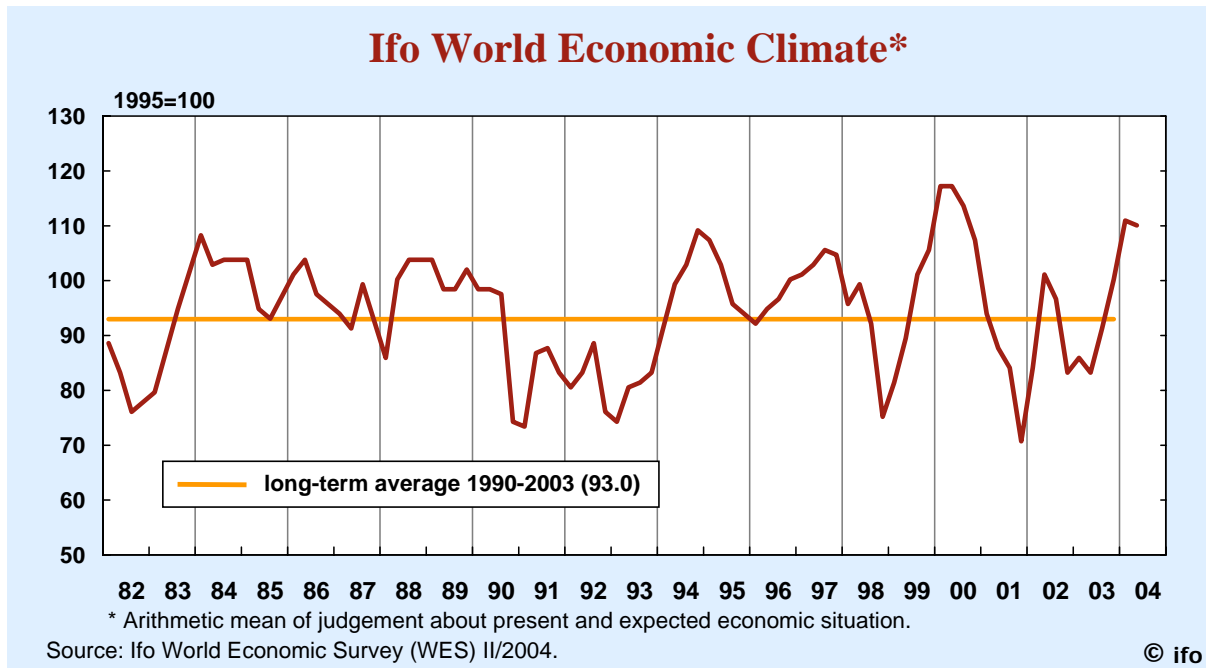


Fig. 1



World Economy (Index, 1995 = 100)

Quarter/year	II/02	III/02	IV/02	I/03	II/03	III/03	IV/03	I/04	II/04
Climate	101.1	96.6	83.2	85.9	83.2	91.2	100.2	111.0	110.1
Situation	78.5	78.5	69.4	69.4	67.6	67.6	76.7	93.2	95.0
Expectations	122.8	114.0	96.5	101.8	98.3	114.0	122.8	128.1	124.6

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 February 2004 survey received responses from 1,204 experts in 91 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.

World economy: Climate indicator remains at high level

Latest Results of the Ifo World Economic Survey (WES) of 2nd quarter 2004, in co-operation with the International Chamber of Commerce (ICC), Paris

In April, the WES indicator for the world economic climate maintained the high level reached in January 2004 (Fig. 1). At a level of 110.1 (1995 = 100) the climate indicator is above its long-term average (1990–2003: 93.0). Although the expectations for the coming six months have weakened slightly since the January survey (Fig. 2), the assessments of the current situation have again improved somewhat. The worldwide economic recovery is continuing.

The experts polled by the Ifo Institute expect the world economy to grow by 3.4% this year, in contrast to the 2.1% foreseen in the April 2003 survey. On the whole, the new survey results confirm that the world economy is in a much better condition than it was twelve months ago.

However, growth differs substantially from region to region: Whereas the economic recovery in Western Europe is seen to be quite moderate with no indications for growth acceleration, the economic climate indicator in Asia has strengthened further. The North American upswing is still judged to be robust by the WES participants in America (Fig. 3).

