

## Ifo World Economic Climate

Results of the Ifo World Economic Survey (WES) of the 1<sup>st</sup> quarter 2010  
in co-operation with the International Chamber of Commerce (ICC), Paris

### Ifo World Economic Climate Clearly Improved

The Ifo World Economic Climate Indicator improved in the first quarter of 2010 for the fourth time in succession and is now slightly above its long-time average. The rise in the indicator this time is primarily attributable to more positive assessments of the current situation. However, in most regions, except *Asia*, the present economic state is still assessed as unfavourable. The previously already optimistic expectations for the coming six months have slightly improved again. The overall results indicate that the recovery of the world economy will continue to gain momentum in the coming six months.

The economic climate indicator improved strongly above all in *Asia*, where it now is clearly above its long-term average. Also in *North America*, *Western Europe* and in the other world regions, the economic climate improved in the first quarter of 2010. In *North America* this was solely attributable to a better assessment of the present economic situation, whereas in *Western Europe* both components of the climate indicator are directed upwards. Here, however, the long-term average has not been quite reached yet.

*Inflation expectations* for 2010, on a world-wide average, are somewhat higher than the reference value for the previous year (2.9% versus 2.5%). According to the expectations of the WES participants, the rise in prices will continue during the coming six months.

*Short-term interest rates* will increase during the next six months, in the opinion of the WES experts. In accord with the more favourable economic outlook, the WES panel expects that also *long-term interest rates* will increase in most countries over the next six months.

The WES experts regard the *euro* as overvalued, on a world-wide average, and the *US dollar* as undervalued. The *Japanese yen* and the *British pound*, are seen, on average, as appropriately valued.

Hans-Werner Sinn, President of the Ifo Institute for Economic Research at the University of Munich

### World Economy (Index, new base year: 2005 = 100)

Quarter/year	I/08	II/08	III/08	IV/08	I/09	II/09	III/09	IV/09	I/2010
<b>Climate</b>	91.4	82.4	74.2	60.6	50.7	65.2	79.6	91.4	99.5
<b>Situation</b>	112.1	99.1	87.9	69.2	46.7	39.3	43.0	54.2	67.3
<b>Expectations</b>	71.9	66.7	61.4	52.6	54.4	89.5	114.0	126.3	129.8

Since 1981 the Ifo Institute has conducted a quarterly survey in numerous countries on business cycle developments and other economic factors in the experts' home countries. The January 2010 survey received responses from 1,057 experts in 94 countries. The survey is conducted in co-operation with the International Chamber of Commerce in Paris (ICC).

A detailed regional analysis appears in the quarterly journal: *CESifo World Economic Survey*. This press release contains advance information on the most important results.

