

Ifo World Economic Climate

Results of the Ifo World Economic Survey (WES) of the 1st quarter 2009
in co-operation with the International Chamber of Commerce (ICC), Paris

Ifo Indicator for the World Economic Climate Falls Further

The Ifo World Economic Climate has worsened further in the first quarter of 2009. The indicator has fallen to a new historic low. The decline is solely the result of more unfavourable assessments of the current economic situation; the expectations for the coming six months have improved somewhat.

The deterioration of the Ifo World Economic Climate has affected all major economic regions: the economic climate indicator is more unfavourable than the world average in *Western Europe* and *Asia*; in *North America* it corresponds to the world average; and in *Latin America, Oceania, the CIS countries, Central and Eastern Europe* and especially in the *Near East countries* the climate indicator is above the world average. The export and import expectations of the WES experts indicate a clear decline in world trade in the first half of 2009.

Average *inflation* expectations for 2009 are clearly lower than the inflation rates of the previous year (3.3% vs. 5.4%). Moreover, price increases will continue to weaken in the course of the next six months in the opinion of the WES experts. The decline in inflation will be particularly strong in *Western Europe* and *North America*.

In light of the recessionary tendencies and the clear slowing of price increases, a further decline in *central bank interest rates* is expected nearly everywhere. Also *long-term interest rates* are expected to fall in the coming six months, according to the WES experts, albeit less than *short-term interest rates*.

After the strong increase in value of the *Japanese yen*, for the first time since 2002 it is no longer regarded as undervalued but now as slightly overvalued. On the other hand, after the clear weakening in past months the *British pound* is now viewed as undervalued. The *US dollar* is largely seen as properly valued, and correspondingly, WES experts anticipate a stable dollar in the coming six months.

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

World Economy (Index, 1995 = 100)

Quarter/year	I/07	II/07	III/07	IV/07	I/08	II/08	III/08	IV/08	I/09
Climate	106.5	106.5	113.6	99.3	90.4	81.4	73.4	60.0	50.1
Situation	122.4	120.5	127.9	118.7	109.6	96.8	85.8	67.6	45.7
Expectations	91.2	93.0	100.0	80.7	71.9	66.7	61.4	52.6	54.4

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 2009 survey received responses from 1,035 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

