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## Ifo Economic Climate for the Euro Area

Advance results of the Ifo World Economic Survey (WES) of the 1<sup>st</sup> quarter 2012, in co-operation with the International Chamber of Commerce (ICC), Paris

### Euro Area: Ifo Indicator Stabilises At Low Level

The Ifo Economic Climate Indicator for the *euro area* rose slightly in the first quarter of 2012 after two successive decreases, but nevertheless remains significantly below its long-term average. Appraisals of the current economic situation continued to deteriorate. The only positive trend was seen in the six-month outlook, which brightened somewhat compared to the fourth quarter of 2011. It is too early to speak of any general recovery in the *euro area*.

The overall current economic situation is assessed as “good” in just two countries: *Germany* and *Estonia*, while in *Finland* and *Slovakia* it is deemed “satisfactory”. In most other *euro* countries the current economic situation deteriorated further compared to last quarter’s survey. It is now assessed as unfavourable and/or weak in countries like *Austria*, the *Netherlands*, *Belgium*, *Ireland*, *France* and *Italy*, for example. In *Greece*, *Portugal* and *Spain*, now joined by *Cyprus*, survey participants gave the current economic situation the worst appraisals on the WES scale.

The economic six-month outlook in the *euro area* improved again slightly compared to the last quarter of 2011, but nevertheless remains predominantly negative. *Ireland*, *Luxembourg* and *Slovenia* were the only countries for which positive expectations were reported.

Inflation estimates dropped in almost all *euro area* countries. An annual *price increase rate* of 2.3% is expected for the *euro area* in 2012. In view of subdued economic and inflation expectations, WES experts expect monetary policy to ease over the next six months and the *US dollar* to strengthen against the *euro*.

Hans-Werner Sinn, President of the Ifo Institute

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

Quarter/year	I/2010	II/2010	III/2010	IV/2010	I/2011	II/2011	III/2011	IV/2011	I/2012
Climate	101.3	102.3	106.5	107.5	116.8	118.9	110.6	83.7	84.8
Situation	72.7	78.3	109.1	131.5	142.7	159.4	156.6	128.7	109.1
Expectations	118.0	116.4	104.9	93.4	101.6	95.1	83.6	57.4	70.5

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 February 2012.

The 1<sup>st</sup> quarter 2012 *euro area* results, which are published here in advance, are based on the responses of 288 economic experts. WES is conducted in co-operation with the International Chamber of Commerce (ICC) in Paris.

Fig. 1

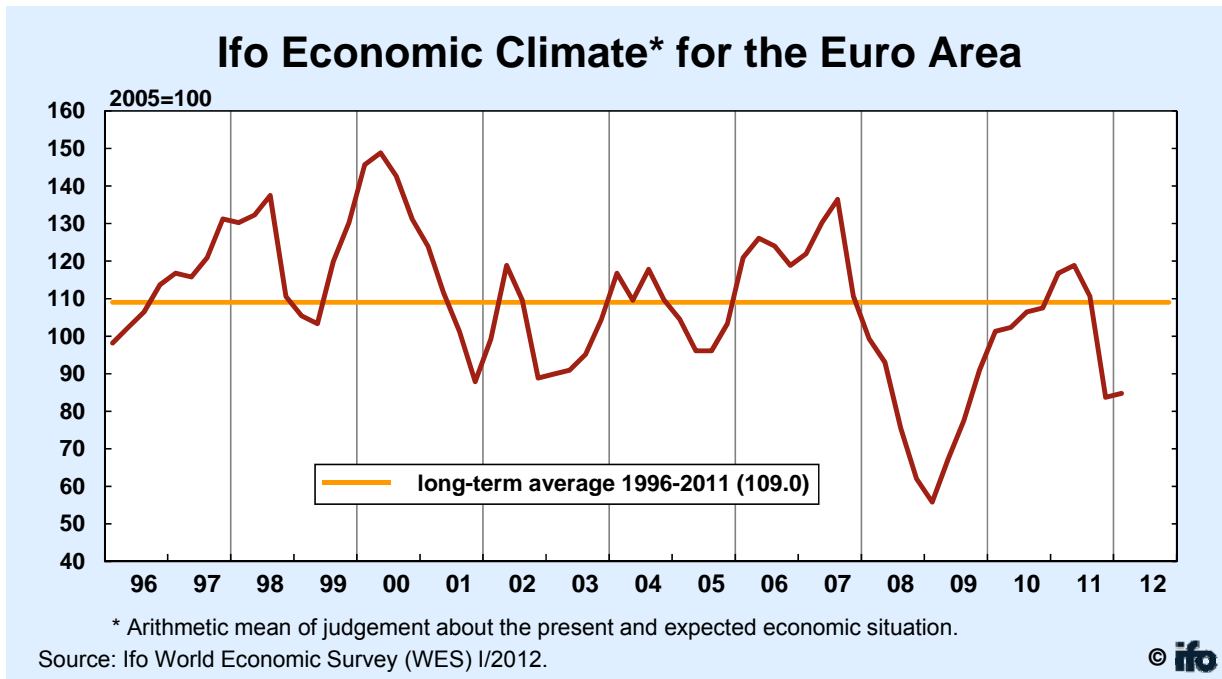


Fig. 2

