

## Ifo World Economic Climate

Results of the Ifo World Economic Survey (WES) of the 3<sup>rd</sup> quarter 2009  
in co-operation with the International Chamber of Commerce (ICC), Paris

### Clear Improvement in the Ifo World Economic Climate

**The Ifo World Economic Climate Indicator rose in the third quarter of 2009 for the second time in succession. The rise in the indicator was primarily the result of the clearly more favourable expectations for the coming six months. But also the appraisals of the current economic situation have improved slightly for the first time since the third quarter of 2007.**

The economic expectations in *North America* and *Asia* are particularly optimistic. But also in *Western Europe*, *Russia* and *Latin America*, the expectations for the coming six months have again been revised upwards. In contrast, the economic expectations in most of the countries of *Central and Eastern Europe* remain negative albeit somewhat improved over the previous quarter. In contrast, the current economic situation is assessed as definitely unfavourable in all major regions. In the *euro area*, *Central and Eastern Europe* and *Russia*, the current economic situation has been even assessed as somewhat worse.

The *inflation expectations* for 2009 are clearly lower, on a world average, than the inflation expectations for the previous year (2.5% vs. 5.4%). According to the expectations of the WES participants, price increases in the course of the coming six months will stabilise around the currently low level. On average for the world, neither a boost in inflation nor a slide into deflation is foreseen.

*Short-term central bank rates* will remain at current low levels over the next six months, in the opinion of the WES experts. In accord with the more favourable economic prospects, the WES experts anticipate that the *long-term interest rates* are likely to rise in most countries over the coming six months.

The *euro* is regarded as slightly overvalued by the WES experts, on a world average. The other major world currencies, the *US dollar*, the *Japanese yen* and the *British pound*, in contrast are viewed as nearly properly valued.

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

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

Quarter/year	III/07	IV/07	I/08	II/08	III/08	IV/08	I/09	II/09	III/09
<b>Climate</b>	113.6	99.3	90.4	81.4	73.4	60.0	50.1	64.4	78.7
<b>Situation</b>	127.9	118.7	109.6	96.8	85.8	67.6	45.7	38.4	42.0
<b>Expectations</b>	100.0	80.7	71.9	66.7	61.4	52.6	54.4	89.5	114.0

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 July 2009 survey received responses from 1,049 experts in 92 countries. The survey is conducted in co-operation with the International Chamber of Commerce in Paris (ICC).

