

Ifo World Economic Climate

Results of the Ifo World Economic Survey (WES) of the 4th quarter 2008
in co-operation with the International Chamber of Commerce (ICC), Paris

Ifo World Economic Climate Index Falls Further

The Ifo World Economic Climate has worsened further in the fourth quarter of 2008. The indicator has fallen to its lowest level in more than twenty years. The decline is primarily the result of more unfavourable assessments of the current economic situation, but also the expectations for the coming six months have worsened further. On the whole, the survey data point to the danger of a global recession.

The cooling of the Ifo World Economic Climate has this time affected not only the major economic regions of *North America, Western Europe* and *Asia* but also *Central and Eastern Europe, Russia, Latin America* and *Australia*. In the *US* the current economic situation is regarded as very unfavourable, but the economic expectations for the coming six months are no longer quite so pessimistic as in the first half of the year. In *Western Europe* the economic climate indicator has again worsened in nearly all countries. Especially the assessments of the current situation have been clearly revised downwards. The economic situation is particularly unfavourable in *Spain, Italy, Belgium* and *Ireland*, according to WES experts. In *Asia* the assessments of the current situation as well as the six-month outlook have been revised downwards. Particularly unfavourable appraisals of the economic situation have been given in *Japan, South Korea* and *Taiwan*.

Inflation expectations have peaked out worldwide. In nearly all regions the WES experts have reduced their inflation expectations for the coming six months.

In contrast to the previous survey, a majority of WES experts now anticipate declining *central bank interest rates*. Also *long-term interest rates* are expected to fall in the coming six months.

After having increased in value in recent months, the *US dollar* and the *Japanese yen* are now regarded as hardly overvalued. Thus the overvaluation of the *euro* has been corrected but according to the WES experts this process has not yet been concluded. Correspondingly they expect that the *euro* will lose value vis-à-vis the *US dollar* 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/06	I/07	II/07	III/07	IV/07	I/08	II/08	III/08	IV/08
Climate	104.7	106.5	106.5	113.6	99.3	90.4	81.4	73.4	60.0
Situation	120.5	122.4	120.5	127.9	118.7	109.6	96.8	85.8	67.6
Expectations	89.5	91.2	93.0	100.0	80.7	71.9	66.7	61.4	52.6

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 October 2008 survey received responses from 1,001 experts in 91 countries. The survey is conducted in co-operation with the International Chamber of Commerce in Paris (ICC).

