

Embargo: Wednesday, 10 August 2011, 10am GMT

Ifo Economic Climate for the Euro Area

Advance results of the Ifo World Economic Survey (WES) of the 3rd quarter 2011, in co-operation with the International Chamber of Commerce (ICC), Paris

Euro Area: Decline in the Ifo Economic Climate Indicator

The Ifo indicator for the economic climate in the *euro area* has fallen in the third quarter for the first time since the beginning of 2009 and now stands only slightly above its long-term average. The assessments of the current situation are somewhat less positive compared to the second quarter of 2011. Above all the expectations for the coming six months weakened noticeably. Economic activity in the *euro area* is entering a difficult phase.

The *current economic situation* continues to be assessed as “excellent” in *Germany*, as “good” in *Austria*, *Finland* and *Estonia* and as “favourable” in *Belgium*. In *France*, the *Netherlands* and in *Slovakia*, the current economic situation has been assessed as “satisfactory” by the WES experts. The general economic situation has worsened above all in *Cyprus*. Here, as in *Italy*, it is appraised as “unfavourable”. In *Ireland*, *Spain* and *Portugal*, the economic experts have given the present economic situation even worse notes than in the previous quarter, i.e. it is very weak. Again, *Greece* received the worst appraisals on the WES scale.

The *expectations for the coming six months* in the *euro area* are considerably less confident over the previous survey. In many countries a worsening of the economic situation is expected. In contrast, the expectations in *Spain*, *Ireland*, and *France* are increasingly pointing upwards. In the Eastern European *euro* member states (*Estonia*, *Slovakia* and *Slovenia*) the outlook remains confident.

Inflation expectations have grown slightly. For the year, in the *euro area* a 2.6% *increase in prices* is expected. Not quite as many WES experts as in the previous survey anticipate *rising interest rates* in the course of the coming six months. The *euro* is considered to be slightly overvalued vis-à-vis the *US dollar*. Nevertheless, in the next half year the *dollar* is expected to continue to weaken over the *euro*.

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

Euro area (Index, base year: 2005 = 100)

Quarter/year	III/09	IV/09	I/2010	II/2010	III/2010	IV/2010	I/2011	II/2011	III/2011
Climate	77.5	91.0	101.3	102.3	106.5	107.5	116.8	118.9	110.6
Situation	42.0	53.1	72.7	78.3	109.1	131.5	142.7	159.4	156.6
Expectations	98.4	113.1	118.0	116.4	104.9	93.4	101.6	95.1	83.6

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 17 August 2011.

The 3rd quarter 2011 euro area results, which are published here in advance, are based on the responses of 274 economic experts. WES is conducted in co-operation with the International Chamber of Commerce (ICC) in Paris.

Fig. 1

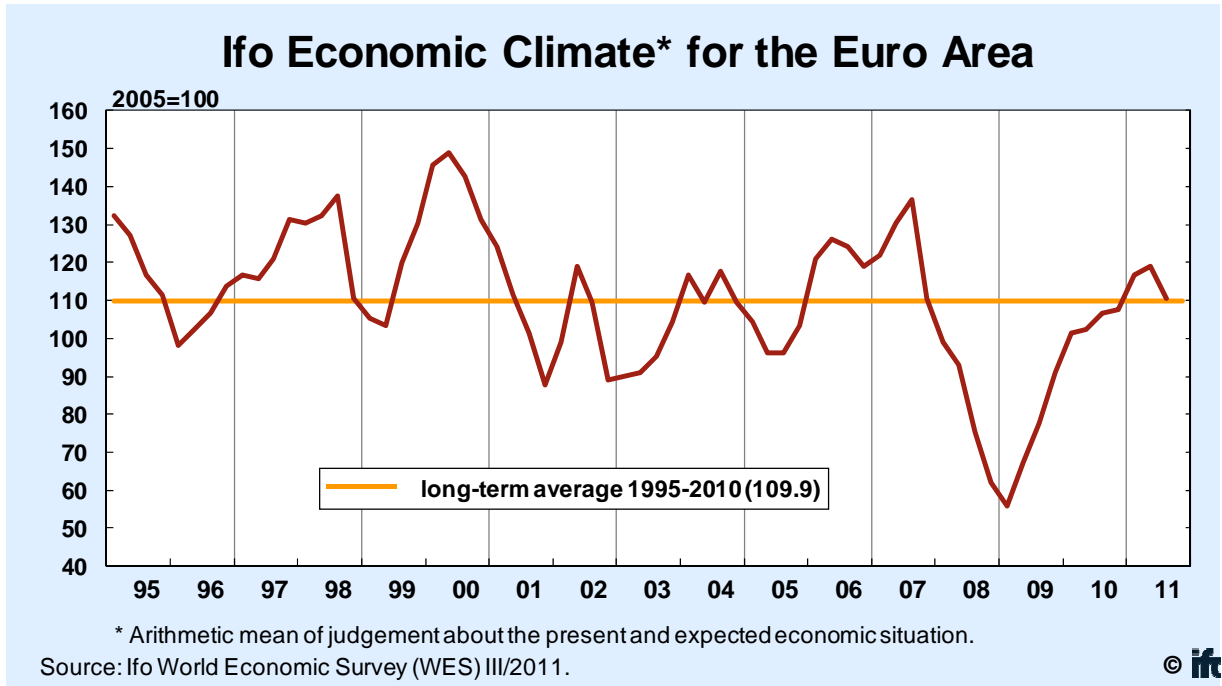


Fig. 2