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

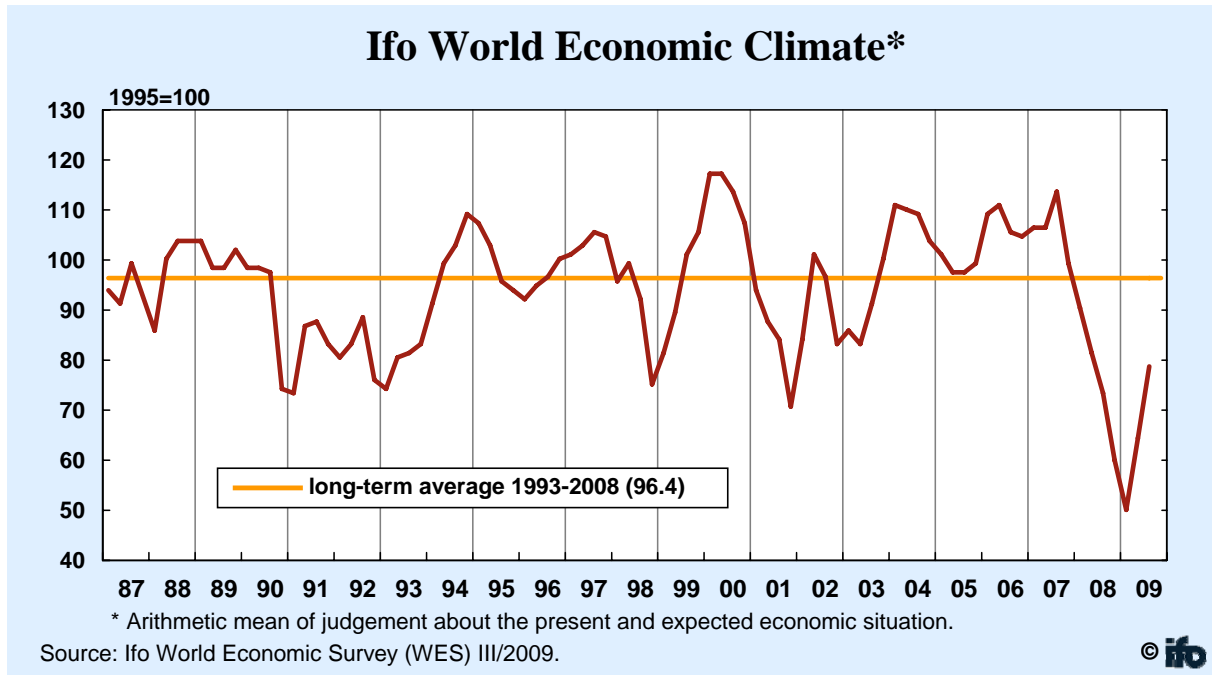


Fig. 2

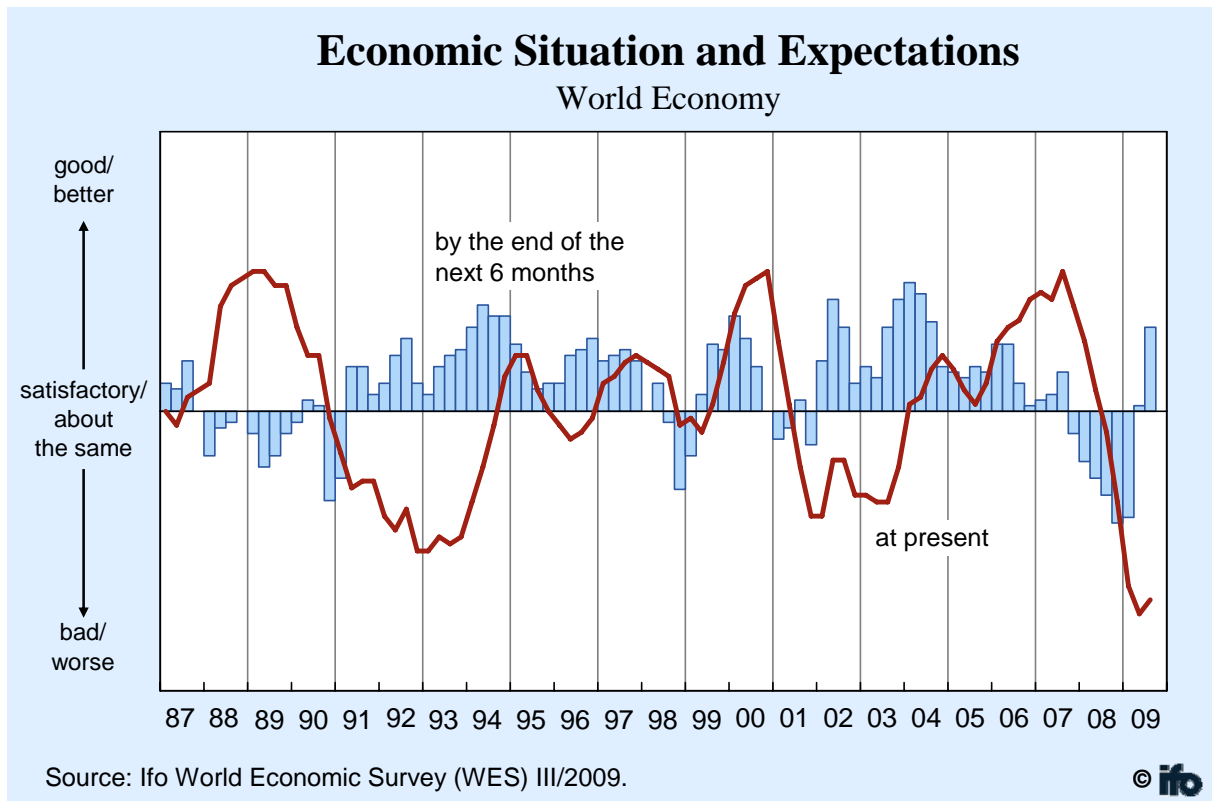
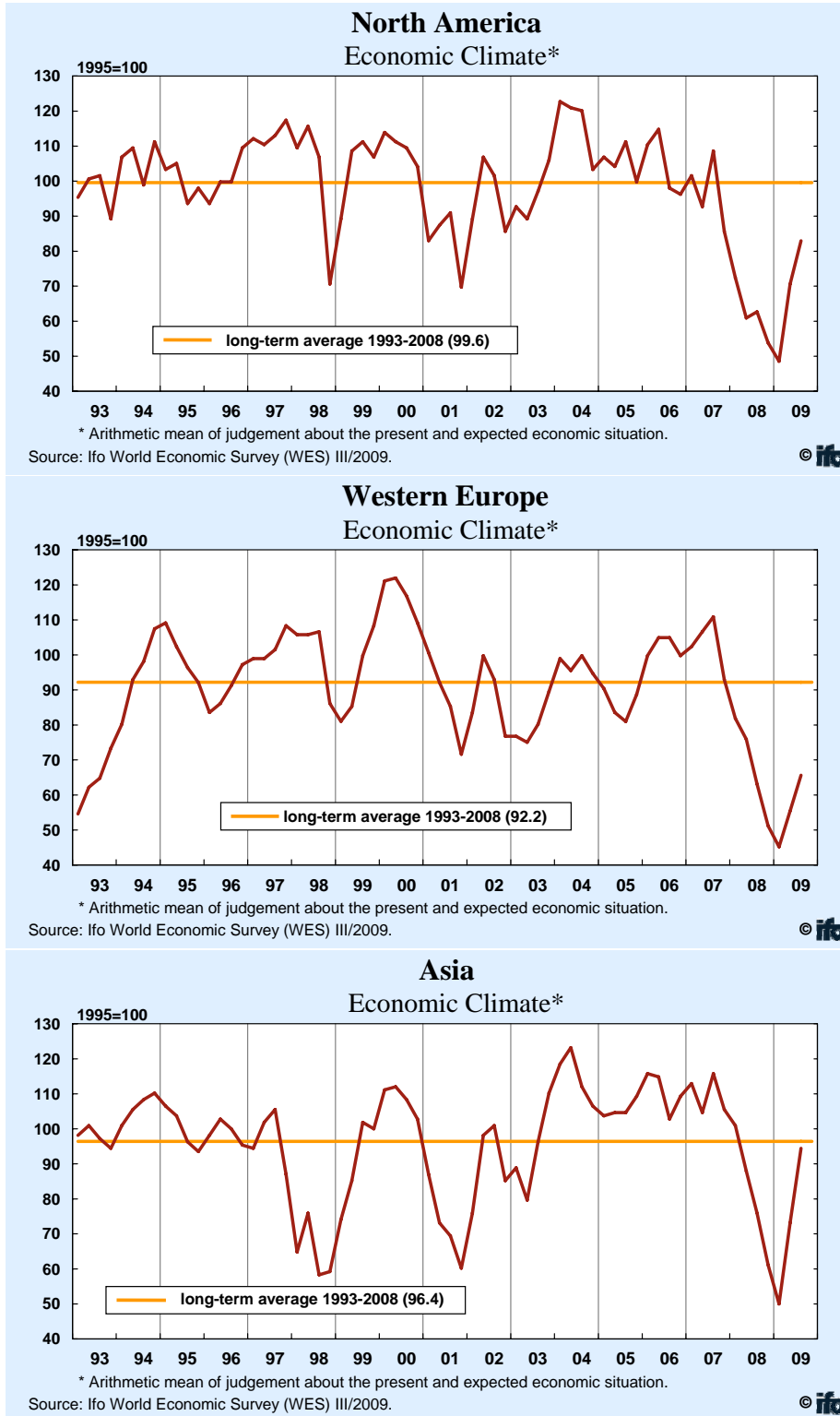


Fig. 3



Climate (1995=100)	III/07	IV/07	I/08	II/08	III/08	IV/08	I/09	II/09	III/09
<b>North America</b>	108.6	85.7	72.4	60.9	62.7	53.9	48.6	70.6	83.0
<b>Western Europe</b>	110.9	93.0	81.9	75.9	63.1	51.2	45.2	55.4	65.7
<b>Asia</b>	115.7	105.6	100.9	88.0	75.9	61.1	50.0	73.1	94.4