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

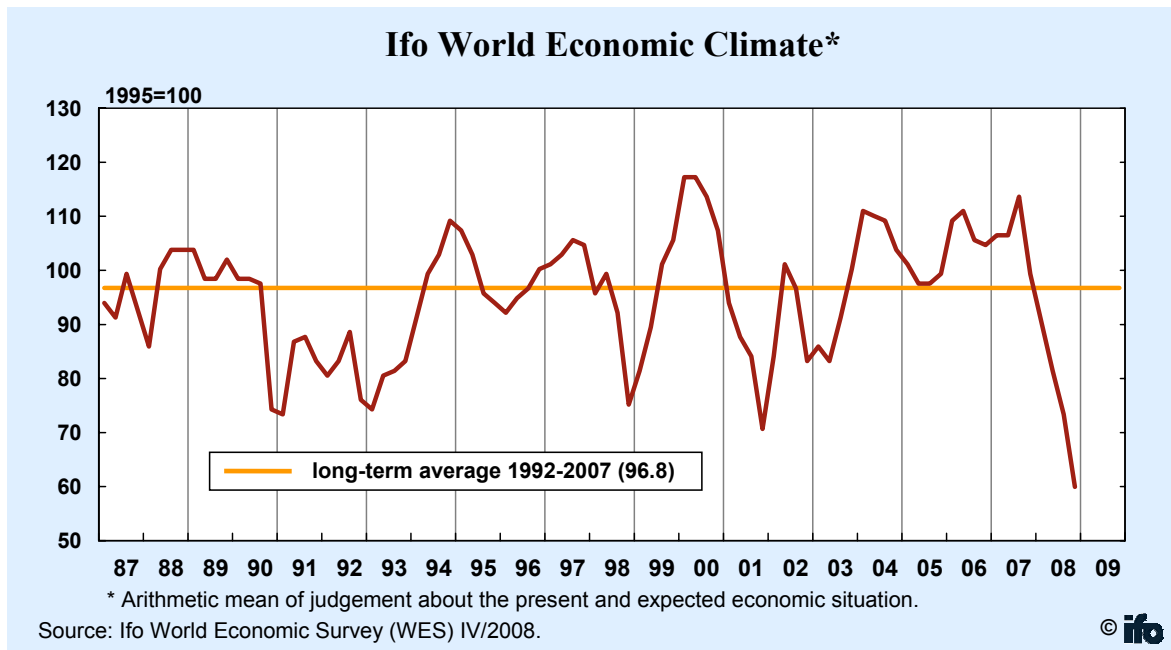


Fig. 2

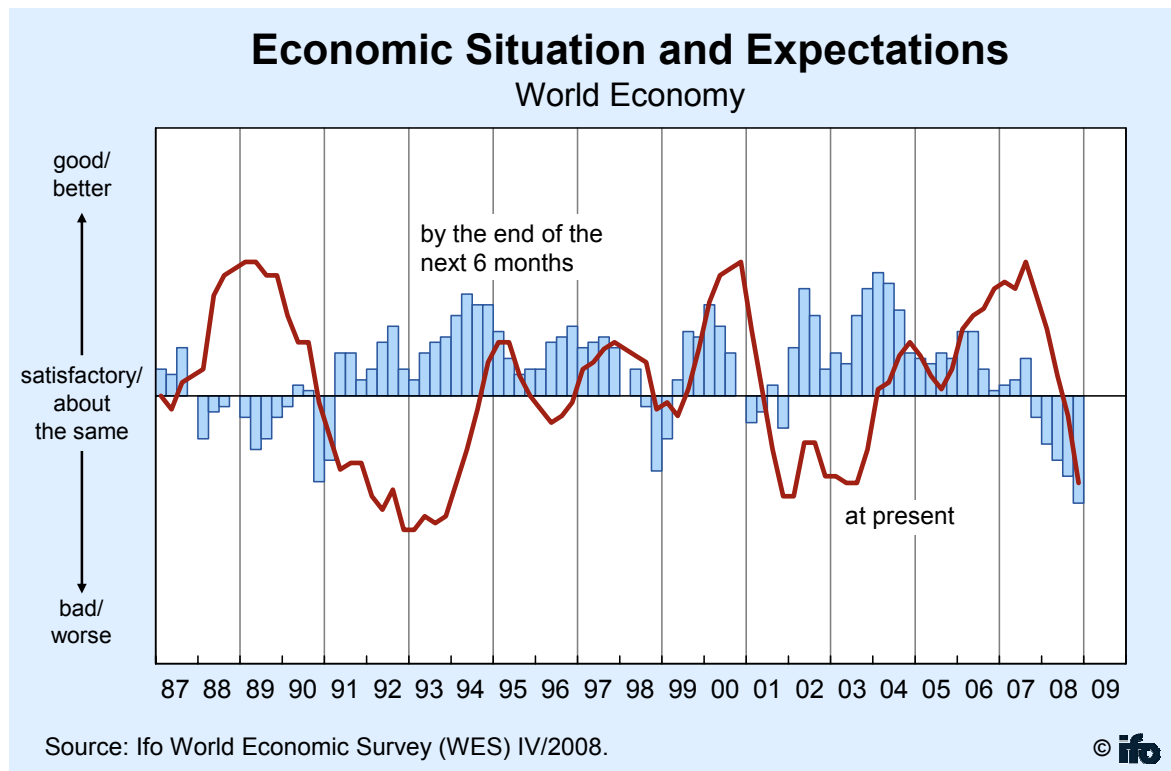
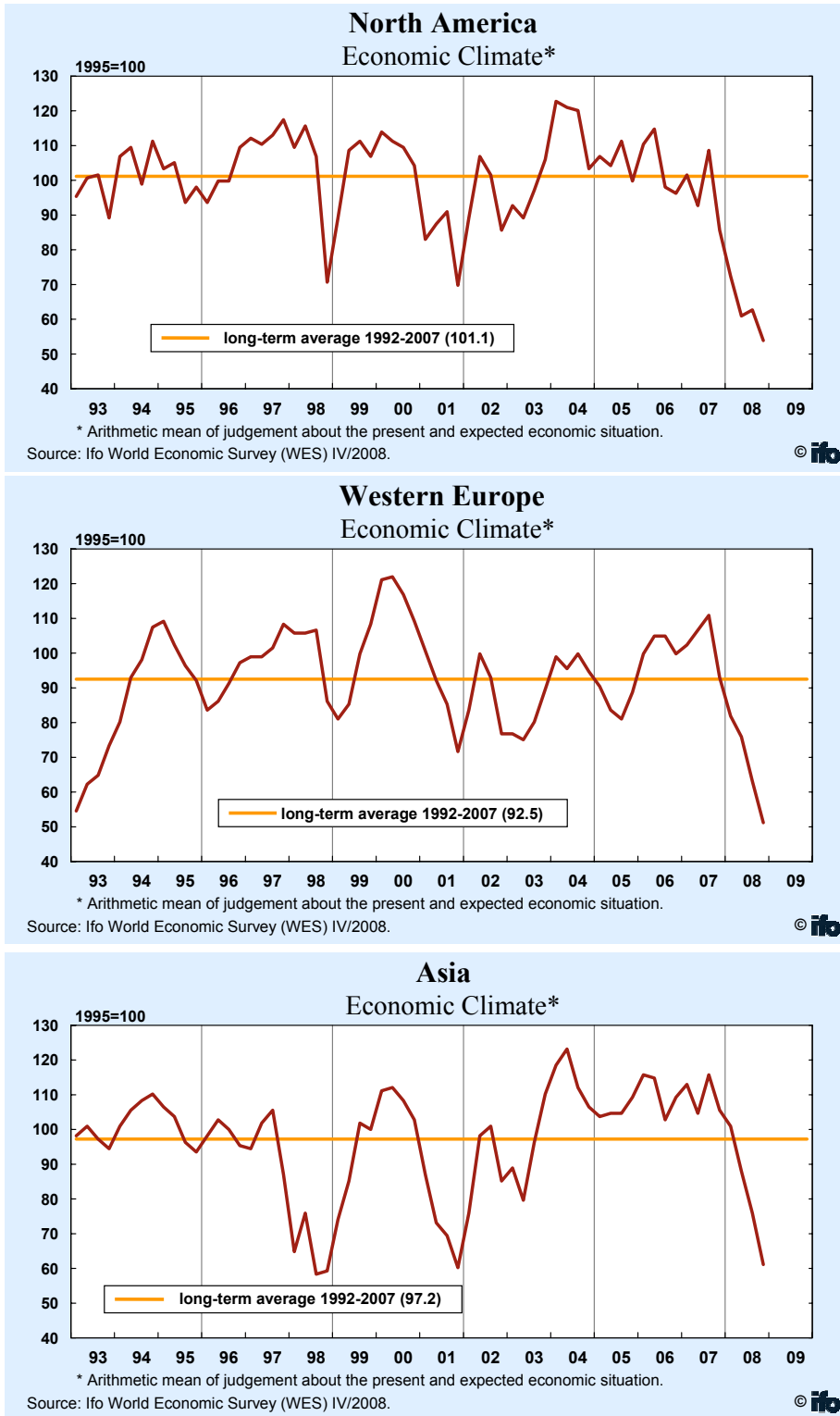


Fig. 3



Climate (1995=100)	IV/06	I/07	II/07	III/07	IV/07	I/08	II/08	III/08	IV/08
North America	96.2	101.5	92.7	108.6	85.7	72.4	60.9	62.7	53.9
Western Europe	99.8	102.3	106.6	110.9	93.0	81.9	75.9	63.1	51.2
Asia	109.3	113.0	104.6	115.7	105.6	100.9	88.0	75.9	61.1