

Ifo World Economic Climate

Results of the Ifo World Economic Survey (WES) of the 4th quarter 2004 in co-operation with the International Chamber of Commerce (ICC), Paris

World economy: Climate Indicator Declines Slightly

According to the latest results of the Ifo World Economic Survey, the unusually robust expansion of the world economy will flag somewhat (see Fig. 1). The expectations for the coming six months have again weakened to some extent, but the appraisals of the current situation have once more improved (Fig. 2). These results are characteristic for the late phase of a cyclical upswing.

At 103.8 (1995=100), the Ifo indicator for the world economic climate is lower than in the July survey but still clearly above its long-term average (1990–2003: 93.0). Especially the only moderate weakening in economic expectations and the further improvement in the assessments of the current situation still point to a positive development of the world economy in the first half of 2005 despite a weakened dynamic.

A regional breakdown shows that the climate indicator fell most clearly in North America, reflecting both a weakening in the appraisals of the current situation as well as the expectations for the economy in the US. The decline in the climate indicator in Asia is solely due to less optimistic expectations for the coming six months, whereas the appraisal of the current situation has improved over the July survey. Also in Western Europe the slight decline in the climate indicator is only attributable to the less optimistic expectations, whereas the current economic situation was again assessed positively by the surveyed experts.

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

World Economy (Index, 1995 = 100)

Quarter/year	IV/02	I/03	II/03	III/03	IV/03	I/04	II/04	III/04	IV/04
Climate	83.2	85.9	83.2	91.3	100.2	111.0	110.1	109.2	103.8
Situation	69.4	69.4	67.6	67.6	76.7	93.2	95.0	102.3	105.9
Expectations	96.5	101.8	98.2	114.0	122.8	128.1	124.6	115.8	101.8

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 October 2004 survey received responses from 1,145 experts in 90 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

