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Communications and Media Relations

Lowest global economic index in history

Paris, 18 February 2009 – The world economic climate index fell for the sixth consecutive quarter, dropping 10 percentage points to reach its historically lowest level since the introduction of the World Economic Survey in 1981, according to the International Chamber of Commerce (ICC) and the Ifo Institute for Economic Research, who conduct the survey.

The index, based on a survey of 1,035 economic experts in 92 countries, fell to 50.1 points compared with 60.0 points in the fourth quarter of last year. “Overall, the data confirm a global recession,” the survey concluded.

The January climate indicator declined in the Euro area, the United States and Asia. Economies cooled in Central and Eastern Europe, weakened in Latin America, and deteriorated in CIS countries. “Although the economic expectations for the next six months have not been further downgraded, they remained clearly negative on a global average,” the report said.

The experts surveyed said they expect trade volume to decline strongly in the next six months, but expressed the view that the combination of low oil and energy prices, lower inflation and declining interest rates would lead to the recovery of economic confidence in the second half of 2009.

The survey again warned that subsidies for national industries as a result of the current crisis could distort international trade and foster protectionism at a time when global trade is set to shrink for the first time since 1982.

“In this very difficult climate it is essential for governments not to heed the siren call of protectionism, which though politically popular will only make a dramatic economic situation much worse in the long run,” said Guy Sebban, ICC Secretary General.

In the United States, both the assessment of the current economic situation and the outlook for the next six months were downgraded from the previous quarter, though not as much as for other regions. But the survey found a continuing lack of confidence in the American economy. The survey was conducted before the US Congress approved a US\$787 billion stimulus package.

In the countries of the Euro area the assessment of the economic situation deteriorated in January with the exception of Belgium. The Netherlands and Germany fell below the survey’s satisfactory level, with the lowest marks going to Spain, Portugal, France, Ireland and Italy. In Asia, economic expectations for the next six months did not deteriorate further and even improved somewhat in some countries despite a general decline of the economic climate index for the region. The index fell most in China and Vietnam, with pronounced declines in India, Malaysia, Singapore, Thailand, and Hong Kong.

The economists surveyed said they expected global inflation to drop to 3.3 % compared with 5.4 % last year. The drop in inflation is expected to be particularly pronounced in Western Europe,

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with the rate falling to 1.6 % from 3.5 % in 2008. In the United States average inflation expectations among economists declined to 1.4 % from nearly 4 % last year.

Interest rates are expected to continue dropping almost everywhere. The experts questioned believe the Euro continued to be overvalued but to a lesser degree than in the past. They said the US dollar had changed from “undervalued” to equilibrium or to slightly overvalued.

The vast majority of surveyed economists worldwide said that by successfully completing the Doha Round of multilateral trade negotiations, governments can take a significant step to help restore confidence in global markets and international cooperation, and create economic opportunities that will mitigate the impact of the financial crisis.

They also agreed that a practical measure that governments should take immediately, in order to get trade flowing again, was to expand the scope and scale of guarantees to exporters by official export credit insurance agencies.

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The International Chamber of Commerce is the largest, most representative business organization in the world. Its thousands of member companies in over 130 countries have interests spanning every sector of private enterprise.

A world network of national committees keeps the ICC International Secretariat in Paris informed about national and regional business priorities. More than 2000 experts drawn from ICC’s member companies feed their knowledge and experience into crafting the ICC stance on specific business issues.

The United Nations, the World Trade Organization, and many other intergovernmental bodies, both international and regional, are kept in touch with the views of international business through ICC.

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