

## Ifo World Economic Climate

Results of the Ifo World Economic Survey (WES) of the 4<sup>th</sup> quarter 2011 in co-operation with the International Chamber of Commerce (ICC), Paris

### Ifo World Economic Climate deteriorates further

**The Ifo World Economic Climate has worsened in the fourth quarter. The index is now significantly below its long-term average. The deterioration was due to less favourable assessments of the current situation and even more so to the expectations for the next six months. The results confirm the difficult situation of the world economy.**

The economic climate in *North America* has continued to worsen. The current economic situation was increasingly assessed as unfavourable. The expectations for the next six months are less confident than in the third quarter but remain in positive territory. In *Asia*, the economic climate indicator has fallen further and is now also below its long-term average. The expectations for the next six months have deteriorated even more than the situation component. In *Western Europe*, the economic climate has worsened; mainly because of the significantly more negative outlook.

The *inflation estimate* for all of 2011 remains at 4.0% on a global average. The majority of WES experts expect *unchanged interest rates* over the course of the next six months.

In the opinion of the WES experts, the *euro* is overvalued and the *yen* somewhat more so. On a world-wide average, the *exchange rate* of the *US dollar* is expected to remain largely stable during the next six months.

Worldwide, “*lack of confidence in the economic policies of their own country*” is seen as the currently most important economic problem. In second and third place in the list of problems are “*public budget deficits*” and “*unemployment*”. The problem of “*Inflation*” fell worldwide from the second to the sixth place on the list.

Hans-Werner Sinn, President of the Ifo Institute

### World Economy (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 |
|---------------------|-------|--------|---------|----------|---------|--------|---------|----------|---------|
| <b>Climate</b>      | 91.4  | 99.5   | 104.1   | 103.2    | 98.6    | 106.8  | 107.7   | 97.7     | 78.7    |
| <b>Situation</b>    | 54.2  | 67.3   | 80.4    | 93.5     | 95.3    | 102.8  | 108.4   | 99.1     | 86.0    |
| <b>Expectations</b> | 126.3 | 129.8  | 126.3   | 112.3    | 101.8   | 110.5  | 107.0   | 96.5     | 71.9    |

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 2011 survey received responses from 1,119 experts in 119 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

