

Ifo World Economic Climate

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

Worsening of the Ifo World Economic Climate

The Ifo World Economic Climate clouded over in the third quarter, after having improved in the first two quarters. The worsening affected both the appraisals of the current situation as well as the expectations for the coming six months. However, despite the weakening, both components are still in positive territory. The global economic upswing is faltering.

In *North America* the economic climate indicator is clearly below its long-term average, mainly as a result of a clearly more negative appraisal of the current economic situation. The expectations for the coming six months have clouded over slightly. In *Asia* the economic climate indicator is still slightly above its long-term average despite a further decline in appraisals of both the economic situation and the outlook. In *Western Europe* the economic climate indicator has fallen for the first time since the beginning of 2009, mainly as a result of the clearly less positive expectations. In the opinion of the WES experts, however, the current business situation has worsened slightly, although it is still seen as favourable.

Inflation expectations worldwide have risen slightly. This year, a *price increase* on a worldwide average of 4.0% is expected compared to a rise of 3.8% anticipated in the previous quarter. In comparison to the April survey, fewer WES experts – albeit still the majority – foresee *rising interest rates* in the course of the next six months.

Both the *US dollar* and the *British pound* are appropriately valued, on a worldwide average, in the opinion of the WES experts. The *euro* and the *yen*, however, seem to be somewhat overvalued. On a world-wide average, the surveyed experts foresee a further decline in the value of the *US dollar* in the next half year.

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

World Economy (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	79.6	91.4	99.5	104.1	103.2	98.6	106.8	107.7	97.7
Situation	43.0	54.2	67.3	80.4	93.5	95.3	102.8	108.4	99.1
Expectations	114.0	126.3	129.8	126.3	112.3	101.8	110.5	107.0	96.5

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 July 2011 survey received responses from 1,080 experts in 117 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

