

## Ifo World Economic Climate

Results of the Ifo World Economic Survey (WES) of the 2<sup>nd</sup> quarter 2009 in co-operation with the International Chamber of Commerce (ICC), Paris

### Ifo World Economic Climate Brightens

**The Ifo World Economic Climate Indicator rose in the second quarter of 2009 for the first time since autumn 2007. The rise in the indicator was the result of more favourable expectations for the coming six months; the assessment of the current economic situation, however, worsened again, falling to a new record low.**

The economic expectations improved in all major regions, especially in *North America* and *Asia*. But also in *Western Europe*, *Central and Eastern Europe*, *Russia* and *Latin America* the expectations for the coming six months have been clearly corrected upwards. In contrast, the current economic situation in all major regions is still assessed as markedly unfavourable, with the worst appraisals coming from *North America* and *Western Europe*.

Average world *inflation* expectations for 2009 are clearly lower than the inflation estimates from the previous year (2.7% vis-à-vis 5.4%). Moreover, price increases will weaken further in the course of the coming six months, in the opinion of the WES experts. The decline of *inflation* is particularly strong in *Western Europe* and *North America*.

In light of the recession and the distinct slowing of inflation, a further decline in *key interest rates* is anticipated nearly everywhere where scope for such lowering is possible. *Long-term interest rates*, however, should stabilise in the course of the next six months, according to the WES survey panel.

Following the strong appreciation of the *Japanese yen* in the past months, WES experts now view the *yen* as at its proper value. The *British pound* is seen as slightly undervalued after having experience a clear weakening. The *US dollar*, however, is regarded as somewhat overvalued for the first time since the beginning of 2007.

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

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

Quarter/year	II/07	III/07	IV/07	I/08	II/08	III/08	IV/08	I/09	II/09
<b>Climate</b>	106.5	113.6	99.3	90.4	81.4	73.4	60.0	50.1	64.4
<b>Situation</b>	120.5	127.9	118.7	109.6	96.8	85.8	67.6	45.7	38.4
<b>Expectations</b>	93.0	100.0	80.7	71.9	66.7	61.4	52.6	54.4	89.5

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 April 2009 survey received responses from 1,040 experts in 90 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

