



International Chamber of Commerce

The world business organization



INTERNATIONAL CHAMBER OF COMMERCE

Global economic index rises for second straight quarter

Paris, 19 August 2009 – The world economic climate index rose significantly in the third quarter, its second consecutive increase resulting mainly from favourable future economic expectations but also from a slight improvement in the global economy.

The climate indicator rose to 78.7 points from 64.4 points in April and 50.1 points in January, according to the latest survey by the International Chamber of Commerce (ICC) and the Ifo Institute for Economic Research.

“Despite the good news of a second consecutive rise in the economic climate index, the world economy remains in recession and has even worsened in some areas,” said Jean Rozwadowski, ICC Secretary General. “We need to caution against excess optimism and realize that the signs of recovery that we are seeing remain unfortunately weak.”

The survey, based on a July poll of 1,049 economic experts in 92 countries, said a number of factors, including high unemployment rates and the rising public debt in many countries, “contribute to major concerns about a sustained recovery in the near term.”

“Thus, although the latest survey results indicate that the global recession is receding,” the report added, “some major risks prevail and the economic recovery will remain on shaky grounds in the coming months.”

The economic climate indicator improved most markedly in Canada and the United States, but this was due to “remarkably optimistic economic expectations” while the assessment of the current situation barely moved up from its very low previous level. The economic stimulus measures put in place by Ottawa and Washington were characterized by the experts questioned as sufficient but as having failed to stop the rise in unemployment, which was not predicted to start improving until 2010.

The economic expectations also improved strongly for Western Europe, but the assessment of the current situation also remained poor. The climate improved in the euro area on positive economic expectations, while the current situation remains poor in all euro area countries except Cyprus. Expectations for the next six months are particularly optimistic for Germany, France, the Netherlands, and Austria.

The biggest improvement came in Asia, where the indicator rose sharply due both to “highly optimistic” expectations for the next six months and to a less negative assessment of the current state of Asian economies.

The survey said capital expenditures and private consumption are expected to recover in the region during the next six months, while the export sector will also improve, though not in all Asian countries. In China, Malaysia, and Vietnam, for example, exports are expected to further decline in the near term.

In China, however, lost earnings from falling exports have been partly offset by rising domestic consumption in large part because of the US \$600 billion government stimulus package.

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In Latin America the indicator stabilized at a low level, but economic expectations have been somewhat upgraded for the next six months, indicating economic stabilization in the second half of this year.

One unusual sign of hope came from Zimbabwe, where for the first time in more than a decade economists said they expected some improvement in the African country's shattered economy.

The report said the euro was assessed as overvalued by the experts questioned, while the US dollar, Japanese yen, and British pound were seen as close to their equilibrium values.

Concerning interest rates, the survey said short-term rates are expected to further decline on a worldwide basis except in the United States and Canada, where a rise in the rates is expected due to "the more advanced state of economic recovery in North America." Long-term interest rates are almost certain to rise in all of the world's regions.

Corruption and the financial crisis

An ICC special question on corruption and the financial crisis revealed divergent views on whether the world recession will affect businesses' compliance with anti-corruption practices. While in most regions the majority of those questioned said they expected minimal impact, there were wide differences between countries.

In Vietnam (75%), the United Arab Emirates (63%), South Africa (50%), Pakistan (50%), Canada (38%), and Spain (38%), experts said the crisis will lead to additional reinforcement of anti-corruption measures. But experts in Argentina (55%), Turkey (50%), South Korea (50%), Romania (45%) and Portugal (45%), among other countries, said businesses would relax their anti-corruption measures in the aftermath of the global recession

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The International Chamber of Commerce is the largest, most representative business organization in the world. Its hundreds of 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 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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