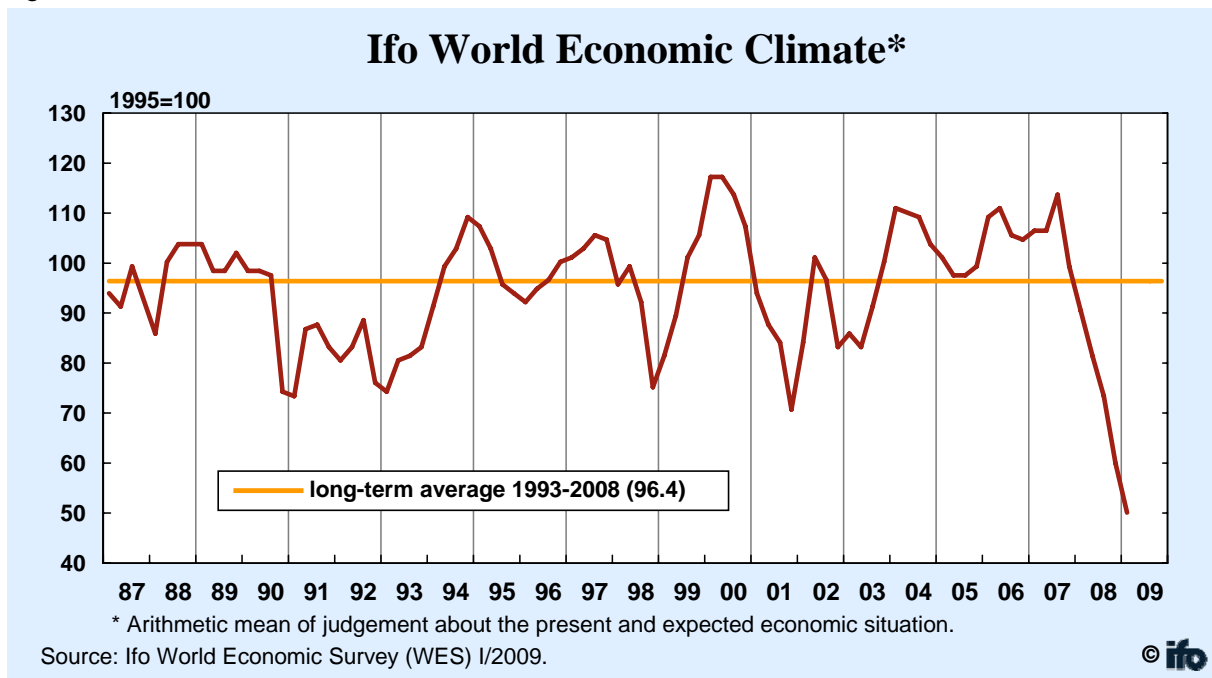


Fig. 2

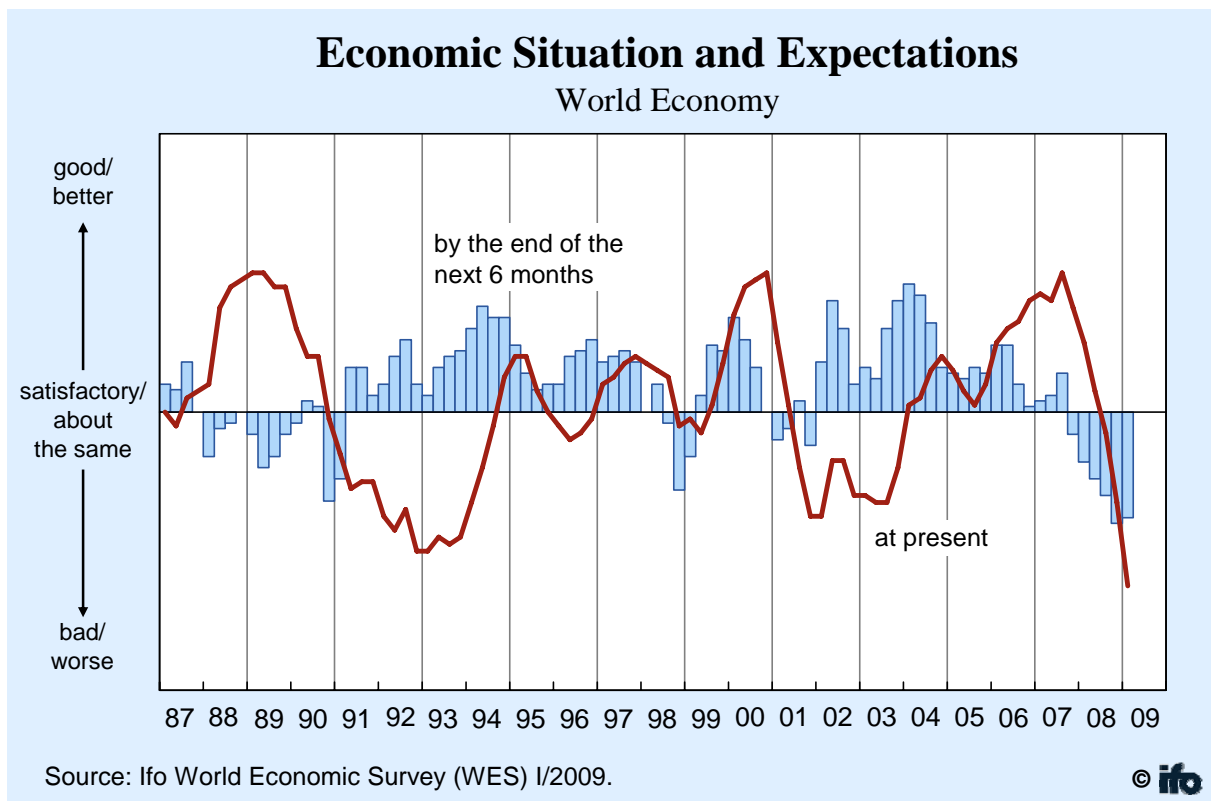
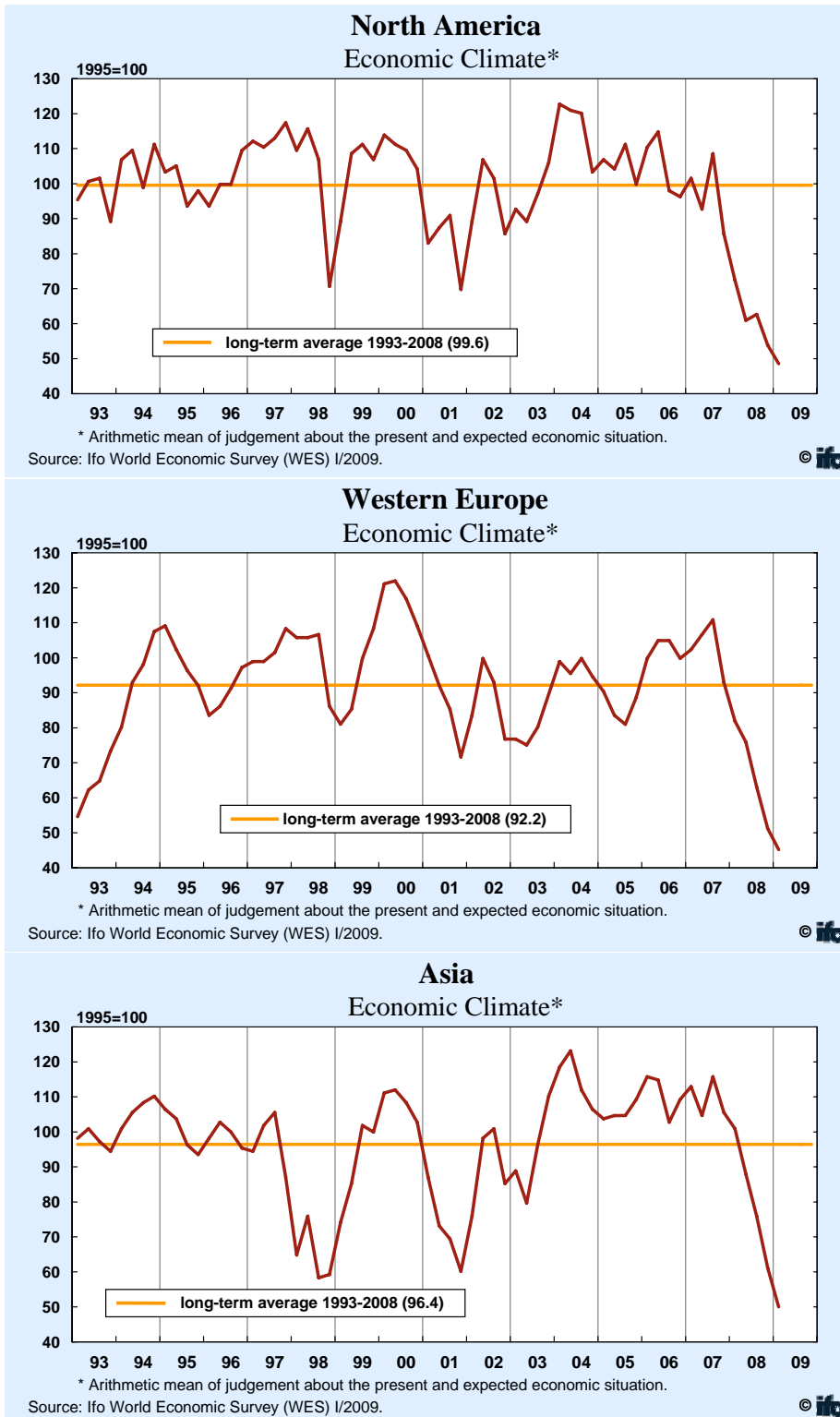


Fig. 3



Climate (1995=100)	I/07	II/07	III/07	IV/07	I/08	II/08	III/08	IV/08	I/09
North America	101.5	92.7	108.6	85.7	72.4	60.9	62.7	53.9	48.6
Western Europe	102.3	106.6	110.9	93.0	81.9	75.9	63.1	51.2	45.2
Asia	113.0	104.6	115.7	105.6	100.9	88.0	75.9	61.1	50.0