

Ifo World Economic Climate

Results of the Ifo World Economic Survey (WES) of the 4th 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 fourth quarter of 2009 for the third time in succession. The rise in the indicator is the result of both more favourable expectations for the coming six months as well as less negative assessments of the current economic situation. The recovery of the world economy is driven especially by the dynamic development in *Brazil* as well as in *India, China* and other *Asian countries*.

The economic climate improved in all major economic regions. The improvement was particularly marked in *Asia*, where the indicator even surpassed its long-term average. Also in *Western Europe* and *North America* the climate indicator rose clearly in the fourth quarter of 2009. The economic expectations are now very optimistic almost everywhere, with the exception of several countries of *Central and Eastern Europe*. In contrast, the current economic situation is still assessed as decidedly unfavourable in all major regions, although these assessments clearly improved over the previous quarter. The appraisals of the current economic situation are particularly negative in the *euro area, North America, Central and Eastern Europe* and *Russia*.

The *inflation* expectations for 2009, on a worldwide average, are clearly lower than the *inflation* estimate for the previous year (2.5% compared to 5.4%). According to the expectations of the WES participants, prices will increase only slightly in the course of the coming six months.

The *short-term interest rates* will increase again in the coming six months for the first time in more than a year, in the opinion of the WES experts. In accord with the more favourable economic outlook, the WES experts anticipate that also the *long-term interest rates* are likely to increase in the coming six months in most countries.

An increasing number of WES experts regard the *euro* as overvalued. The other major world currencies, the *US dollar*, the *Japanese yen* and the *British pound*, are now seen as properly valued, on average.

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

World Economy (Index, 1995 = 100)

Quarter/year	IV/07	I/08	II/08	III/08	IV/08	I/09	II/09	III/09	IV/09
Climate	99.3	90.4	81.4	73.4	60.0	50.1	64.4	78.7	90.4
Situation	118.7	109.6	96.8	85.8	67.6	45.7	38.4	42.0	53.0
Expectations	80.7	71.9	66.7	61.4	52.6	54.4	89.5	114.0	126.3

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 October 2009 survey received responses from 1,026 experts in 88 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

