



**International Chamber of Commerce**

*The world business organization*

## **MEDIA RELEASE**

### **Global economic climate brightens again, ICC/Ifo survey reveals**

Paris, 18 May 2011 – The global economic climate is at its brightest since 2007, but there may be trouble ahead, according to the latest quarterly World Economic Survey by the International Chamber of Commerce (ICC) and the Munich-based Ifo Institute for Economic Research, published today.

Topping last quarter's four-year high, the ICC/Ifo world climate indicator reached 107.7 points in April, far above its 1995-2010 average of 96.9. The figure, based on a survey of over 1,000 economists in 120 countries, combines respondents' increasingly positive appraisals of their countries' economic situation with their outlook for the next six months, which has dipped slightly while remaining confident.

Despite its overall optimism, the report highlights marked regional variations, and factors that could upset further global economic recovery in the next six months. Public budget deficits were top on the experts' list of urgent problems, ahead of high inflation and unemployment.

ICC Secretary General Jean-Guy Carrier said: "The ICC/Ifo findings are an encouraging sign that the global economy is still recovering. But they also show growing anxiety about public deficits that have built up since the financial crisis. And if governments struggling to reduce their debts resort to increasing protectionism – there's a real danger that further global economic recovery could stall.

Governments must work together and encourage a multilateral trading system that can allow the global economy to continue regaining strength".

### **Risky times ahead**

With short and long-term interest rates expected to rise, the report said stronger tightening of monetary policy is likely in most of the countries surveyed. Emerging economies such as China, Turkey and some Latin American countries are particularly concerned by high inflation as prices soar. Survey respondents from Brazil were especially worried that their strong currency could lead to a loss of competitiveness or a process of deindustrialization. On average, worldwide consumer prices are expected to rise by 3.8% over the year, up from 3.4% forecast in early 2011.

"The upswing of the world economy continues, but one should nevertheless be aware of the risks," said Gernot Nerb, Ifo Director of Business Surveys. "Downward risks for positive development have gained weight during the last months. If downside risks do not materialize, this could be a sustainable track for the world economy."

Among the risks that could hit the world economy in the next six months, pushing it off the road to recovery, the ICC/Ifo report cited excessive international capital movements and potential oil price shocks driven by tensions in supply.

World economic growth is expected to reach 3.2% in 2011, up slightly on last year's level. Experts cite the main growth engines as China, India and certain Latin American countries such as Peru and Argentina.

### **Good news for US jobs**

In North America, waning optimism for the next six months dampened the overall economic climate slightly. But indications are still above their long-term average, and experts predict a strong rebound in employment in the US, as the pronounced imbalance between recent productivity growth and reluctant hiring is redressed.

### **Asia faces inflation**

In Asia, although the economic climate remains brighter than average, the survey shows deterioration in both economic situation and six-month expectations. The picture is particularly favorable in Hong Kong, India, Indonesia, Singapore and South Korea, whereas Japan's economists are pessimistic following its tsunami, earthquake and nuclear disaster. In China, experts are cautious about future economic development. They expect capital expenditures and growth in private consumption and exports to weaken over the next six

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months. Most expect trade surplus to decrease, and almost one in 10 predict a trade deficit. But they say China's key economic problem is inflation, as in most Asian countries.

### **Europe: strong in parts**

Positive assessments in Europe boosted the world's overall economic ratings. In Western Europe, with a pending crisis in the euro-zone, outlook for the coming six months weakened but remains confident. The situation varies widely within the euro-zone, with Germany, Austria and Finland faring particularly well, and Portugal, Ireland, Greece and Spain struggling. Eastern Europe shows signs that economic recovery could gain momentum over the course of 2011.

Elsewhere, Australia is outpacing New Zealand. The economic climate is moderate in the Commonwealth of Independent States (CIS) countries. Considerable improvements were noted in Israel, Kuwait and Saudi Arabia. The uprisings in the Arab world have brought turmoil to economies and employment, but outlooks are optimistic. In Africa there is no clear economic trend.

### **Currency values**

While the yen is considered overvalued, the report's economic experts thought the US dollar, the British pound and the euro were appropriately valued.

### **Expectations for G20 forum**

In answer to a special question: "Should the business community urge the G20 forum to reduce global economic imbalances, promote regulatory convergence and combat corruption, in order to encourage greater economic growth?" at least two-thirds of the 1,107 economists said yes.

About two-thirds of the North American economists surveyed support a stronger G20 role in redressing global economic imbalances, a figure that reaches at least 75% in all other regions. Around 90% of respondents worldwide agreed on encouraging the promotion of regulatory convergence.

Economists in Africa, the Near East and Latin America showed strong support for the G20 to engage with the private sector to strengthen corporate efforts in combating corruption.

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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