

Ifo World Economic Climate

Results of the Ifo World Economic Survey (WES) of the 4th quarter 2007
in co-operation with the International Chamber of Commerce (ICC), Paris

Ifo World Economic Climate Index Falls

The Ifo World Economic Climate has worsened clearly in the fourth quarter of 2007. Both the assessments of the current economic situation as well as the six-months expectations have been revised downwards.

The worsening in the Ifo World Economic Climate affected all three major economic regions: *Western Europe*, *North America* and *Asia*. The strongest decline in the climate indicator occurred in *North America*, especially in the United States. In *Western Europe* the Ifo climate indicator also fell. In nearly all countries of the region, the economic expectations point to an economic slowdown in the coming six months. The current economic situation, however, is still assessed positively, with the exceptions of Portugal and France, albeit somewhat less favourable than in the previous quarter. In *Asia* the climate indicator deteriorated only slightly. In the two largest economies of the region, China and Japan, both the assessments of the current situation and the six-month economic expectations have worsened somewhat.

Inflation expectations for 2007 have remained largely stable in the *US* at 2.8% and in *Western Europe* at 2.1%. In *Asia* they have fallen slightly to 2.4% compared with 2.7% in July. Fewer WES experts than in the previous survey expect increasing central bank and financial market rates.

The *US dollar* and the *Japanese yen* are still seen as undervalued. The *euro* and the *British pound* are considered by the WES experts to be overvalued. Independent of the fundamental assessments of the currencies, they expect the dollar to continue to weaken in the coming six months.

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

World Economy (Index, 1995 = 100)

Quarter/year	IV/05	I/06	II/06	III/06	IV/06	I/07	II/07	III/07	IV/07
Climate	99.3	109.2	111.0	105.6	104.7	106.5	106.5	113.6	99.3
Situation	98.6	109.6	113.2	115.1	120.5	122.4	120.5	127.9	118.7
Expectations	100.0	108.8	108.8	96.5	89.5	91.2	93.0	100.0	80.7

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 August 2007 survey received responses from 1.015 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 press release contains advance information on the most important results.

