

Ifo World Economic Climate

Results of the Ifo World Economic Survey (WES) of the 3rd quarter 2010
in co-operation with the International Chamber of Commerce (ICC), Paris

Ifo World Economic Climate Indicator Falls Slightly

The Ifo World Economic Climate clouded over slightly in the third quarter of 2010. Although the surveyed experts have given better assessments of the current economic situation than in the first half of 2010, the economic expectations for the coming six months have been revised downwards. The results indicate that the recovery of world economic activity will continue at a slower pace in the second half of the year.

The World Economic Climate indicator fell in *North America* and in *Asia* but rose in *Western Europe*. In *North America* the indicator fell below its long-term average. The assessments of the current economic situation were more favourable than in the previous survey but have not yet reached the “satisfactory” level. The expectations for the coming six months, however, are less optimistic. In *Asia* the favourable economic situation has improved further, but the optimism for the next half year has declined somewhat. In *Western Europe* the assessments of the current economic situation have improved more clearly than the worldwide average. Since the six-month economic outlook has not clouded so strongly, the climate indicator as a whole rose marginally.

Although the economic experts foresee a somewhat higher rate of *inflation* for 2010, on a worldwide average, in comparison to the previous year (3.1% vis-à-vis 2.5%), in comparison to the previous survey the inflation expectations remain stable.

In accord with the somewhat cloudier economic outlook, somewhat fewer WES experts than in spring expect increasing *short-term* and *long-term interest rates* in the course of the coming six months.

In contrast to the previous surveys, the *euro* was assessed as slightly undervalued vis-à-vis the *US dollar*. Overall, in the coming six months – after adjustments have occurred – the experts foresee largely stable exchange rates for the four major world currencies, the *euro*, the *US dollar*, the *Japanese yen* and the *British pound*.

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	III/08	IV/08	I/09	II/09	III/09	IV/09	I/2010	II/2010	III/2010
Climate	74.2	60.6	50.7	65.2	79.6	91.4	99.5	104.1	103.2
Situation	87.9	69.2	46.7	39.3	43.0	54.2	67.3	80.4	93.5
Expectations	61.4	52.6	54.4	89.5	114.0	126.3	129.8	126.3	112.3

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 July 2010 survey received responses from 1,103 experts in 116 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

