

Ifo World Economic Climate

Results of the Ifo World Economic Survey (WES) of the 1st quarter 2010 in co-operation with the International Chamber of Commerce (ICC), Paris

Brighter Ifo World Economic Climate

The Ifo World Economic Climate improved further in the first quarter of 2010. For the first time in two years, the world economic climate indicator has risen above its long-time average. Above all developments in Asia have contributed to a better-than-average economic climate. In all other major economic regions, however, the indicator is still below its long-term average. Worldwide, the surveyed experts have assessed the current economic situation as less unfavourable than it was last autumn. With regard to the outlook for the coming half year, the survey participants are again somewhat more confident. This speaks for a continuation of the recovery of the world economy in the coming months.

The economic climate improved above all in *Asia*. Also in *North America*, *Western Europe* and in the other world regions, the economic climate is more favourable than in the previous quarter. The survey participants have assessed the current situation of economies worldwide as less unfavourable. However, their appraisals of the economic situation outside *Asia* remain predominantly unsatisfactory. With regard to the six-month outlook, the *Asia* experts remain optimistic, though not quite so much as in the previous quarter. Also the experts in *North America* have somewhat less optimistic expectations. In contrast, in *Western and Eastern Europe* confidence with regard to economic development in the coming half year has increased further.

The economic experts expect for 2010, on a world-wide average, somewhat higher inflation than in the previous year (2.9% versus 2.5%). They see prices continuing to rise during the coming six months.

Short-term interest rates will increase during the next half year, in the opinion of the WES experts. In line with the more favourable economic outlook, they expect in addition that also *long-term interest rates* will increase in the near future.

The *euro* is regarded as overvalued, on a world-wide average, and the *US dollar* as undervalued. The *Japanese yen* and the *British pound* are seen, on average, as appropriately valued.

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

World Economy (Index, new base year: 2005 = 100)

Quarter/year	I/08	II/08	III/08	IV/08	I/09	II/09	III/09	IV/09	I/2010
Climate	91.4	82.4	74.2	60.6	50.7	65.2	79.6	91.4	99.5
Situation	112.1	99.1	87.9	69.2	46.7	39.3	43.0	54.2	67.3
Expectations	71.9	66.7	61.4	52.6	54.4	89.5	114.0	126.3	129.8

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 2010 survey received responses from 1,057 experts in 94 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