Fig. 1

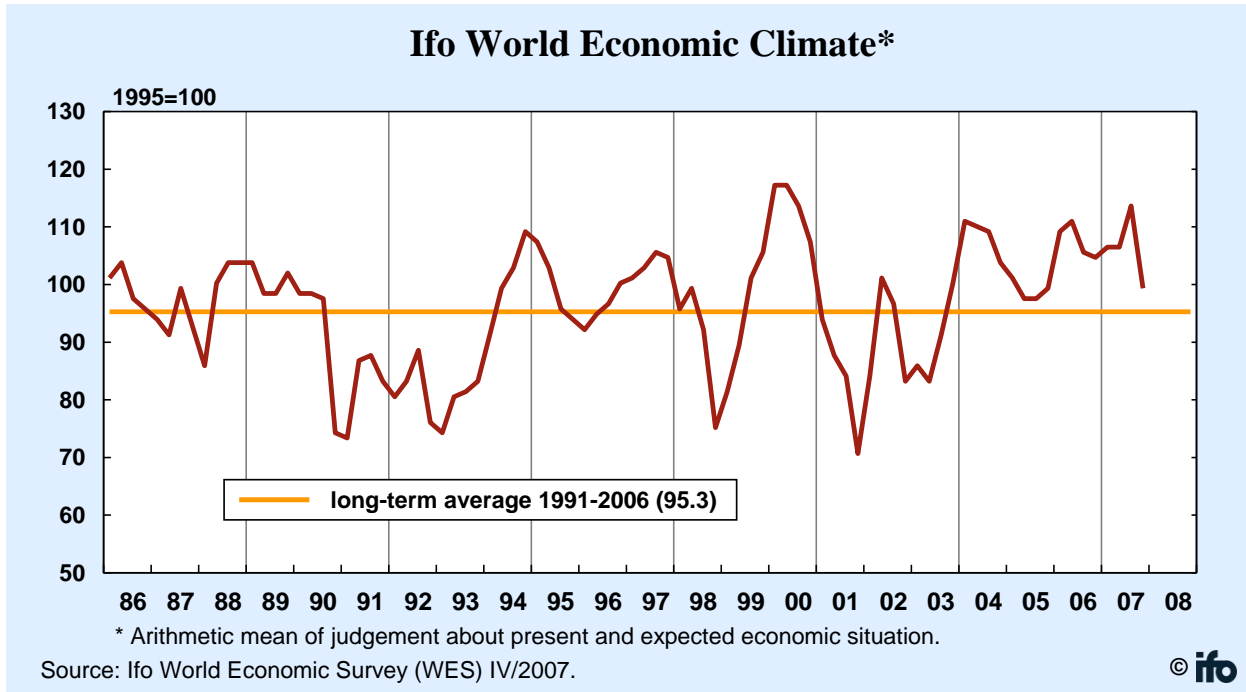


Fig. 2

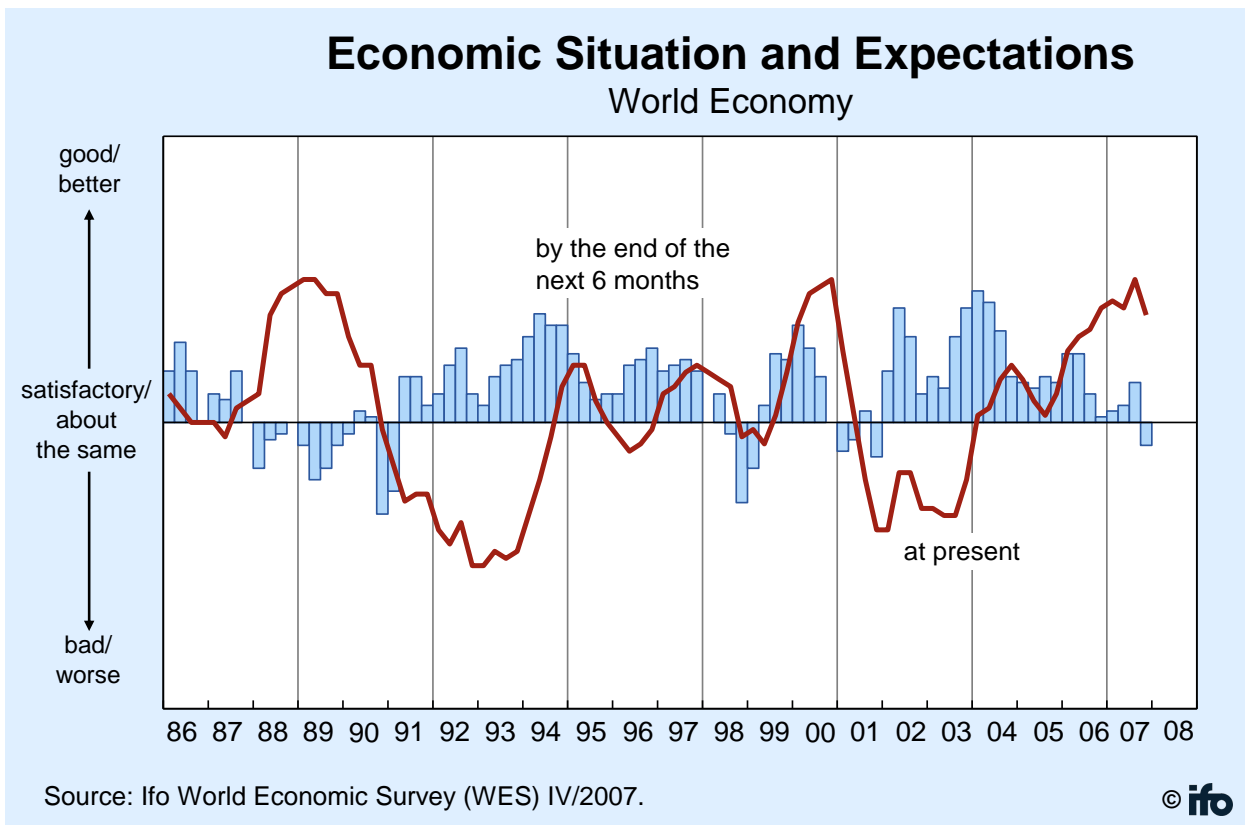
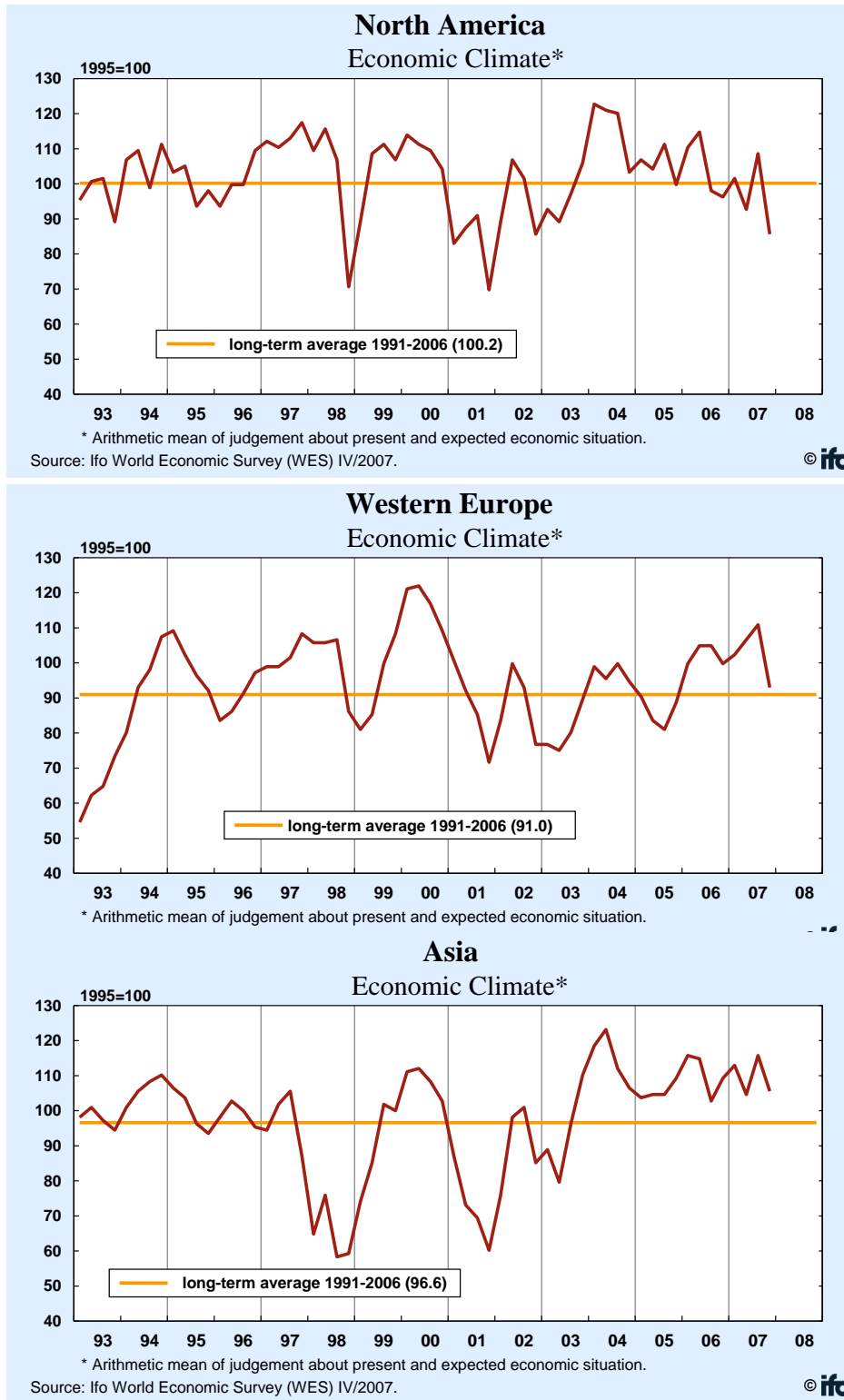


Fig. 3



Climate (1995=100)	IV/05	I/06	II/06	III/06	IV/06	I/07	II/07	III/07	IV/07
North America	99.8	110.4	114.8	98.0	96.2	101.5	92.7	108.6	85.7
Western Europe	88.7	99.8	104.9	104.9	99.8	102.3	106.6	110.9	93.0
Asia	109.3	115.7	114.8	102.8	109.3	113.0	104.6	115.7	105.6