

Ifo World Economic Climate

Results of the Ifo World Economic Survey (WES) of the 2nd quarter 2011 in co-operation with the International Chamber of Commerce (ICC), Paris

Ifo World Economic Climate Brightens Further

The Ifo indicator for the world economic climate has risen further albeit only slightly. The increase is the sole result of more favourable assessments of the current economic situation. The expectations for the coming six months weakened somewhat, however, but are still confident. The survey results indicate that the recovery of the world economy will continue in the coming six months although at a somewhat weaker pace.

The economic climate indicator in *North America* and in *Asia* fell somewhat following the strong increase in both regions in January. Whereas in *North America* only the six-month expectations weakened, the decline in the indicator in *Asia* was due both to less favourable assessments of the current economic situation and also less positive expectations. Especially in *Japan*, the assessments of the current situation were clearly less positive. In *Western Europe* the world economic climate indicator rose solely as a result of the more positive assessments of the current economic situation. The expectations for the coming six months weakened here, however, but remain at a “confident” level.

Fears of *inflation* have risen world wide. For this year, a price increase of 3.8% is expected, on a world-wide average, whereas at the beginning of the year 3.4% was forecast. With the growing dangers of inflation, clearly more WES experts now anticipate further key interest rate hikes in the coming six months.

According to the WES experts, the *US dollar*, the *euro* and the *British pound* are seen world-wide as appropriately valued. In contrast, the *yen* is seen to be overvalued. On a world-wide average, the *dollar* exchange rate is expected to remain unchanged in the coming six months.

World wide, “*public budget deficits*” are seen as currently the most urgent economic problem. This is followed in second place, of a list of problems, by “*inflation*” and only in third place by “*unemployment*”, which previously had topped the list.

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

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

| Quarter/year | II/09 | III/09 | IV/09 | I/2010 | II/2010 | III/2010 | IV/2010 | I/2011 | II/2011 |
|---------------------|-------|--------|-------|--------|---------|----------|---------|--------|---------|
| Climate | 65.2 | 79.6 | 91.4 | 99.5 | 104.1 | 103.2 | 98.6 | 106.8 | 107.7 |
| Situation | 39.3 | 43.0 | 54.2 | 67.3 | 80.4 | 93.5 | 95.3 | 102.8 | 108.4 |
| Expectations | 89.5 | 114.0 | 126.3 | 129.8 | 126.3 | 112.3 | 101.8 | 110.5 | 107.0 |

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 April 2011 survey received responses from 1,107 experts in 120 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