The increase in consumer prices will average 2.8% worldwide in 2004, according to the assessments of the survey participants. In the euro area an inflation rate of just under the 2%-level is expected (1.8%), which matches the target of the European Central Bank fairly precisely. For the US the WES survey participants see price increases in 2004 matching that of 2003 (2.3%). Thus the inflation rate will remain clearly within the 2.5% ceiling that is considered tolerable by the Federal Reserve.

The euro was assessed as overvalued and the dollar as undervalued somewhat less frequently than in the January survey by the experts worldwide. In the next six months a further stabilisation of the US currency is expected. Only in some Asian countries, such as Japan, Singapore, India and Taiwan, do the surveyed experts anticipate a further weakening of the US dollar in a six-month perspective.

According to the polled experts, the worldwide trend of rising central-bank interest rates will continue during the coming six months but will not further intensify. In the euro area no increase in central-bank interest rates is expected. With regard to long-term interest rates, only a slight further increase is anticipated in the coming six months.

All in all, the world economy continues to recover from its lows of the past few years. The growth forces are intensifying in Asia and remain robust in the United States. Europe is lagging remarkably far behind but can also look to a modest recovery.

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

Fig. 2

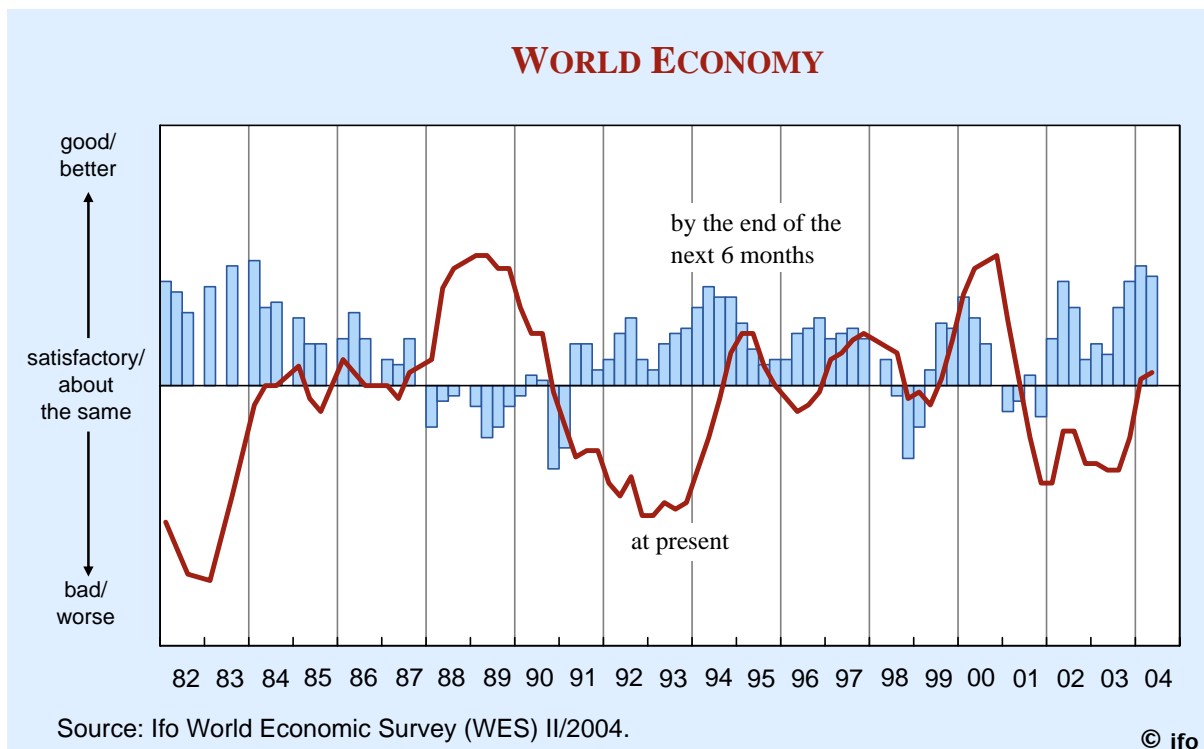
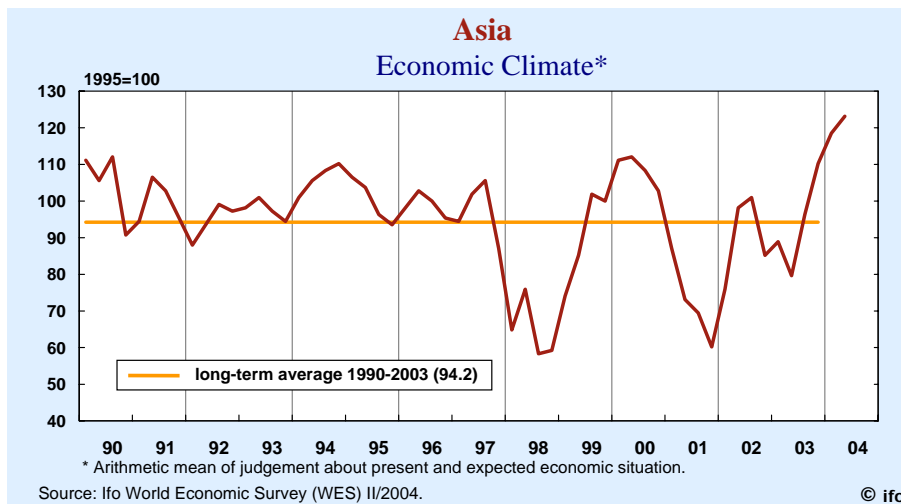
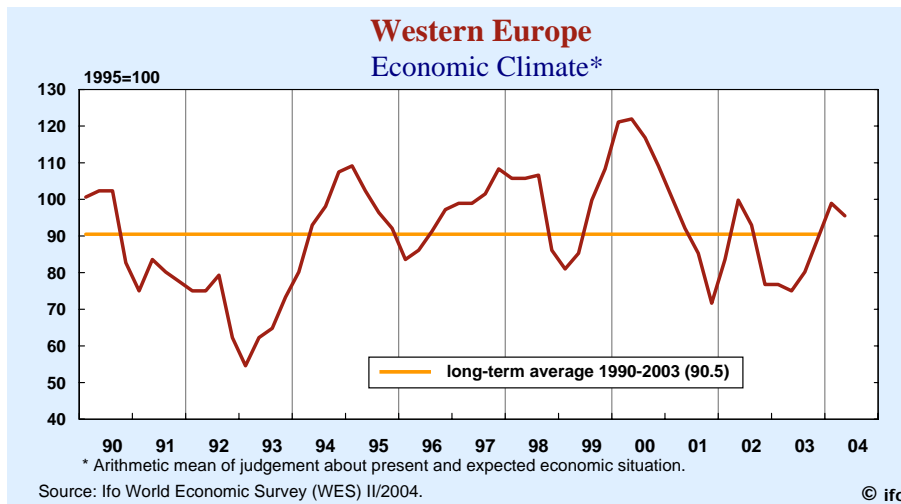
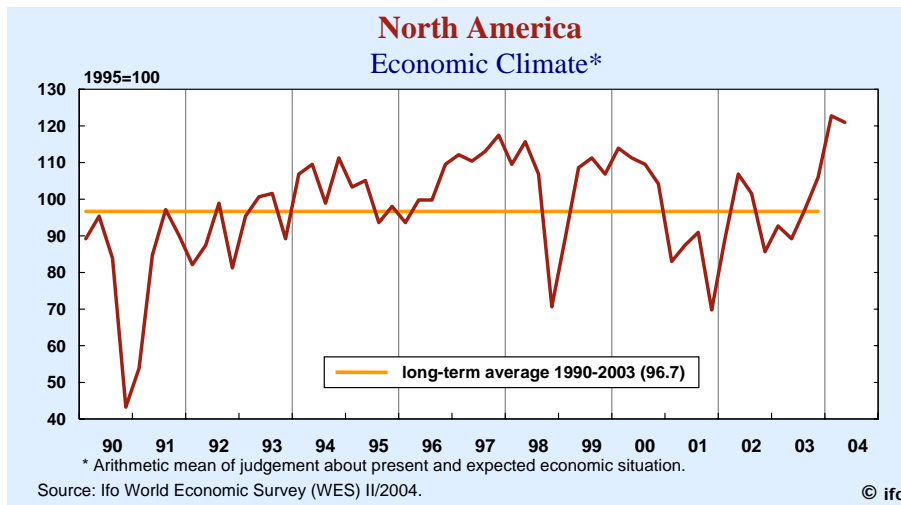


Fig. 3



Climate (1995=100)	II/02	III/02	IV/02	I/03	II/03	III/03	IV/03	I/04	II/04
North America	106.8	101.5	85.7	92.7	89.2	97.1	106.0	122.7	121.0
Western Europe	99.8	93.0	76.8	76.8	75.1	80.2	89.6	98.9	95.2
Asia	98.1	100.9	85.2	88.9	79.6	96.3	110.2	118.5	123.1