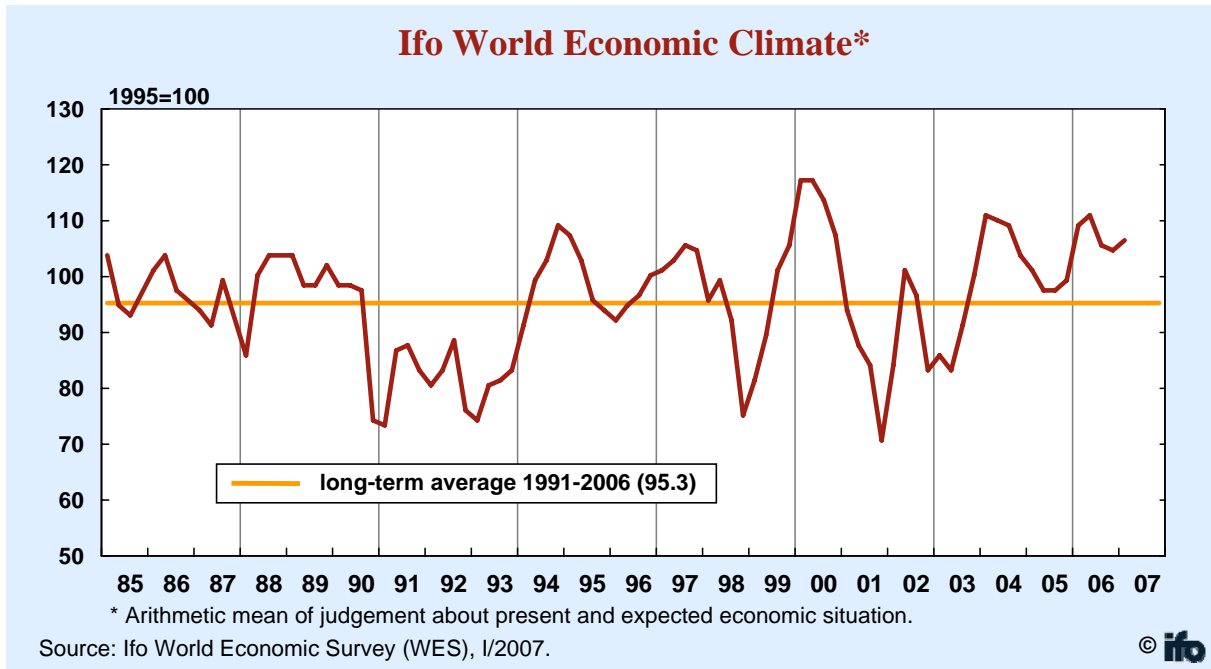


Fig. 2

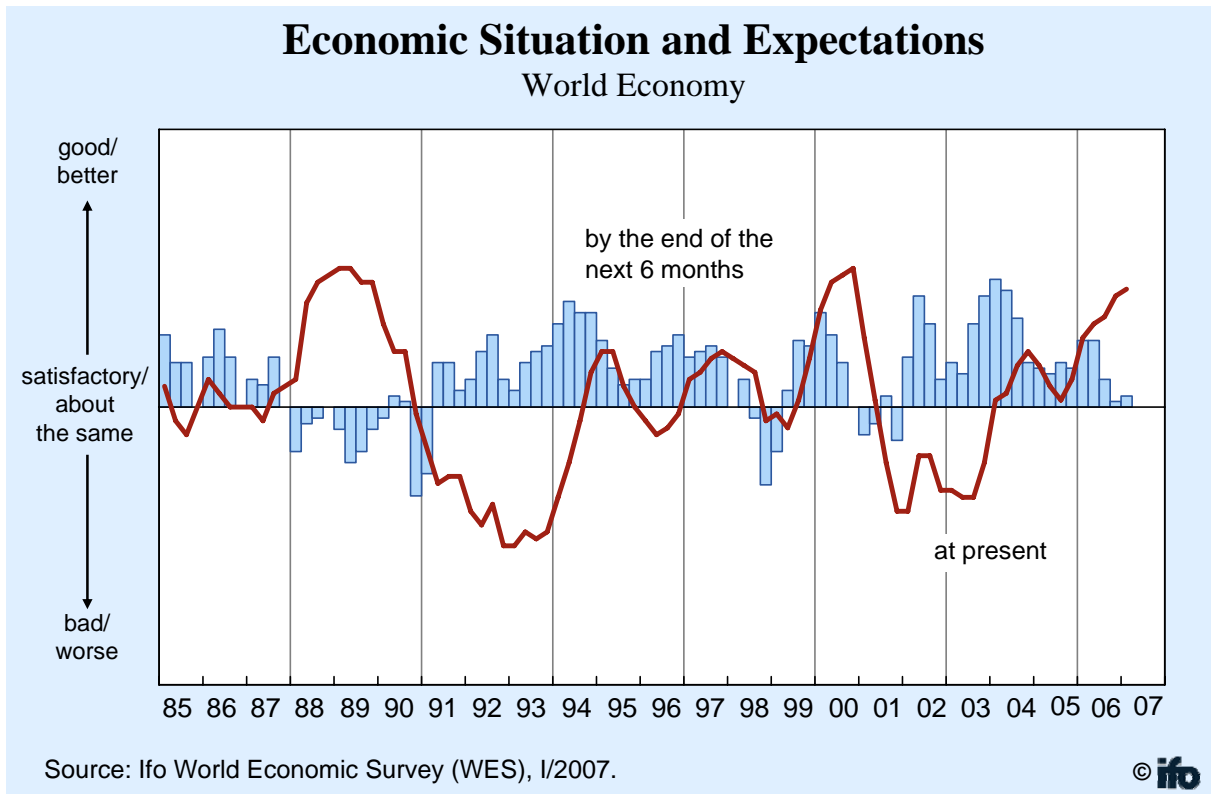
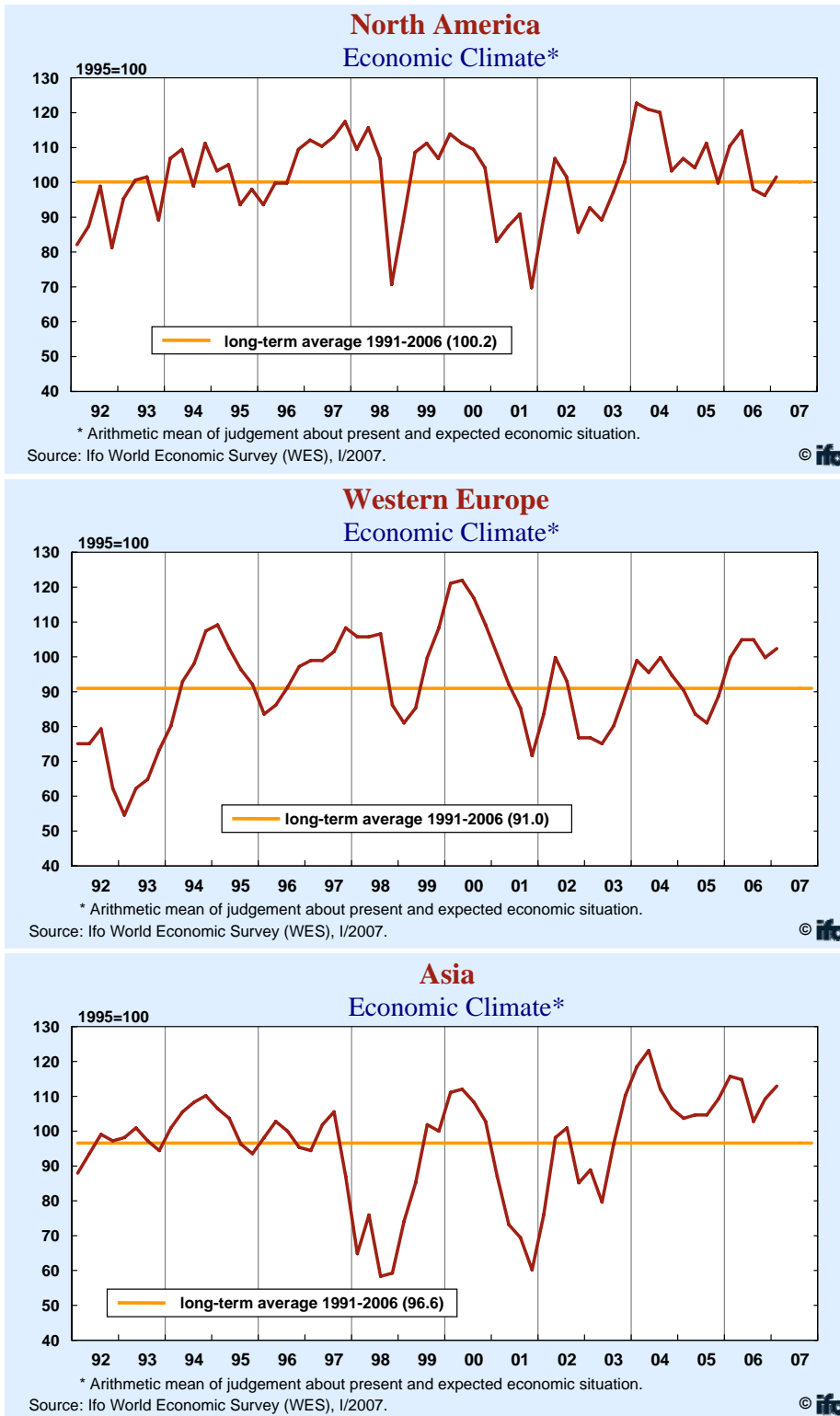


Fig. 3



Climate (1995=100)	I/05	II/05	III/05	IV/05	I/06	II/06	III/06	IV/06	I/07
<b>North America</b>	106.8	104.2	111.3	99.8	110.4	114.8	98.0	96.2	101.6
<b>Western Europe</b>	90.4	83.6	81.0	88.7	99.8	104.9	104.9	99.8	102.4
<b>Asia</b>	103.7	104.6	104.6	109.3	115.7	114.8	102.8	109.3	113.0