Fig. 1

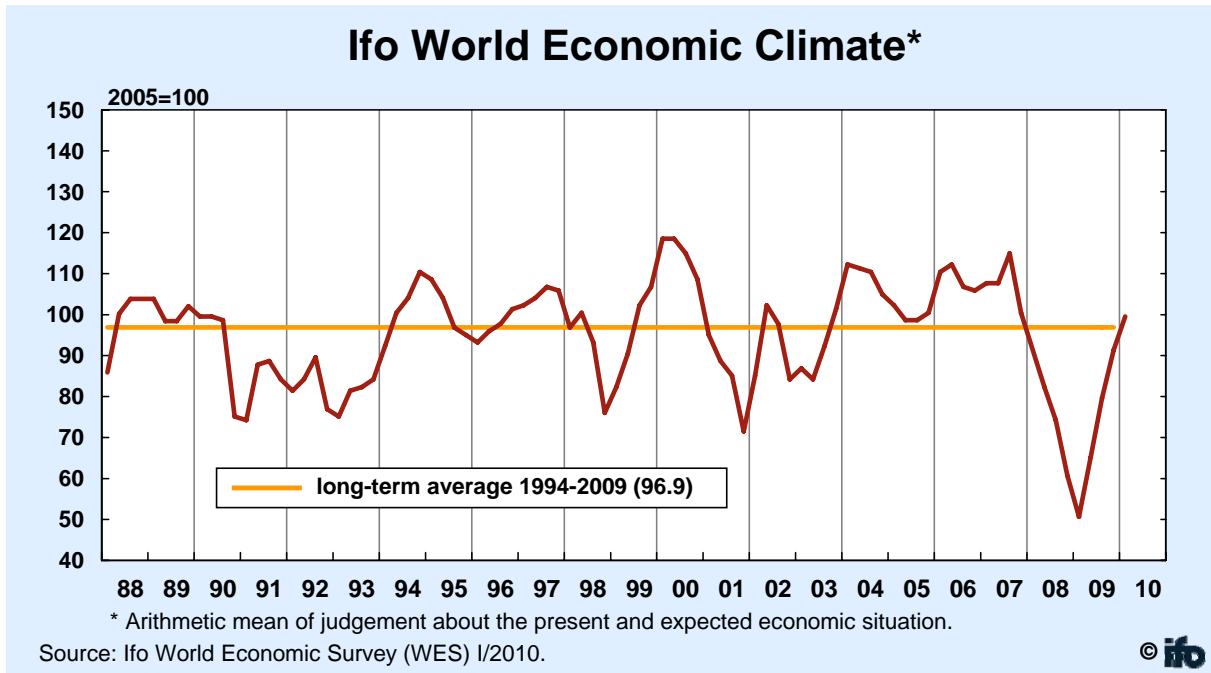


Fig. 2

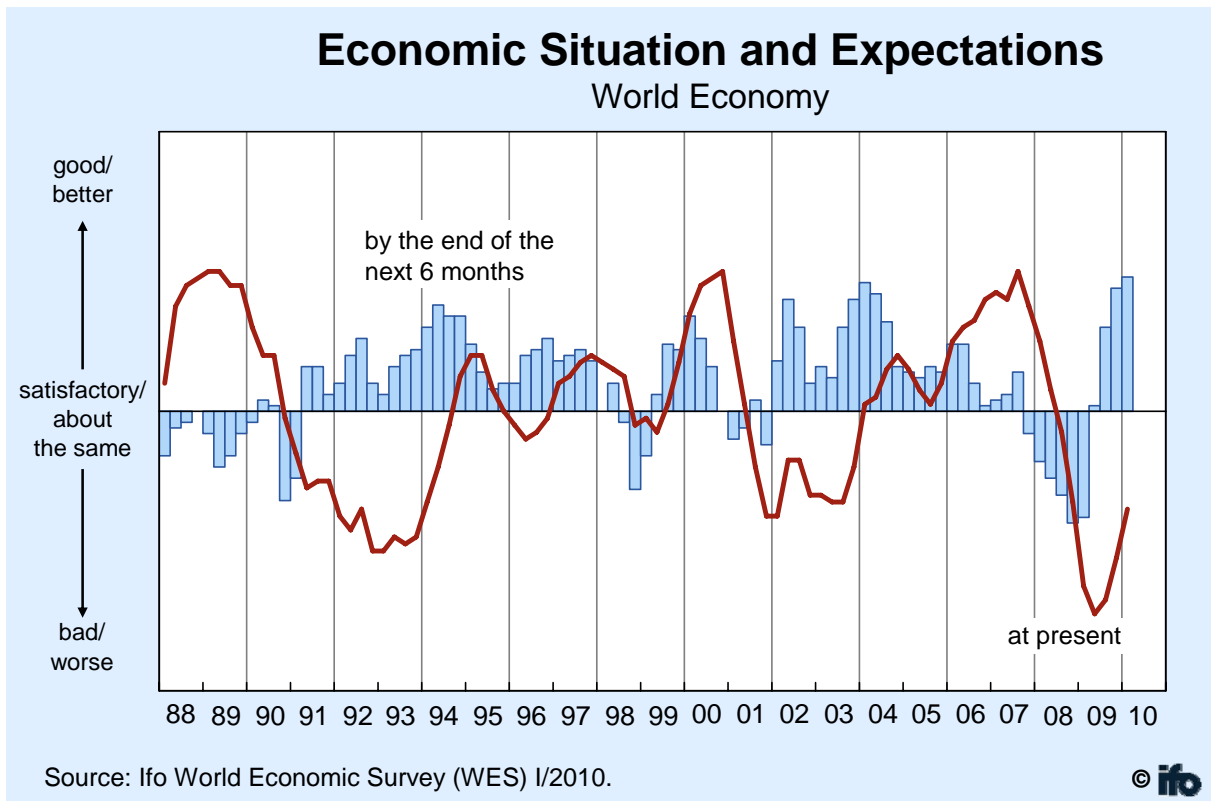
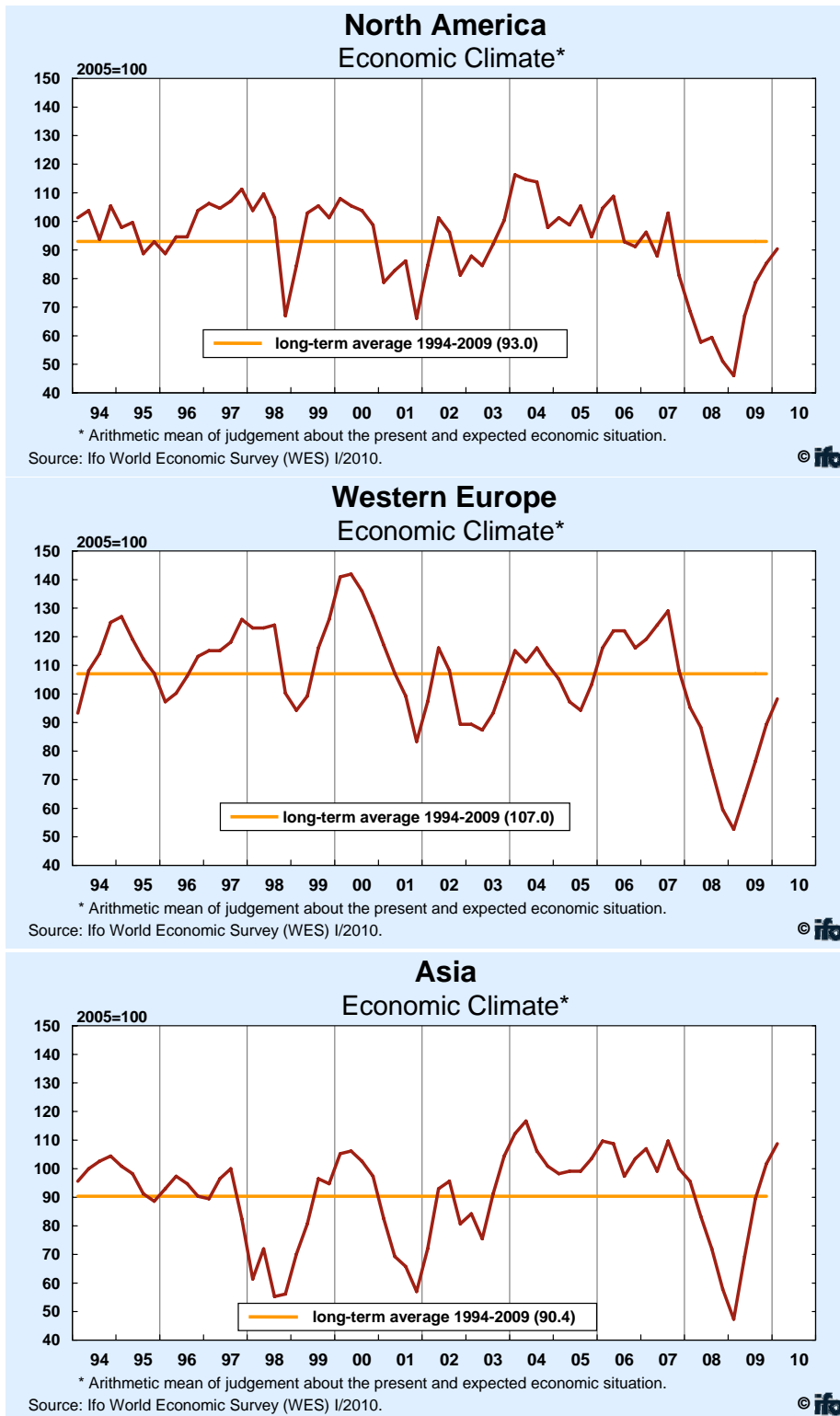


Fig. 3



Climate (2005=100)	I/08	II/08	III/08	IV/08	I/09	II/09	III/09	IV/09	I/2010
North America	68.6	57.7	59.4	51.0	46.0	66.9	78.7	85.4	90.4
Western Europe	95.3	88.3	73.4	59.6	52.6	64.5	76.4	89.3	98.3
Asia	95.6	83.3	71.9	57.9	47.4	69.3	89.5	101.8	108.8