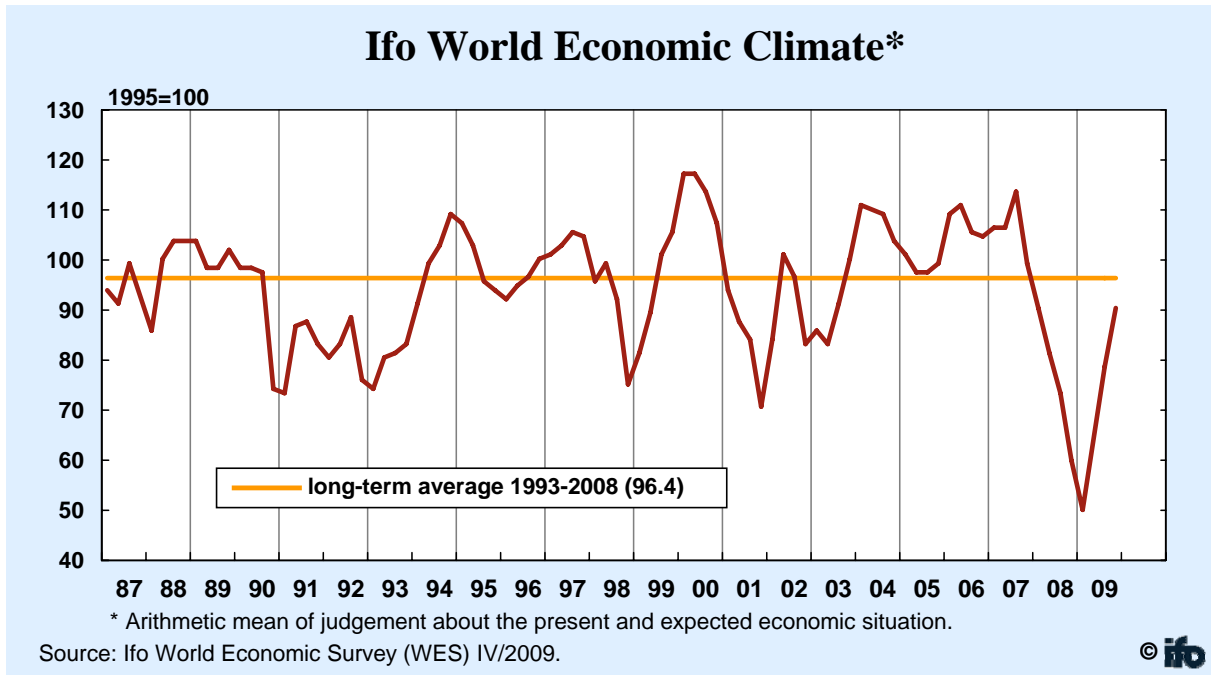


Fig. 2

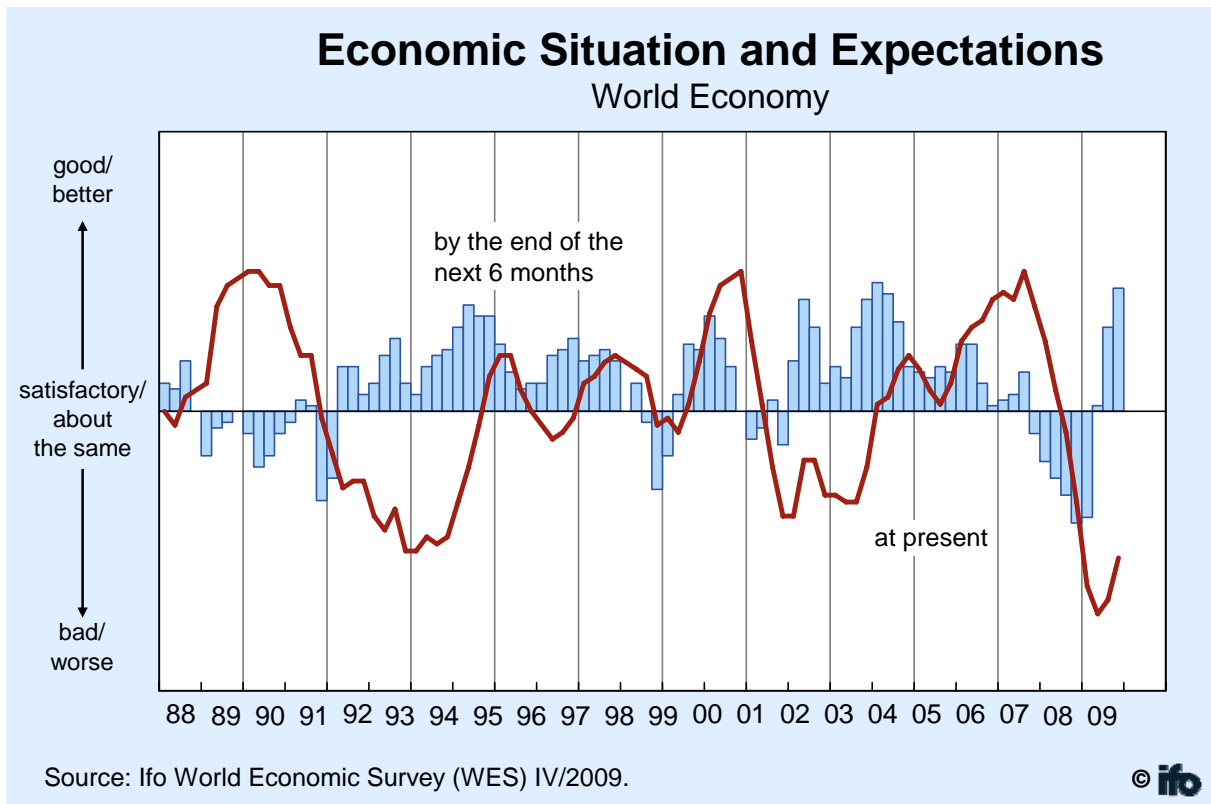
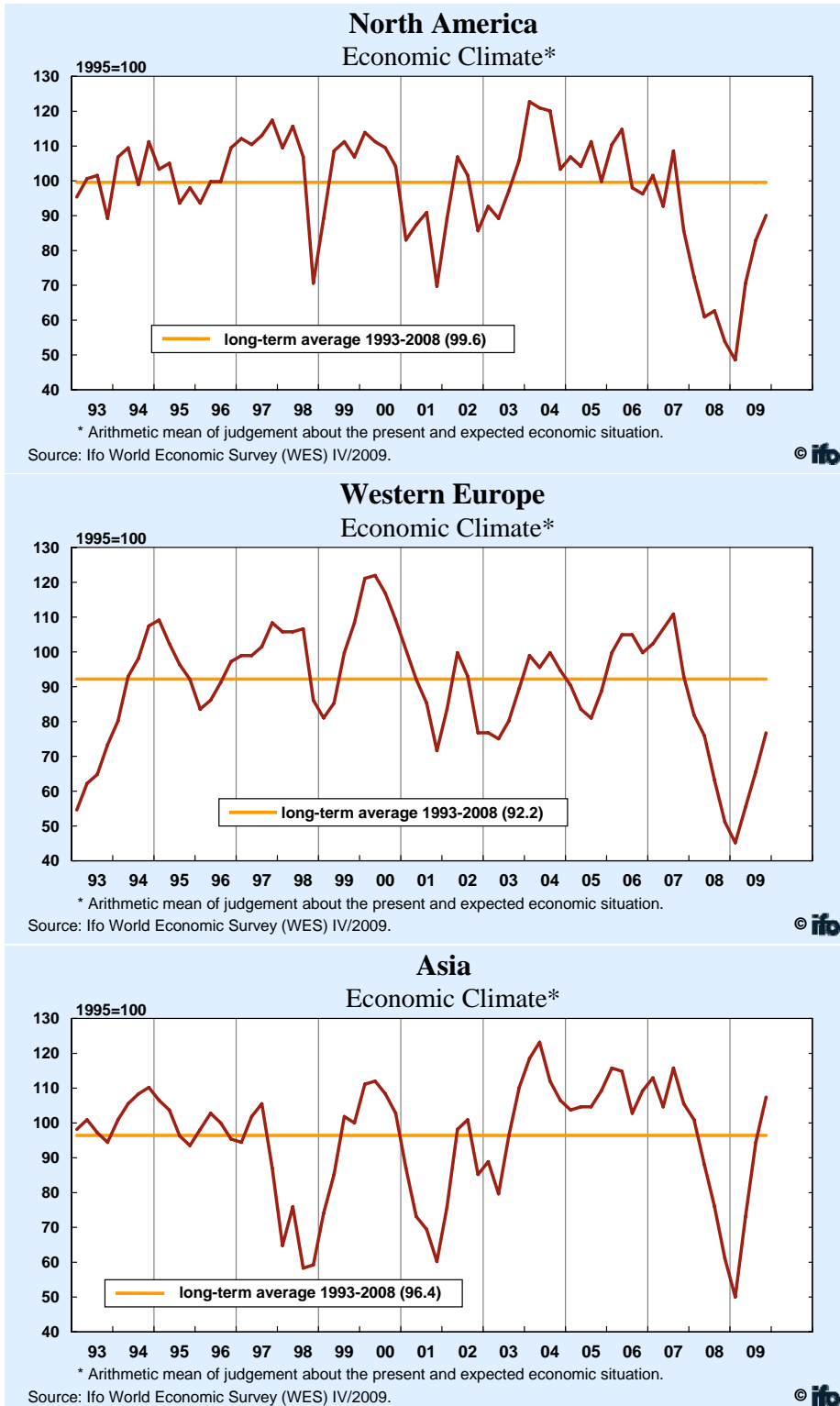


Fig. 3



Climate (1995=100)	IV/07	I/08	II/08	III/08	IV/08	I/09	II/09	III/09	IV/09
North America	85.7	72.4	60.9	62.7	53.9	48.6	70.6	83.0	90.1
Western Europe	93.0	81.9	75.9	63.1	51.2	45.2	55.4	65.7	76.8
Asia	105.6	100.9	88.0	75.9	61.1	50.0	73.1	94.4	107.4