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Ifo Economic Climate for the Euro Area

Advance results of the Ifo World Economic Survey (WES) of the 4th quarter 2011, in co-operation with the International Chamber of Commerce (ICC), Paris

Euro Area: Further Decline in the Ifo Economic Climate Indicator

The Ifo Economic Climate Indicator for the *euro area* has fallen further in the fourth quarter, and is now significantly below its long-term average. Both the assessments of the current situation and the expectations for the next six months worsened considerably over the third quarter of 2011. The results suggest that the economic weakening in the *euro area* will continue.

Although the current economic situation in the *euro area* has worsened, in *Austria, Germany* and *Estonia* it is seen on the whole as “good”; in *Finland* and *Slovakia* it is still rated as at least “satisfactory”. In *Greece, Portugal* and *Spain*, the current economic situation again received the lowest ratings on the WES assessment scale. In *France, Ireland* and *Italy* the current economic situation is also regarded as weak.

The economic outlook for the next six months in the *euro area* has been evaluated predominantly negatively. Only in *Ireland* is the economic situation expected to improve – albeit starting from a very low level.

Inflation expectations have declined slightly. For 2011 inflation rates of 2.5% are now expected in the *euro zone*. Given dampened economic activity and reduced inflation expectations, clearly fewer WES experts than in the previous quarter expect rising long-term interest rates over the next six months. The *euro-dollar* exchange rate is expected to remain largely unchanged in the next six months in the opinion of the surveyed experts.

The currently most important economic problem in the *euro area* is still “public budget deficits”, in the opinion of the surveyed economic experts. Ranking second place on the list of problems is “lack of confidence in the economic policies of their own country” followed by “unemployment”.

Hans-Werner Sinn, President of the Ifo Institute

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

Quarter/year	IV/09	I/2010	II/2010	III/2010	IV/2010	I/2011	II/2011	III/2011	IV/2011
Climate	91.0	101.3	102.3	106.5	107.5	116.8	118.9	110.6	83.7
Situation	53.1	72.7	78.3	109.1	131.5	142.7	159.4	156.6	128.7
Expectations	113.1	118.0	116.4	104.9	93.4	101.6	95.1	83.6	57.4

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 16 November 2011.

The 4th quarter 2011 euro area results, which are published here in advance, are based on the responses of 273 economic experts. WES is conducted in co-operation with the International Chamber of Commerce (ICC) in Paris.

Fig. 1

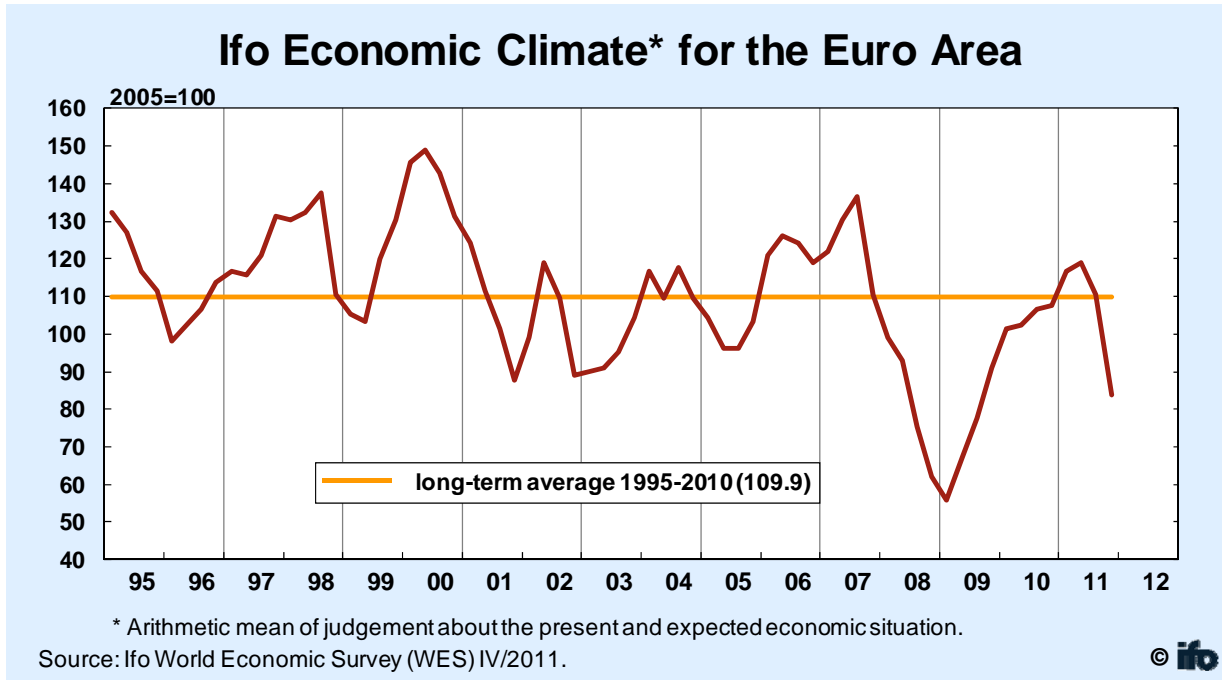


Fig. 2

