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INTERNATIONAL CHAMBER OF COMMERCE

MEDIA RELEASE

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Global economic index rises for first time since 2007

Paris, 19 May 2009 – The world economic climate index rose in the second quarter of the year for the first time since 2007 as a result of more favourable expectations for the coming six months, but the assessment of the current economic situation worsened yet again, falling to a new record low, the International Chamber of Commerce (ICC) and the Ifo Institute for Economic Research said in their latest survey.

The rise in favourable expectations put the climate indicator at 64.4 points compared with 50.1 points in January. Nevertheless the indicator remains well below its long term average of 96.4 points between 1991 and 2008.

“The improvement of the climate indicator is exclusively the result of more favourable economic expectations for the coming six months,” the report said. “The assessments of the current economic situation, in contrast, have worsened further.”

The report, based on a survey of 1,040 economic experts in 90 countries, sought to dampen optimism that the current global recession was nearing an end by emphasizing that “the difficulty of forecasting the future scenario of the world economy is unprecedented as the financial sector is still fragile.”

But it said that the current pattern signals the slump may bottom out in the second half of the year. “However, the economic recovery is likely to only gradually gain momentum in 2009,” the report cautioned.

ICC Secretary General Guy Sebban said the report gave him reason for cautious optimism. “After months of very depressing news we are finally seeing some signs of hope,” he said. “The outlook for the next six months is positive for most areas of the world, including the United States and Europe.”

Economic expectations for the next six months improved in all major regions, especially in North America and Asia. At the same time, the worst appraisals regarding the current situation came from North America and Western Europe.

The report said that while the recession in the United States appears to be bottoming out and could start a recovery in the second half of the year, high unemployment and large public deficits will most likely remain an urgent problem throughout 2009.

The report added that the global recession has hit the euro area harder than the United States because most countries that use the European currency are more dependent on exports for growth than is the United States.

The report, issued quarterly, said the credit crunch and economic slowdown in Western Europe have strongly hit Central and Eastern Europe, bringing Hungary and Latvia to the brink of bankruptcy.

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It said economic expectations had been upgraded for all Asian countries except Indonesia and Bangladesh. In Latin America economic expectations were upgraded for all countries except Trinidad and Tobago, Uruguay, Bolivia, Costa Rica, Ecuador and El Salvador.

Economic expectations for Russia were upgraded significantly since the January report. But the economic climate deteriorated further in Australia and New Zealand. The climate indicator remained negative for South Africa, the continent's largest economy.

The economic experts surveyed said they expected a global inflation rate of 2.7% in 2009 compared with 5.4% last year. Inflation is expected to drop further during the next six months.

"However, despite the clear disinflation trend which is prevailing in the majority of countries worldwide, there are hardly any signs for a deflationary danger, possibly with the exception of Japan, where a decline of consumer price inflation of almost half a percentage point is expected on average of 2009," the report said.

Despite the slowdown in inflation, the economic experts surveyed said they expected a further decline in short-term interest rates, but forecast the decline of long-term interest rates to end later this year, as has been the case with improved economic expectations in the past.

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A world network of national committees keeps the ICC International Secretariat in Paris informed about national and regional business priorities. More than 2,000 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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