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Communications and Media Relations

MEDIA RELEASE

World Economic Climate worsens, ICC/Ifo survey shows

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After the first two improved quarters of 2011, the global economic upswing is faltering, according to the latest quarterly World Economic Survey (WES) from the International Chamber of Commerce (ICC) and the Munich-based Ifo Institute for Economic Research, published today.

The World Economic Climate indicator fell by 10 points, from 107.7 in the second quarter of 2011 to 97.7 in the third. It fell based on the assessment of 1,080 economic experts, in 117 countries, who responded to the WES survey questions on both the current economic climate, as well as on the next six-month outlook.

Principal Declines in Asia, North America and Western Europe

The worsening economic climate is largely the result of a decline in indicator markers in Asia, North America, and Western Europe. The factors attributed to decline, however, are quite different in each of these regions.

In Asia, decline in the economic climate has been attributed to efforts by most Asian countries to moderate their pace of economic growth in order to reduce inflation pressure and maintain sustainable growth. Experts in China, India and Indonesia, in particular, have judged their economic climates more reservedly than the others. While the economic climate indicator for Asia is still slightly above its long-term average, it fell overall by just over seven points, from 101.8 in the second quarter of this year to 94.7 in the third.

The situation was much different in North America, which saw the biggest drop, from 98.7 to 81.2, in large part due to the United States.

“The US economy is still fragile,” according to the report. “The recovery is weak and not at all strong enough to lead to a substantial improvement in the labour market.” It adds that GDP per capita also stagnated in the first half of this year, according to official data.

The abrupt drop in economic climate in Western Europe, after two years of constant improvement, is spread unevenly throughout the region, which fell overall from 115.1 to 105.2 points. The climate dimmed in part because previously strong upswings in Germany, Sweden and Switzerland lost some momentum, and in part because of problems in Italy and Portugal, the report indicates. The climate in the United Kingdom also worsened, while the economic climate in France improved.

Expectations for each of these regions worsened. The report notes that in the US, in particular, the uncertainty regarding the settlement of the debt dispute in the end of June one week before the poll ended, led to a slight stronger downgrade of the economic expectations.

Latin America was the only region whose economic climate remained unchanged, and Oceania was the sole region to enjoy a rise in expectations.

The report also points out that while WES experts downgraded economic expectations for almost all regions, expectations still remained positive overall.

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Inflation expectations still to increase

Inflation expectations have risen slightly worldwide, compared to the previous two quarters. WES experts now forecast an annual inflation rate of 4.0% for 2011, compared to 3.8% in its Q2 survey in April and 3.4% at the beginning of the year.

This deceleration in expected inflation was in part signaled by the significantly smaller number of experts -- albeit still a majority -- expecting further price increases in the next six months than in the previous survey.

Currency Values

While the yen and euro are considered somewhat overvalued, the report's experts thought the British pound and the US dollar were appropriately valued. They also foresee a further worldwide average decline in the value of the US dollar over the next six months, led by an expected weakening of the US dollar in some Asian countries -- particularly China, Singapore, Thailand and the Philippines -- as well as in Canada and Russia.

G20 Expectations

In response to the ICC Special Question, "How should the G20 prioritize selected policy issues during their next summit [in Cannes, France on 3-4 November, 2011]?" the vast majority of surveyed experts pleaded to give priority to the issues of improving financial regulation, improving the international monetary system, and fighting unemployment.

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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, the G20 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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