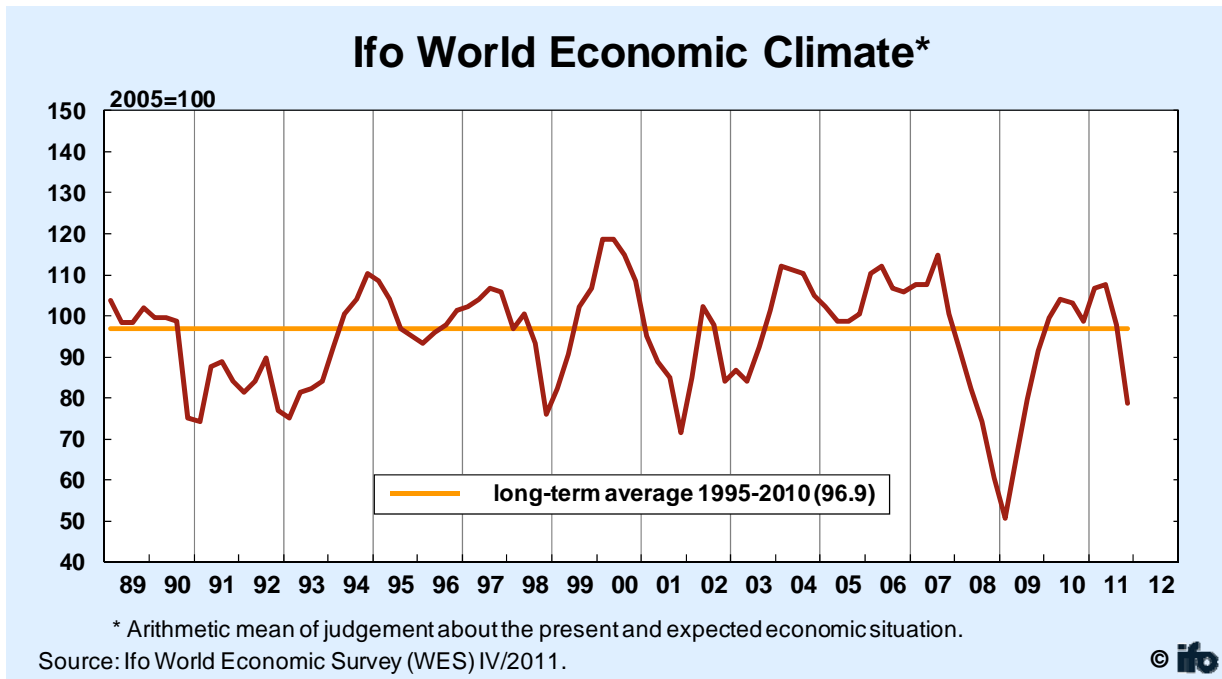


Fig. 2

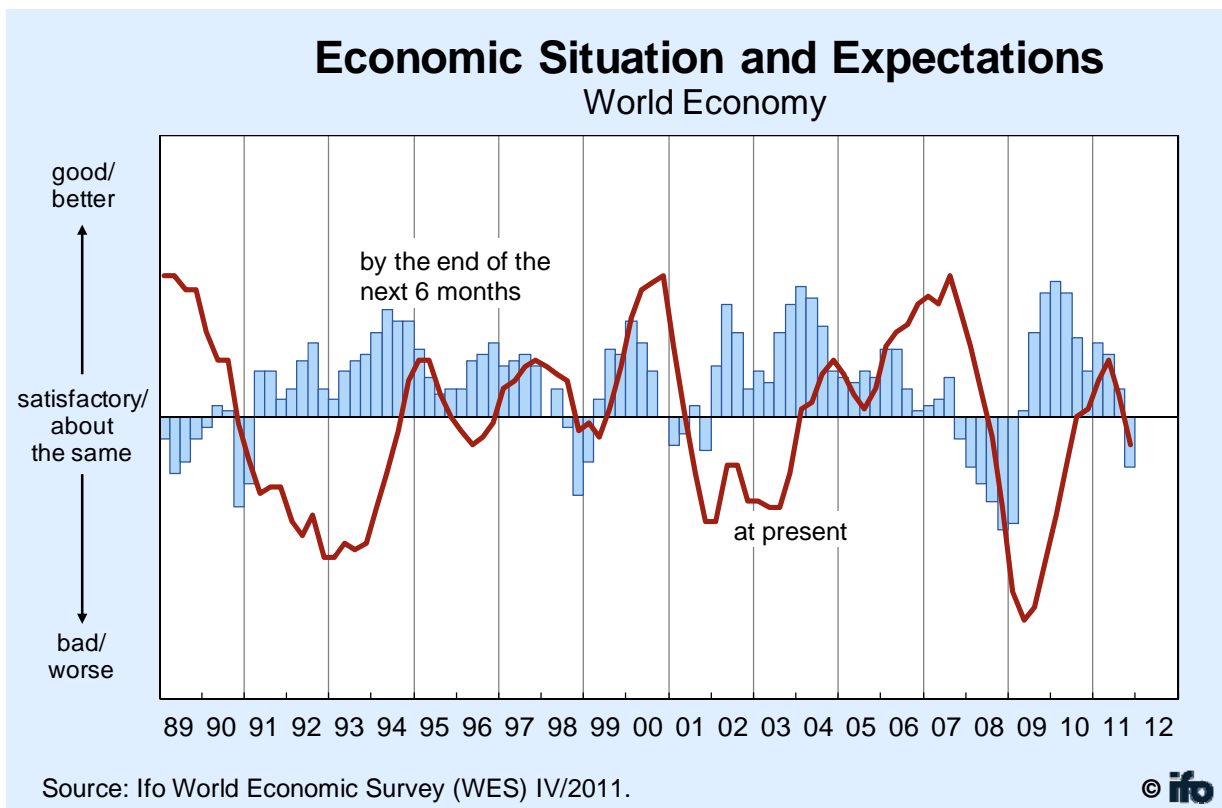
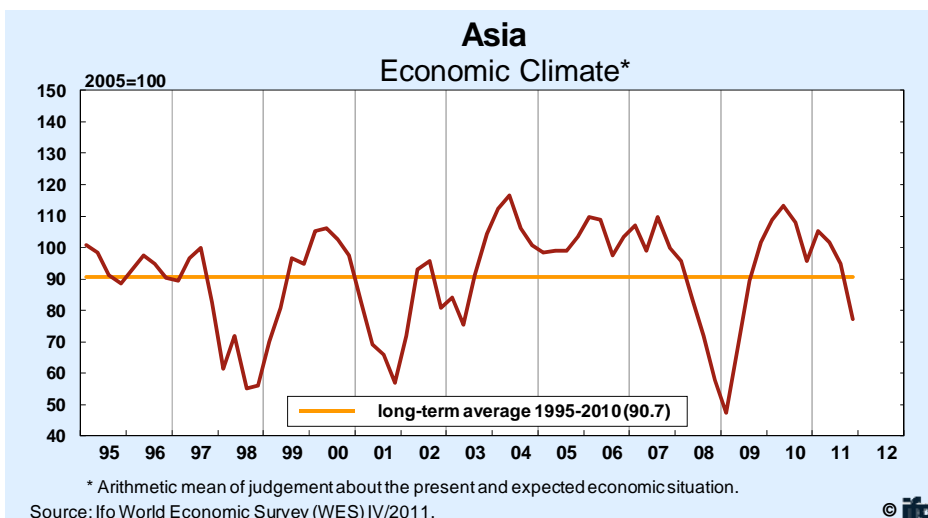
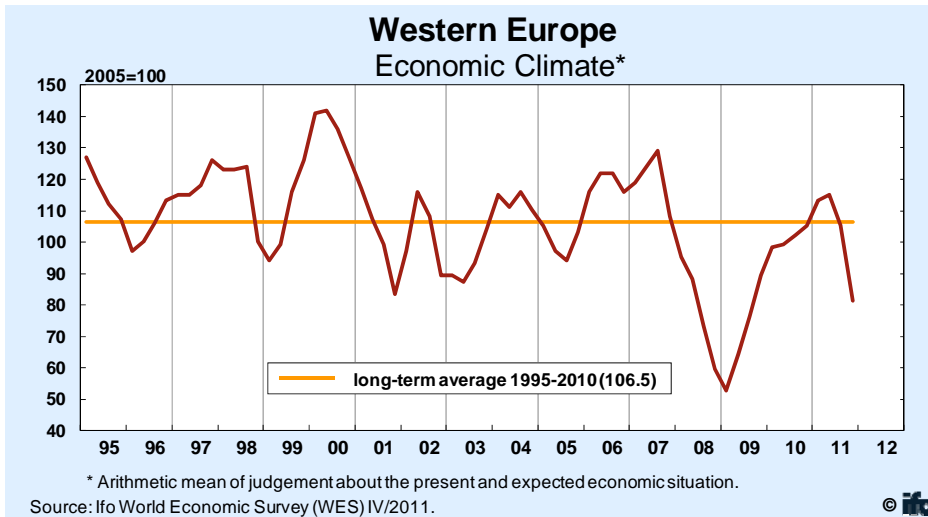
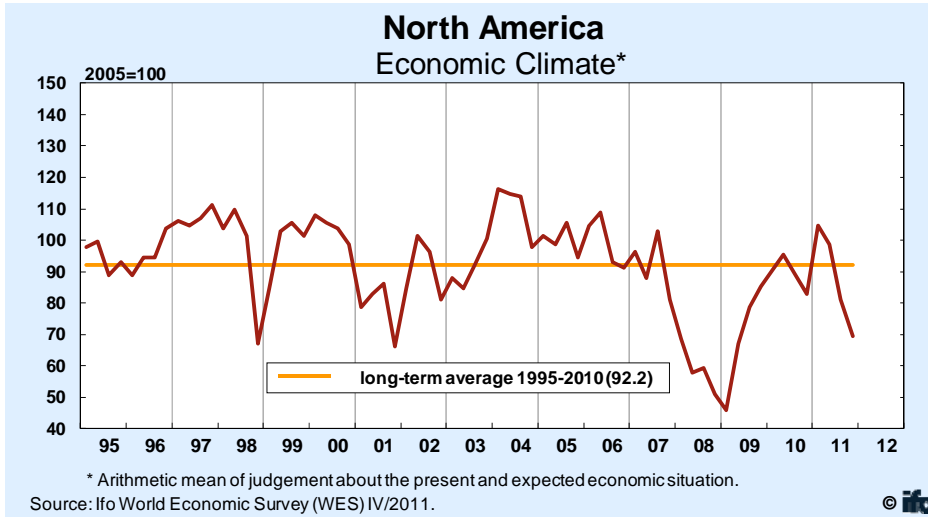


Fig. 3



| Climate (2005=100) | IV/09 | I/2010 | II/2010 | III/2010 | IV/2010 | I/2011 | II/2011 | III/2011 | IV/2011 |
|--------------------|-------|--------|---------|----------|---------|--------|---------|----------|---------|
| North America      | 85.4  | 90.4   | 95.4    | 88.7     | 82.8    | 104.6  | 98.7    | 81.2     | 69.5    |
| Western Europe     | 89.3  | 98.3   | 99.3    | 102.2    | 105.2   | 113.2  | 115.1   | 105.2    | 81.4    |
| Asia               | 101.8 | 108.8  | 113.2   | 107.9    | 95.6    | 105.3  | 101.8   | 94.7     | 77.2    |