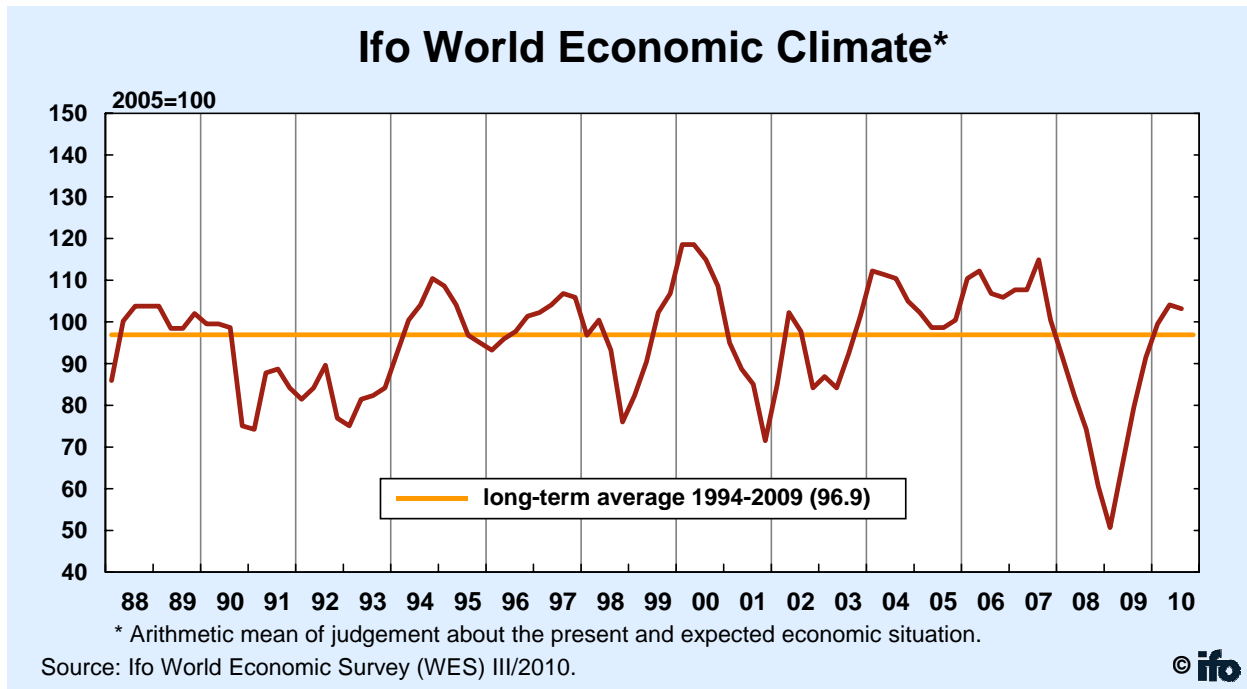


Fig. 2

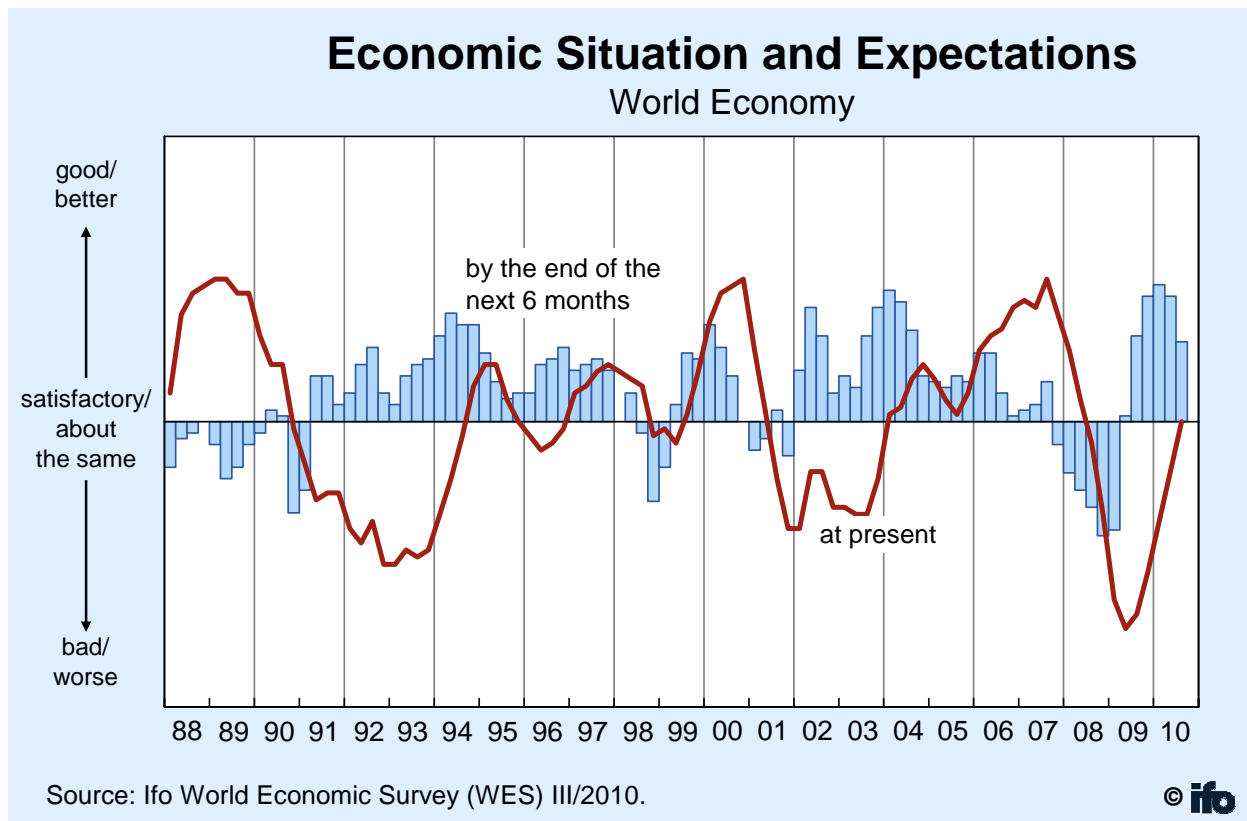
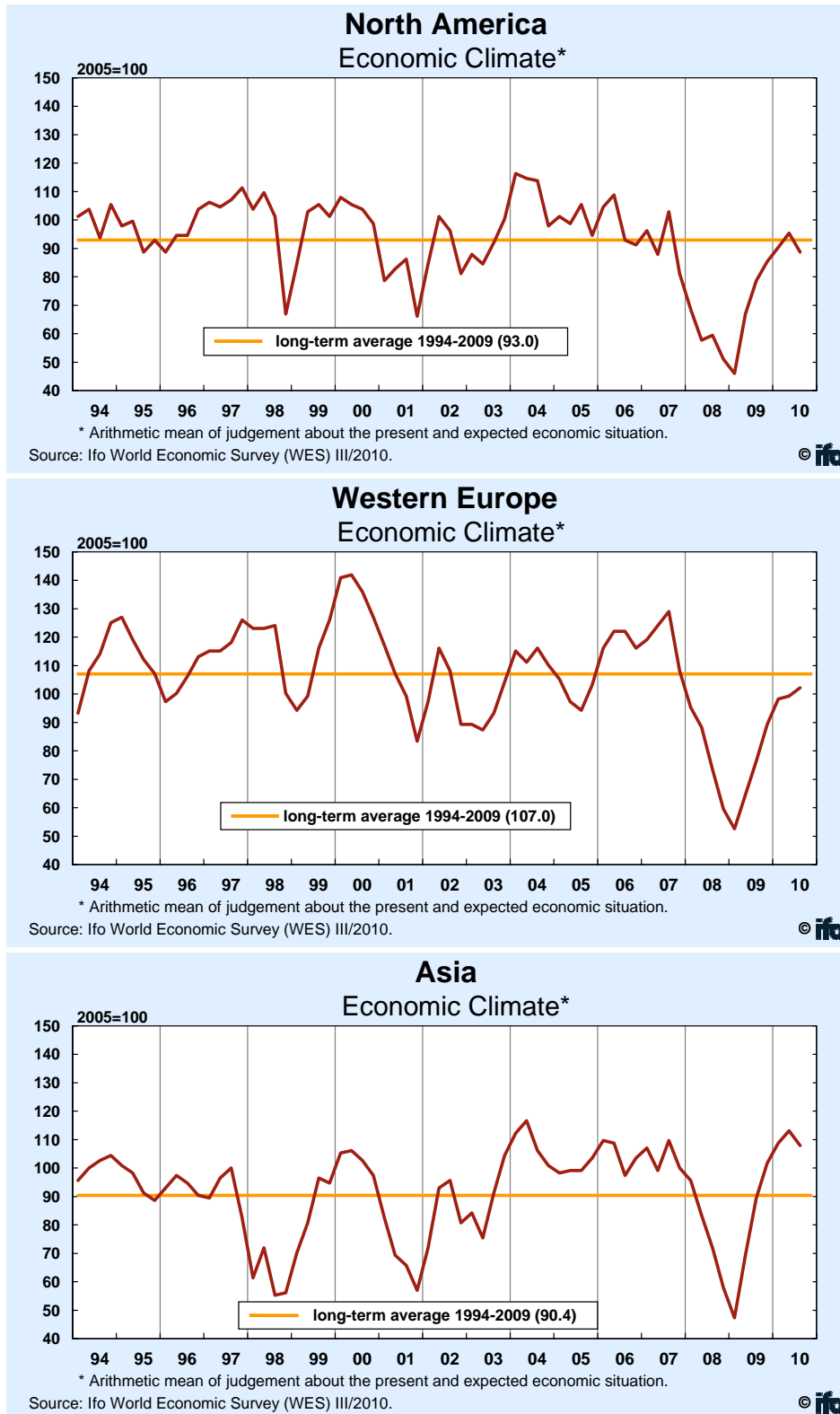


Fig. 3



Climate (2005=100)	III/08	IV/08	I/09	II/09	III/09	IV/09	I/2010	II/2010	III/2010
North America	59.4	51.0	46.0	66.9	78.7	85.4	90.4	95.4	88.7
Western Europe	73.4	59.6	52.6	64.5	76.4	89.3	98.3	99.3	102.2
Asia	71.9	57.9	47.4	69.3	89.5	101.8	108.8	113.2	107.9