

Ifo World Economic Climate

Results of the Ifo World Economic Survey (WES) of the 3rd quarter 2004
in co-operation with the International Chamber of Commerce (ICC), Paris

World economy: Climate Indicator Stabilises at High Level

According to the latest results of the Ifo World Economic Survey, the world economy remains favourable (see Fig. 1).

Although the Ifo indicator for the world economic climate, at 109.2 (1995=100), is slightly lower than in the April survey, it is still clearly above its long-term average (1990–2003: 93.0). The assessments of the current situation have improved again, but expectations for the coming six months have weakened slightly (Fig. 2). These results are typical for the latter phase of a cyclical recovery. Especially the only slight weakening of the business expectations and the high level of the indicator as a whole, indicate that the world economy will continue to develop favourably in the second half of 2004.

A regional breakdown shows that the climate indicator fell most clearly in *Asia*, reflecting the cooling of the overheated economy in *China*. In *Japan*, however, the economic recovery has finally taken hold. The decline in the climate indicator in *North America* was the sole result of less optimistic expectations for the coming six months in the *United States*, whereas the assessments of the current situation have clearly improved vis-à-vis the April survey. In *Western Europe* the climate indicator has not yet reached the level of the other world regions, but there are growing indications for a slight acceleration of the previously moderate economic growth.

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

World Economy (Index, 1995 = 100)

| Quarter/year | III/02 | IV/02 | I/03 | II/03 | III/03 | IV/03 | I/04 | II/04 | III/04 |
|---------------------|--------|-------|-------|-------|--------|-------|-------|-------|--------|
| Climate | 96.6 | 83.2 | 85.9 | 83.2 | 91.3 | 100.2 | 111.0 | 110.1 | 109.2 |
| Situation | 78.5 | 69.4 | 69.4 | 67.6 | 67.6 | 76.7 | 93.2 | 95.0 | 102.3 |
| Expectations | 114.0 | 96.5 | 101.8 | 98.2 | 114.0 | 122.8 | 128.1 | 124.6 | 115.8 |

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 2004 survey received responses from 1,178 experts in 89 countries. The survey is conducted in co-operation with the International Chamber of Commerce in Paris (ICC) and with financial support from the European Commission.

A detailed regional analysis appears in the quarterly journal, *CESifo World Economic Survey*. This report contains advance information on the most important results.