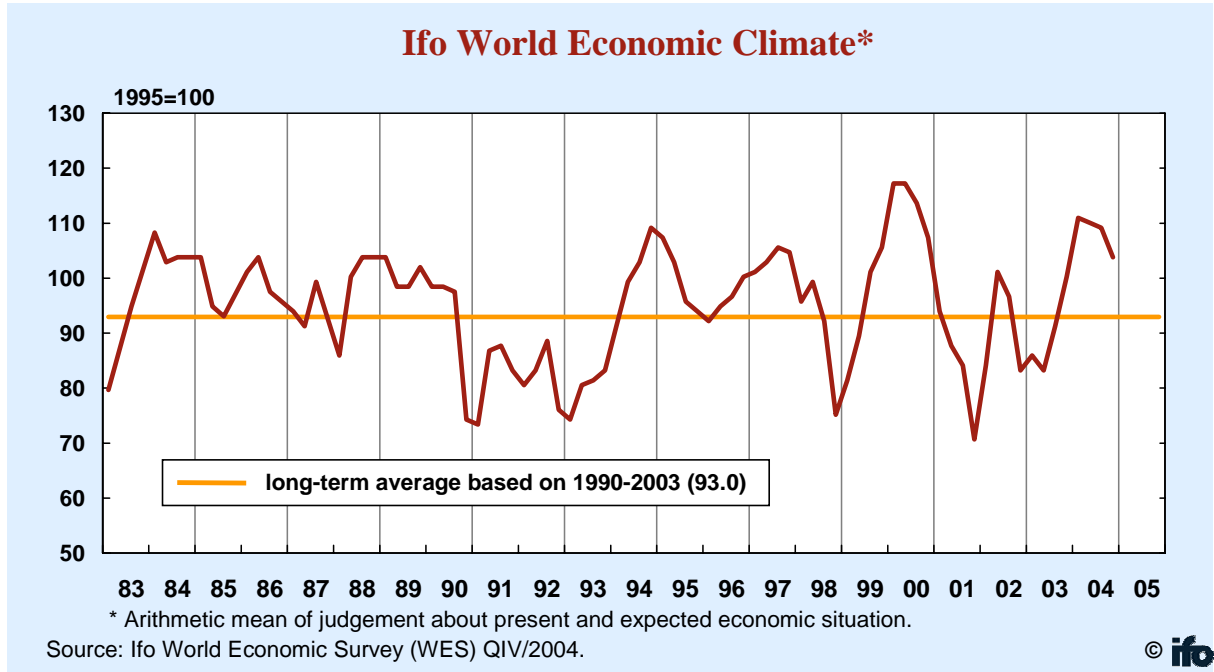


Fig. 2

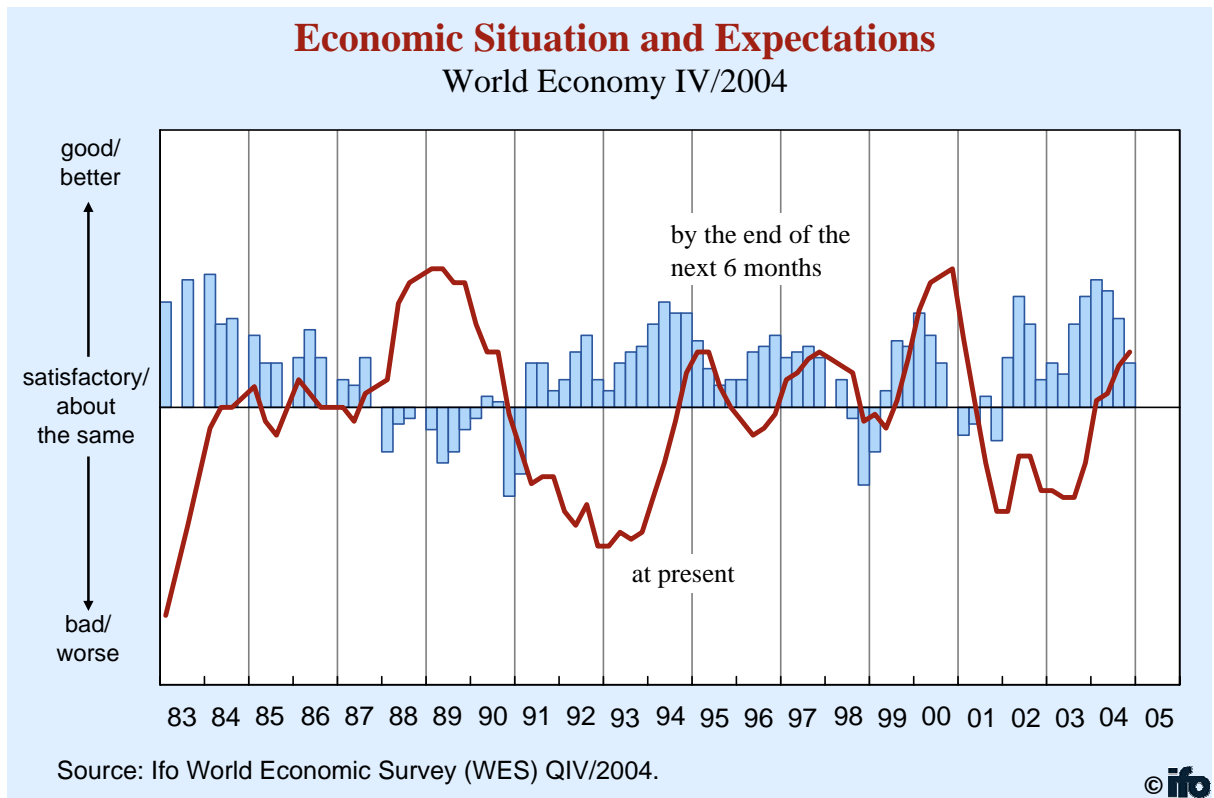
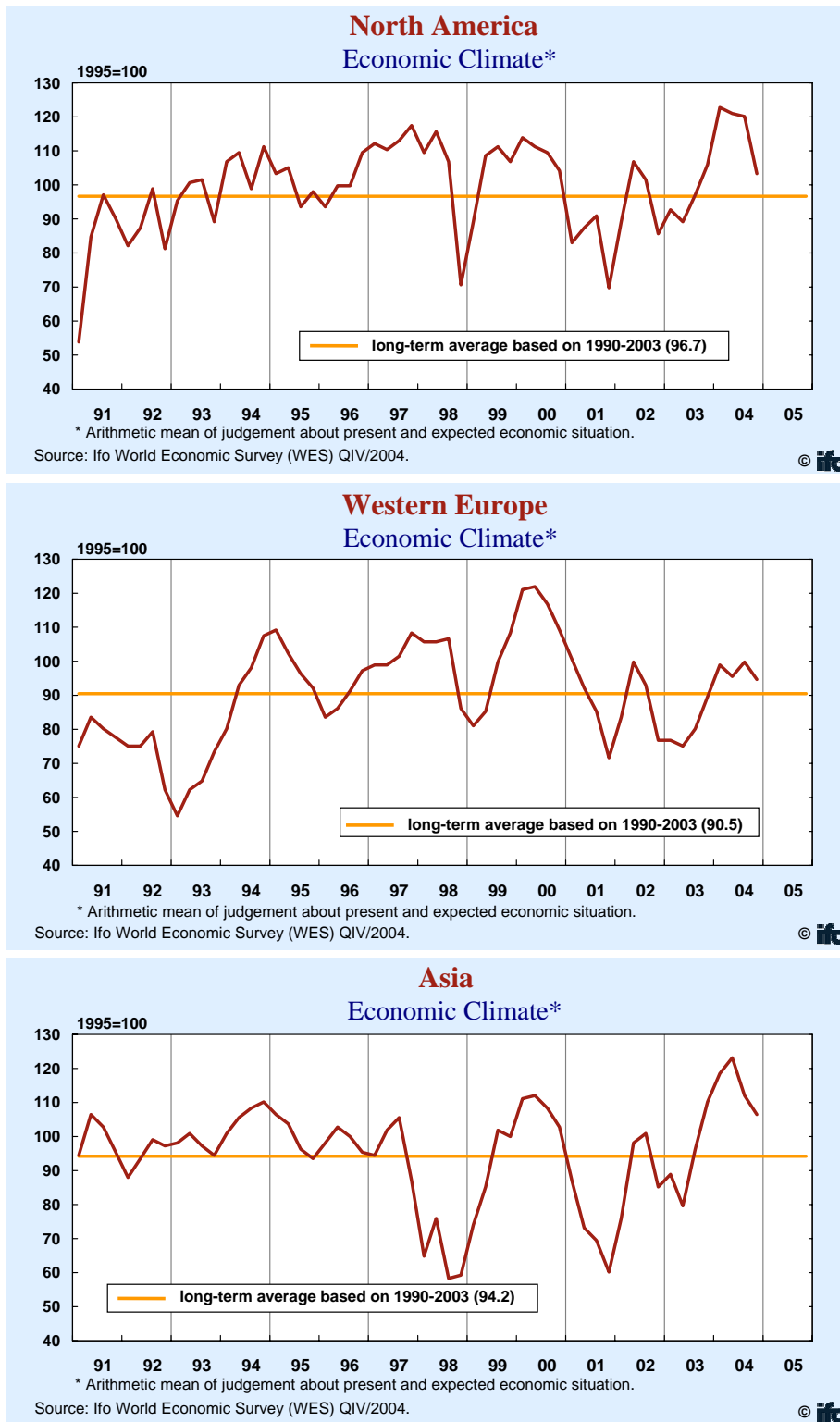


Fig. 3



Climate (1995=100)	IV/02	I/03	II/03	III/03	IV/03	I/04	II/04	III/04	IV/04
North America	85.7	92.7	89.2	97.1	106.0	122.7	121.0	120.1	103.3
Western Europe	76.8	76.8	75.1	80.2	89.6	98.9	95.5	99.8	94.7
Asia	85.2	88.9	79.6	96.3	110.2	118.5	123.2	112.0	106.5