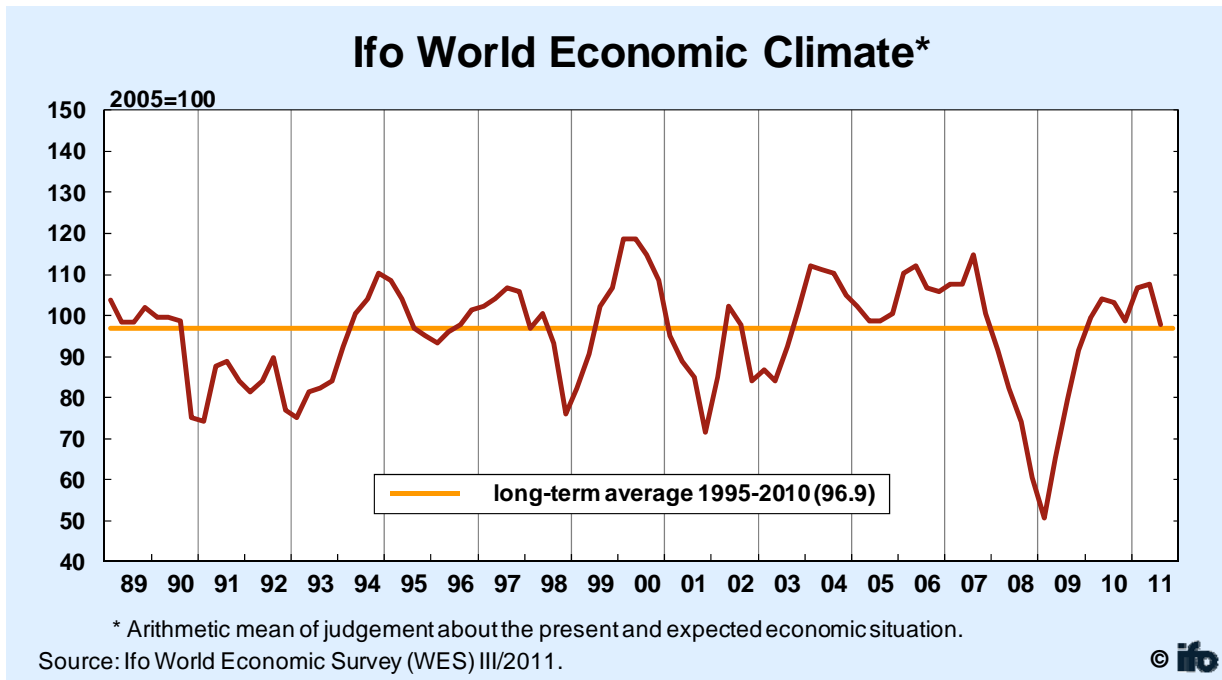


Fig. 2

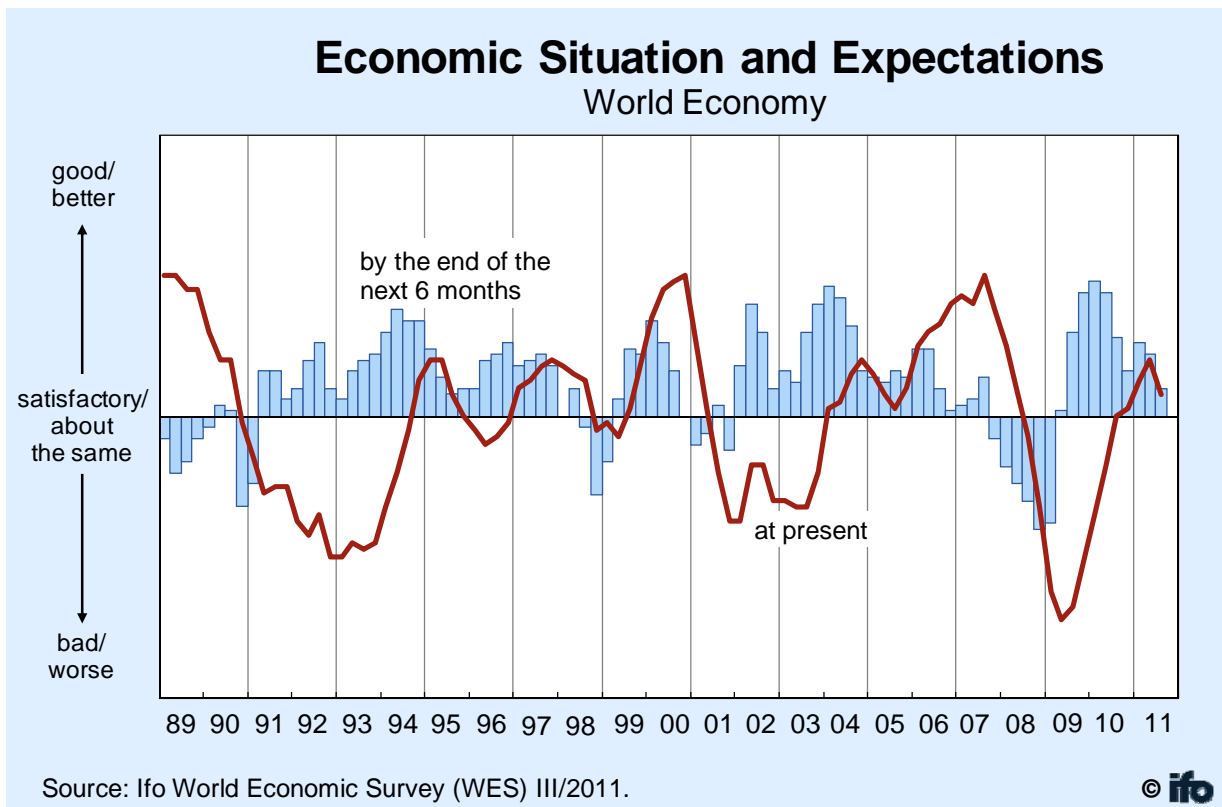
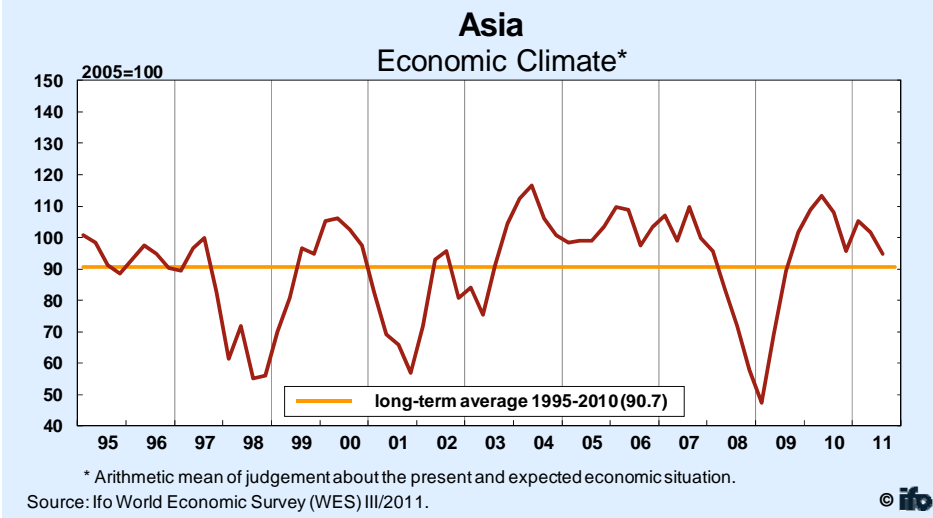
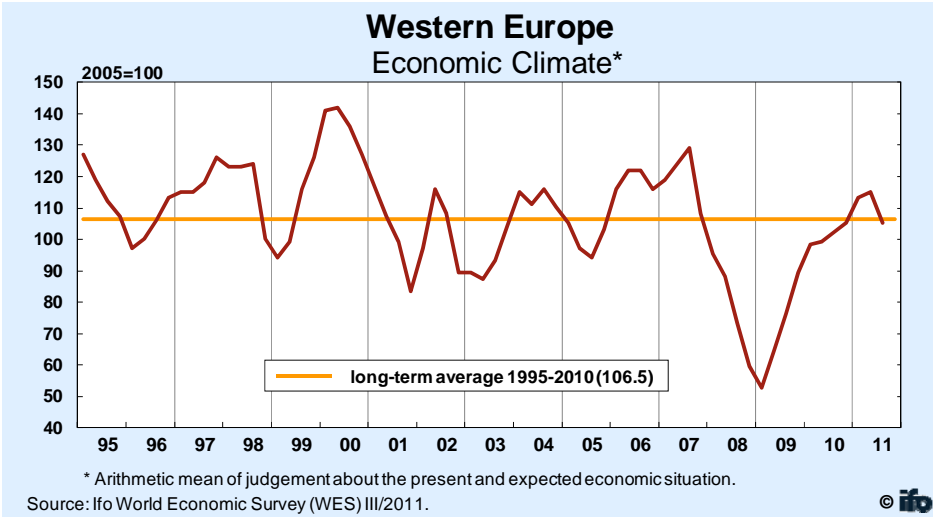
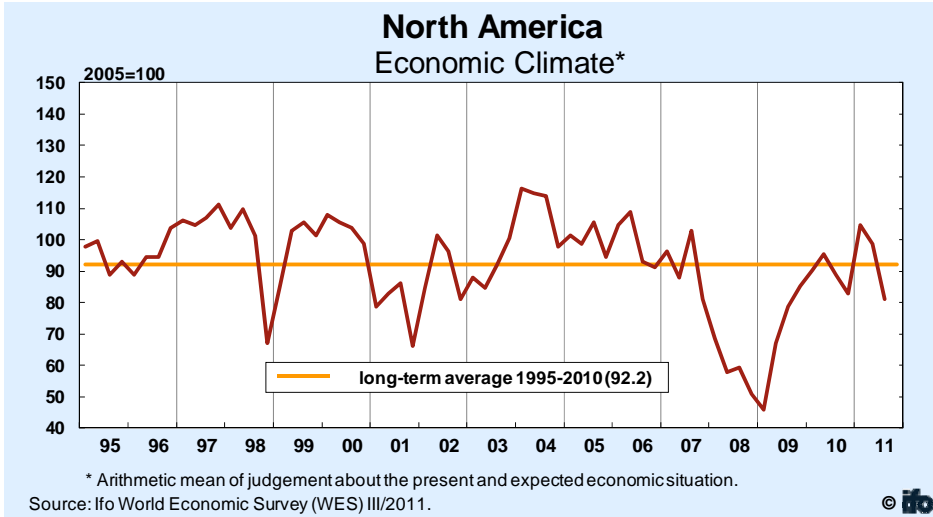


Fig. 3



Climate (2005=100)	III/09	IV/09	I/2010	II/2010	III/2010	IV/2010	I/2011	II/2011	III/2011
North America	78.7	85.4	90.4	95.4	88.7	82.8	104.6	98.7	81.2
Western Europe	76.4	89.3	98.3	99.3	102.2	105.2	113.2	115.1	105.2
Asia	89.5	101.8	108.8	113.2	107.9	95.6	105.3	101.8	94.7