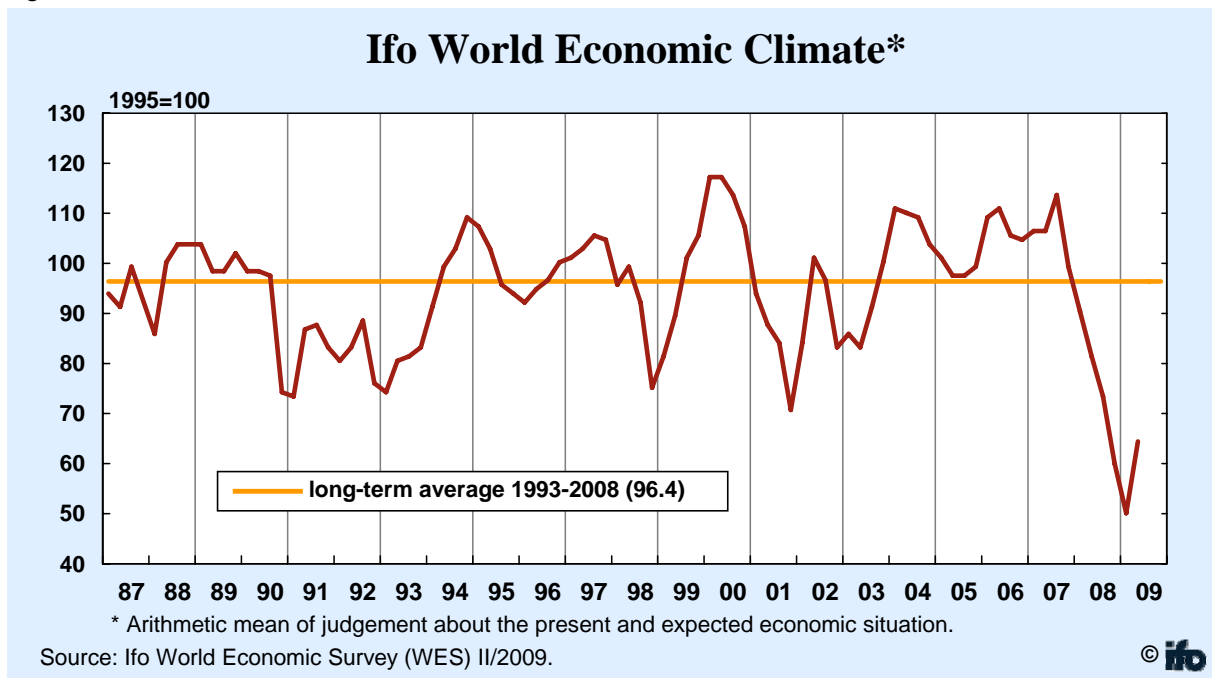


Fig. 2

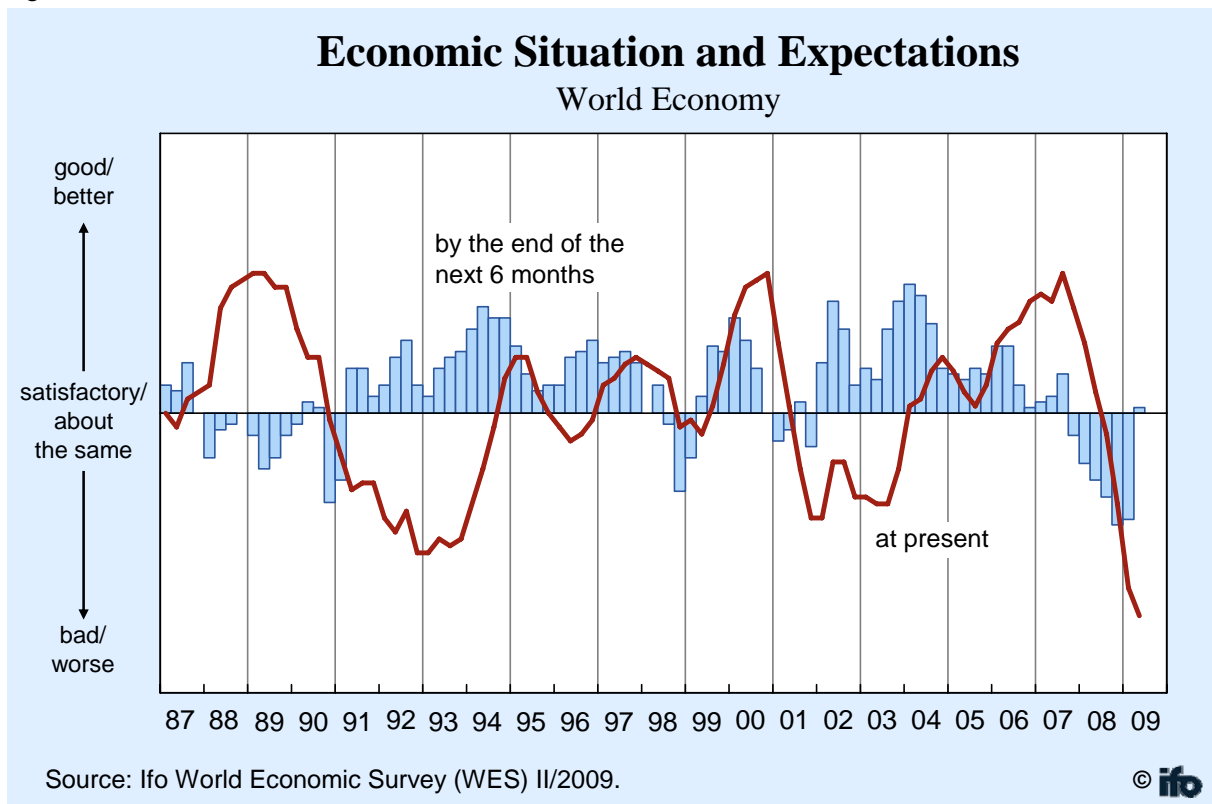
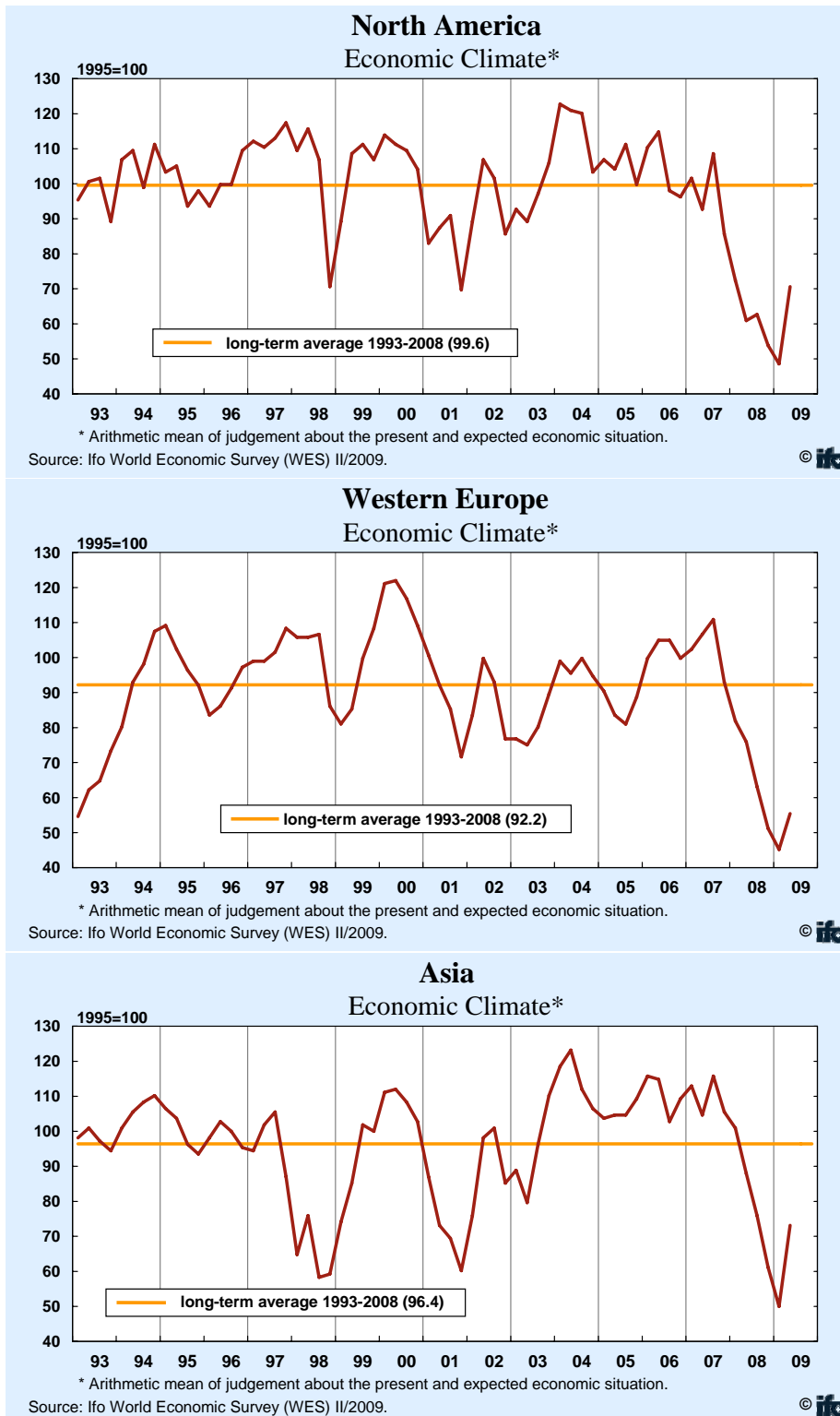


Fig. 3



Climate (1995=100)	II/07	III/07	IV/07	I/08	II/08	III/08	IV/08	I/09	II/09
<b>North America</b>	92.7	108.6	85.7	72.4	60.9	62.7	53.9	48.6	70.6
<b>Western Europe</b>	106.6	110.9	93.0	81.9	75.9	63.1	51.2	45.2	55.4
<b>Asia</b>	104.6	115.7	105.6	100.9	88.0	75.9	61.1	50.0	73.1