



**International Chamber of Commerce**

*The world business organization*

## **MEDIA RELEASE**

### **Global economic climate reaches four-year high, ICC/Ifo survey reveals**

Paris, 16 February 2011 – The world economic climate indicator has achieved a new high since 2007 levels, indicating that economic activity overall is picking up, according to the quarterly World Economic Survey, from the International Chamber of Commerce (ICC) and the Munich-based Ifo Institute for Economic Research, released today.

The world economic climate indicator rose significantly, after a slight decline in the fourth quarter of 2010, and is now above its long-term average. It rose based on assessments from 1,117 experts in 119 countries who responded to the survey questions on both the current situation, as well as the six-month outlook.

Growth was more broadly distributed in the first quarter of 2011 than in the previous year, according to the survey, while protectionism emerged as a growing concern for experts in light of the threat of currency wars.

“These results are very promising because they point to the type of wide-reaching growth that in the long run leads to sustainable development. However, the threat of greater protectionism worldwide is worrying and remains a very real threat to blocking this growth,” ICC Secretary General Jean-Guy Carrier said.

The indicator reached 106.8, measuring significantly above its long-term average of 96.9, calculated between 1991 and 2010. The global economic outlook was less fuelled by the BRIC countries – Brazil, Russia, India and China, where forecasts are now more moderate – and to a larger extent by encouraging signs from North America.

### **Double-dip unlikely**

In the United States, exports, capital expenditures and private consumption were expected to grow, according to the survey’s respondents, stemming from transnational and national organizations worldwide. These results indicate that the recovery in the US is gaining momentum and that the so-called “double-dip”, or renewed economic downturn, is not probable.

The indicator rose significantly in Western Europe over the same period, but not as much as it had in North America, due to a weakening in the second half of the year. Huge differences prevail within the eurozone, where Germany appears to be very close to a self-sustaining upswing after the economic crisis in 2009, but peripheral countries such as Greece, Ireland, Portugal and Spain are steeped in economic problems.

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Respondents in Ireland were, in contrast to those in Greece and Portugal, relatively confident regarding the economic situation in the next six months, based on expectations that the country's export sector will strengthen.

Expectations remained positive in Russia, where respondents forecast that capital expenditures, private consumption and the export sector will all continue to grow over the next six months. They categorized the present economic situation in that country as "satisfactory".

### **Currency wars**

More than three-quarters of the economists surveyed agreed that currency wars are a signal of looming protectionist measures, as some economies considered setting up tariffs against countries with undervalued currencies.

"Barriers to the free-flow of trade jeopardize the potential for international business to restore the health of the global economy and to boost job-creation. It is for this reason that the Doha Round of trade talks must be concluded urgently," said Mr Carrier, referring to the World Trade Organization negotiations for lowering trade barriers worldwide.

### **New Asian players**

An improved economic climate in Asia was mainly attributed to countries such as Indonesia, Hong Kong and Japan, rather than to China, the region's largest economy. The indicator increased after two successive periods of deterioration in Asia, but remained below Q3 2010 levels. Improvements, according to the survey, were encouraged by positive economic expectations across most surveyed Asian countries.

Experts considered the current state of the economy to be very positive in South Korea, Singapore and the Philippines. In China, the economic outlook for the next six months improved somewhat but was still cautious. Exports and capital expenditures increases were expected to slow down, with only moderate growth in private consumption.

### **Uncertainty over Egypt and Tunisia**

The political turmoil in Egypt, Tunisia and other countries in the region had not yet affected findings of this survey, but the report indicated that there is potential for the economic impact of these events to spread. While the contribution of Egypt and Tunisia to world trade is not large, the report said some worries remain over the situation at the Suez Canal. A disruption of shipping through the important waterway would have an impact on trade.

"However, the main economic risk might be a change in the mood of global investors regarding their risk perception of emerging economies in general," the report said. "Inflation worries and uncertainty about the political stability could be a bad mixture in the eyes of global investors."

### **Inflation on the upswing**

Inflation picked up in most countries, dispelling recent widespread worries that a deflationary process had kicked in, the report said.

A global price increase of 3.4% is expected for 2011, in comparison with 3.1% for the previous year. The upward trend is particularly pronounced in Asia, where the indicator rose to 3.6% in 2011, after a reported 2.9% in 2010. This was especially concentrated in China and Vietnam. In North America and Western Europe, an increase in prices of 2% was anticipated for 2011, after forecasts of 1.6% and 1.8% respectively for 2010.

Prices worldwide are mostly driven by oil and other commodities like copper, partly reflecting stronger growth prospects for the world economy. Food prices, especially sugar and cereals, are also rising sharply.

The World Economic Survey, conducted in co-operation with the International Chamber of Commerce in Paris, gauges worldwide economic trends by polling experts internationally on current economic developments in their respective countries. This allows for a rapid, up-to-date assessment of the economic situation prevailing around the world.

To view Survey graphs, please click here: <http://www.iccwbo.org/WESifo.html>

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### **About ICC**

The International Chamber of Commerce is the largest, most representative business organization in the world. Its hundreds of thousands of member companies in over 120 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, 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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