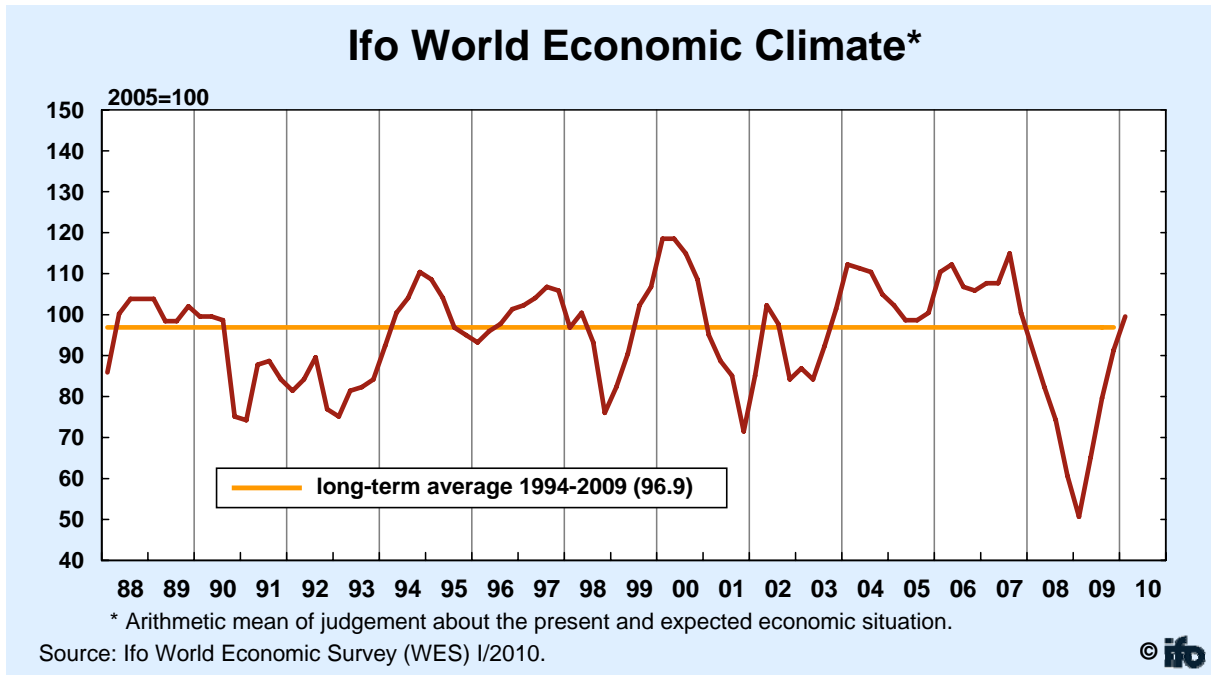


Fig. 2

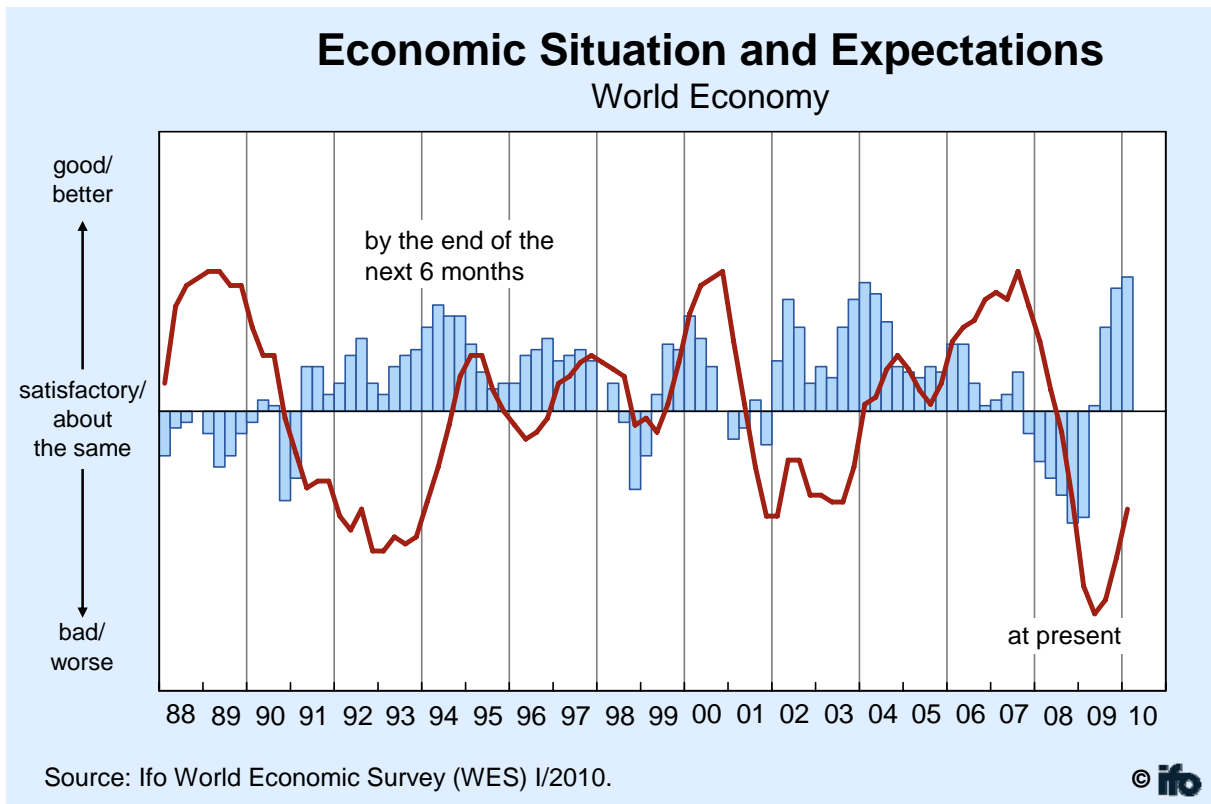
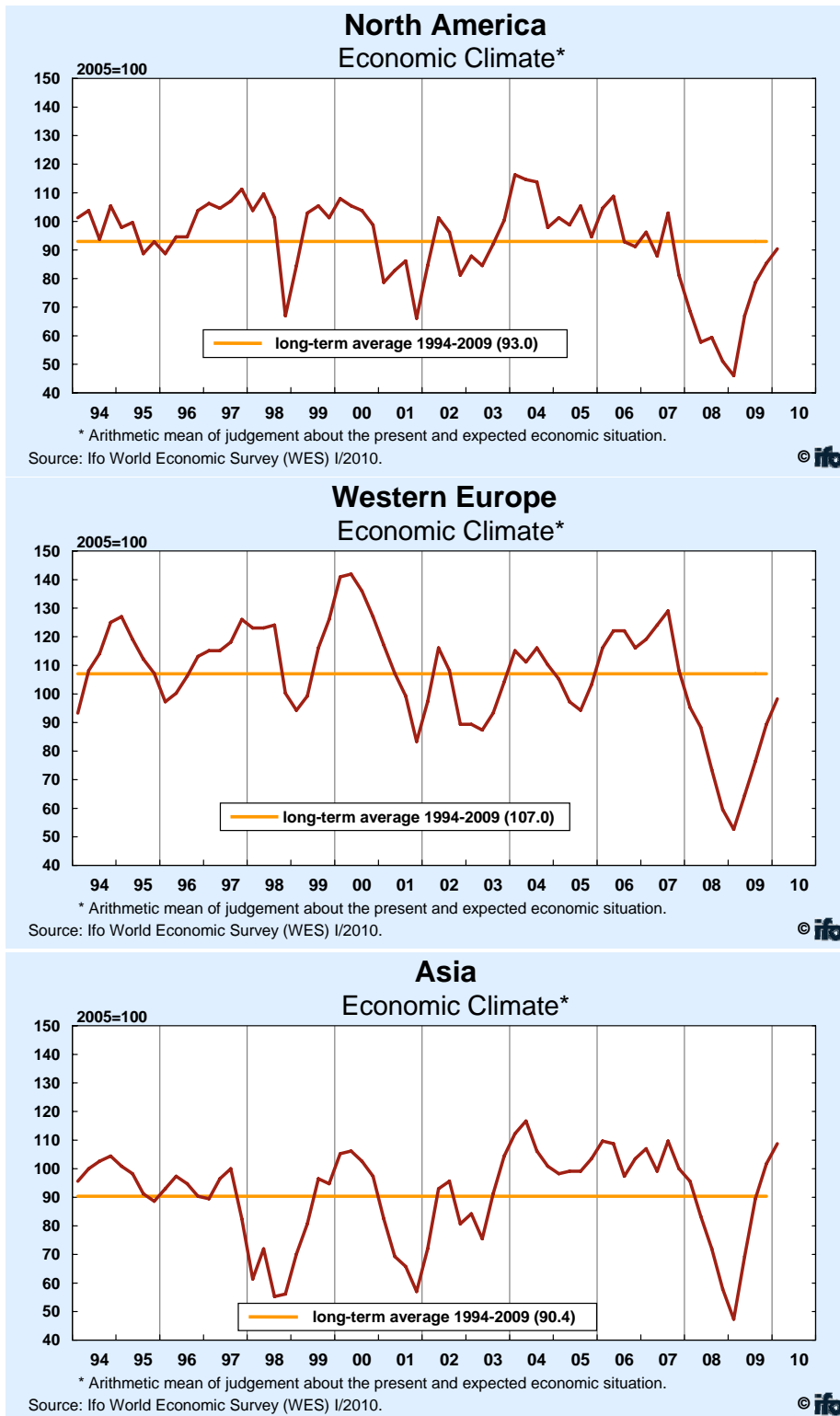


Fig. 3



Climate (2005=100)	I/08	II/08	III/08	IV/08	I/09	II/09	III/09	IV/09	I/2010
North America	68.6	57.7	59.4	51.0	46.0	66.9	78.7	85.4	90.4
Western Europe	95.3	88.3	73.4	59.6	52.6	64.5	76.4	89.3	98.3
Asia	95.6	83.3	71.9	57.9	47.4	69.3	89.5	101.8	108.8