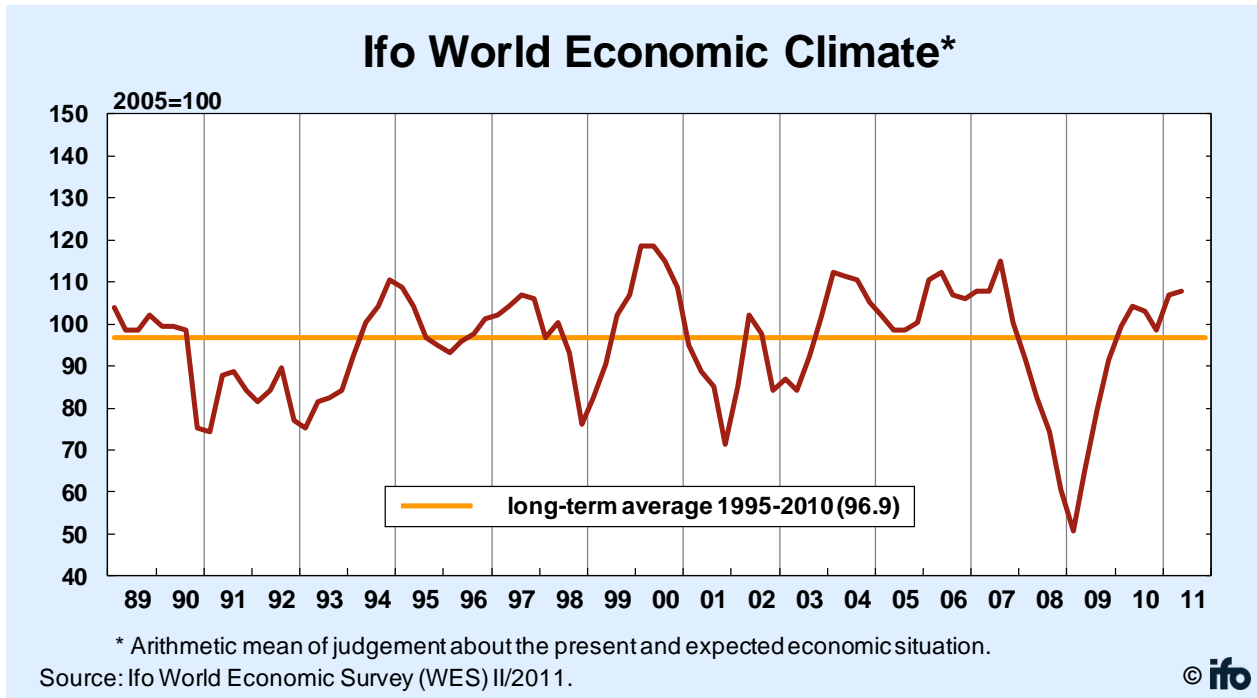


Fig. 2

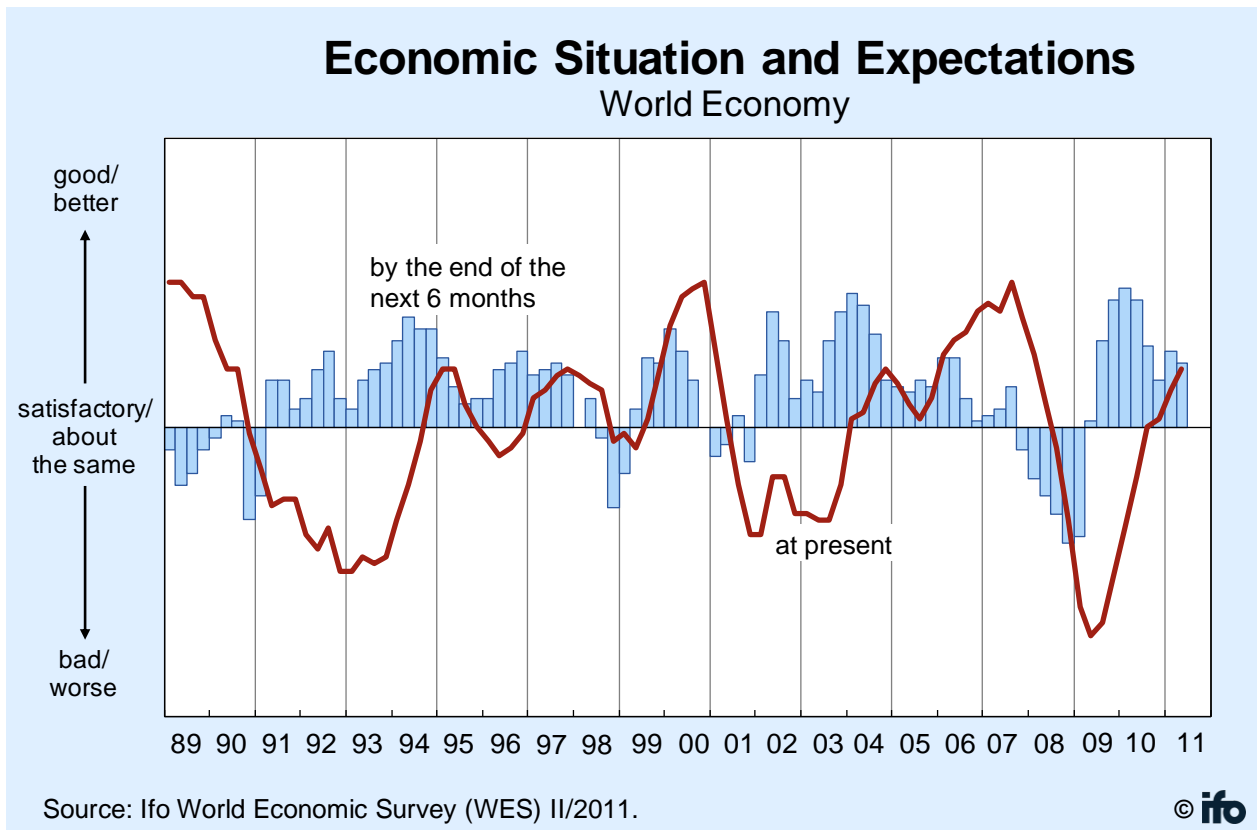
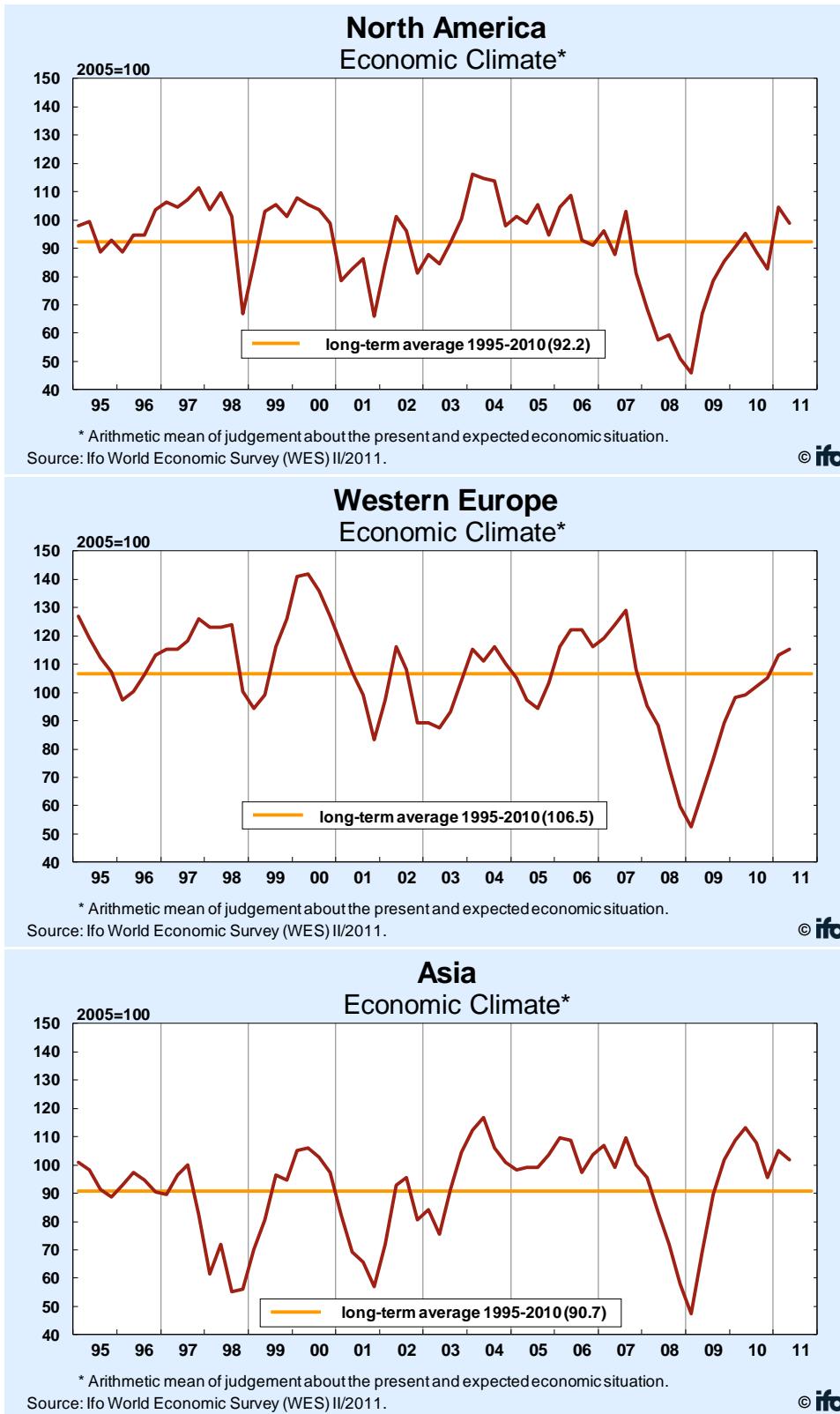


Fig. 3



| Climate (2005=100) | II/09 | III/09 | IV/09 | I/2010 | II/2010 | III/2010 | IV/2010 | I/2011 | II/2011 |
|-----------------------|-------|--------|-------|--------|---------|----------|---------|--------|---------|
| North America | 66.9 | 78.7 | 85.4 | 90.4 | 95.4 | 88.7 | 82.8 | 104.6 | 98.7 |
| Western Europe | 64.5 | 76.4 | 89.3 | 98.3 | 99.3 | 102.2 | 105.2 | 113.2 | 115.1 |
| Asia | 69.3 | 89.5 | 101.8 | 108.8 | 113.2 | 107.9 | 95.6 | 105.3 | 101.8 |