Fig. 1

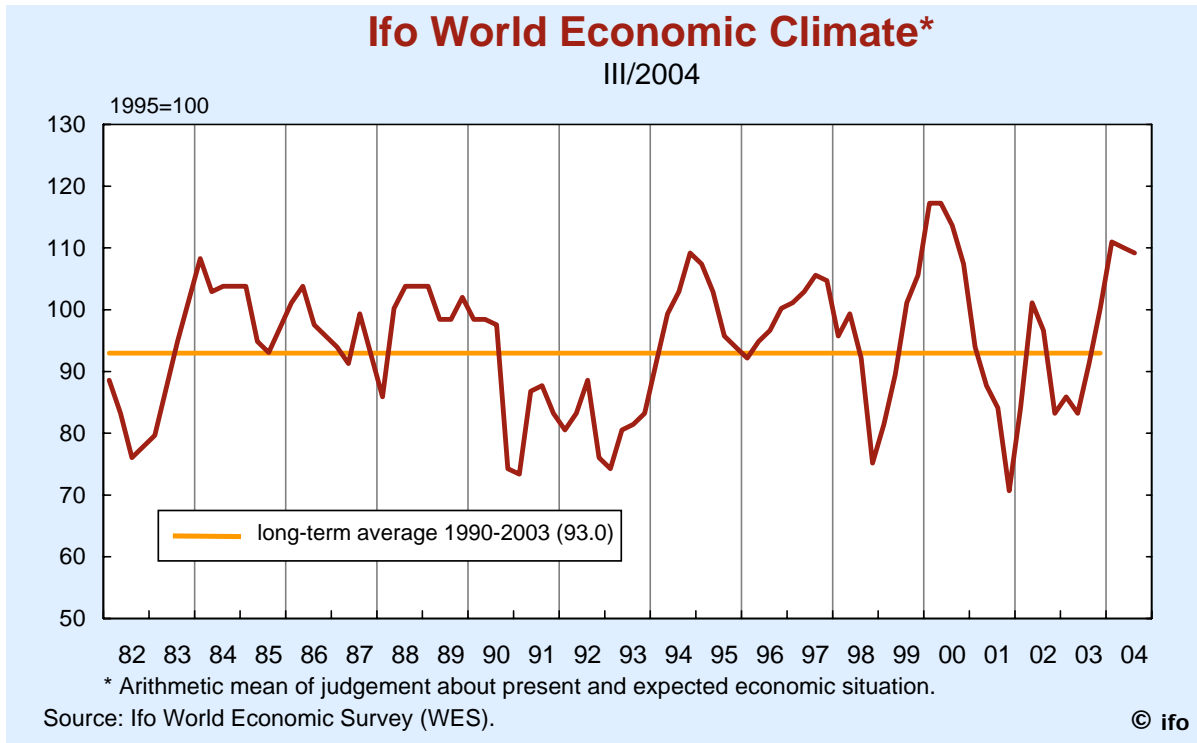


Fig. 2

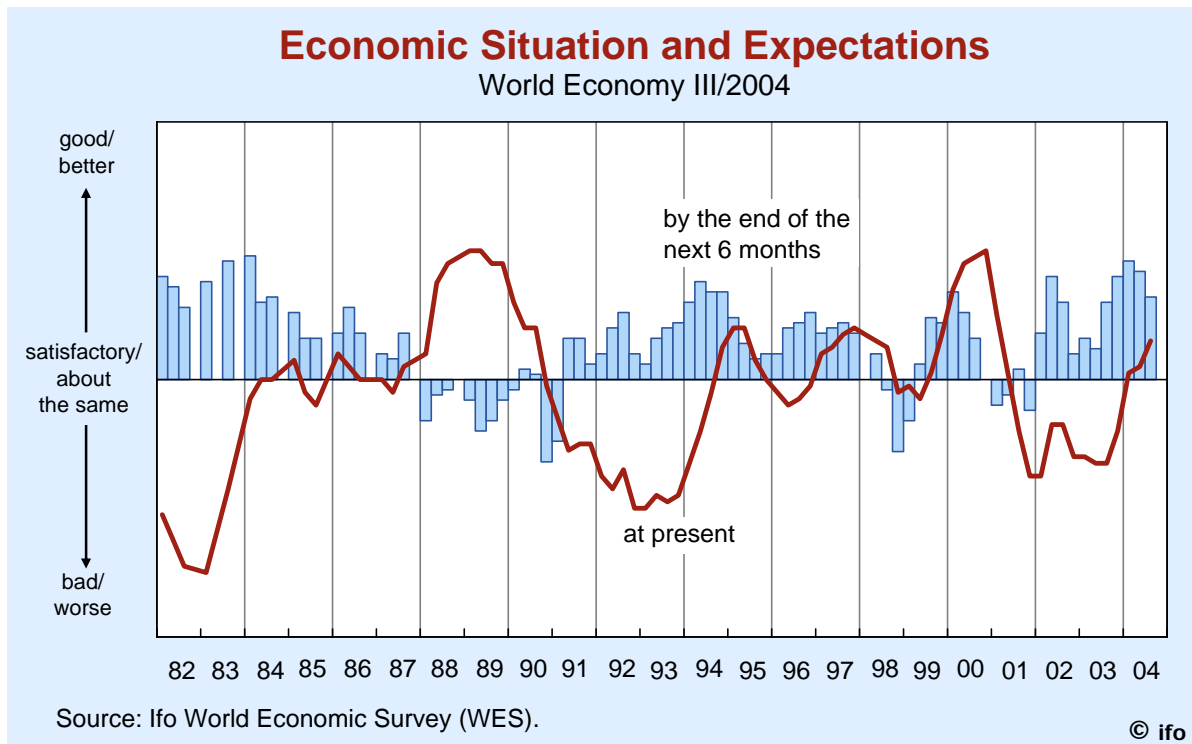
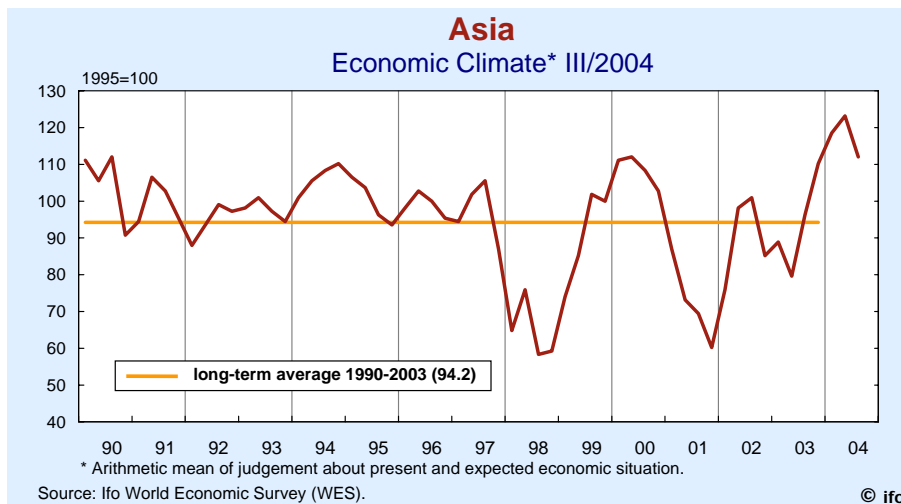
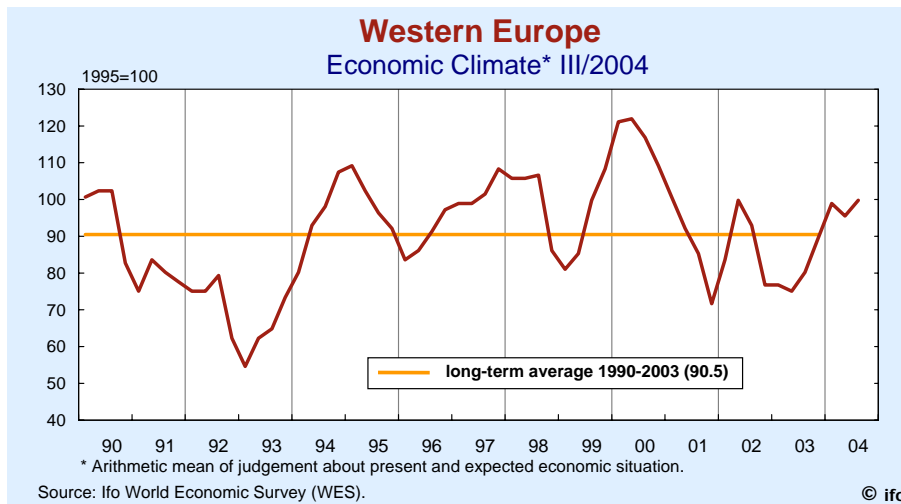
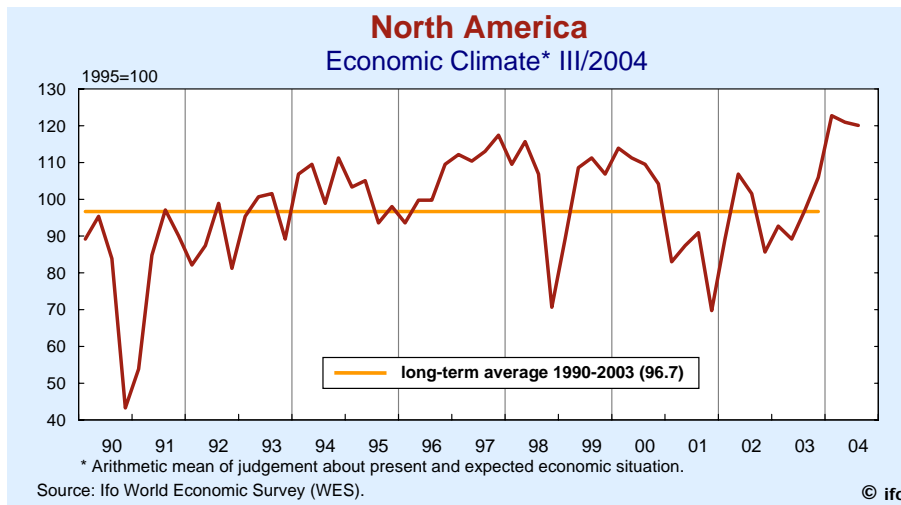


Fig. 3



| Climate (1995=100) | III/02 | IV/02 | I/03 | II/03 | III/03 | IV/03 | I/04 | II/04 | III/04 |
|-----------------------|--------|-------|------|-------|--------|-------|-------|-------|--------|
| North America | 101,5 | 85,7 | 92,7 | 89,2 | 97,1 | 106,0 | 122,7 | 121,0 | 120,1 |
| Western Europe | 93,0 | 76,8 | 76,8 | 75,1 | 80,2 | 89,6 | 98,9 | 95,5 | 99,8 |
| Asia | 100,9 | 85,2 | 88,9 | 79,6 | 96,3 | 110,2 | 118,5 | 123,2 | 112,0 |