

Embargo: Wednesday, 13 May 2009, 10am GMT

Ifo Economic Climate for the Euro Area

Advance results of the Ifo World Economic Survey (WES) of the 2nd quarter 2009, in co-operation with the International Chamber of Commerce (ICC), Paris

Euro Area: Ifo World Economic Climate Indicator Rises

The Ifo World Economic Climate for the euro area has improved in the second quarter of 2009 for the first time since autumn 2007. The rise in the Ifo indicator is the result of less negative expectations for the coming six months; the assessments of the current economic situation, however, have worsened further and now stand at a new all-time low.

The current economic situation has been assessed as very unfavourable in all countries of the *euro area* without exception. The expectations for the coming six months, however, have improved in almost all countries of the *euro area*, with the exception of *Greece*. WES experts in *Belgium, Germany, Italy* and *Luxemburg* anticipate improvement, and in *Austria, France* and the *Netherlands* at least a stabilisation of the economic situation in the coming six months is seen.

The average annual *inflation* expectations for 2009, at 1%, are clearly below the target level of the European Central Bank. In the course of the coming six months, a further weakening of inflationary tendencies is expected. A clear majority of WES experts anticipate a further reduction in *key lending rates* in the next six months. When the survey responses were made, the recent lowering of interest rates by the ECB to 1% had not yet occurred. With regard to *capital market interest rates*, a general stabilisation is expected.

Both the *US dollar* and the *Japanese yen* are regarded as suitably valued in relation to the *euro*. The *British pound*, however, is seen as undervalued vis-à-vis the *euro*, after its plunge in value in past months.

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

Euro area (Index, 1995 = 100)

Quarter/year	II/07	III/07	IV/07	I/08	II/08	III/08	IV/08	I/09	II/09
Climate	106.8	111.9	90.7	81.4	76.3	61.9	50.8	45.8	55.1
Situation	130.8	138.3	123.4	112.1	100.9	84.1	61.7	41.1	29.9
Expectations	86.8	89.9	63.6	55.8	55.8	43.4	41.9	49.6	76.0

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 19 May 2009.

The 2nd quarter 2009 euro area results, which are published here in advance, are based on the responses of 280 economic experts. WES is conducted in co-operation with the International Chamber of Commerce (ICC) in Paris.

Fig. 1

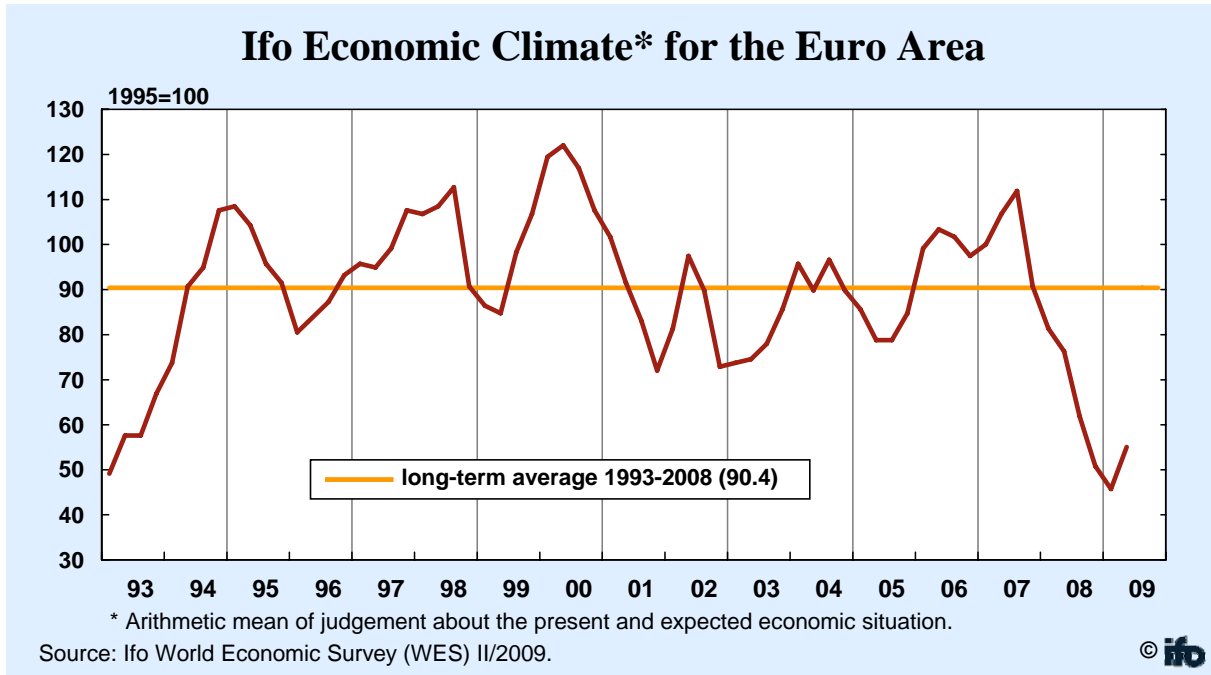


Fig. 2

