

Ifo World Economic Climate

Results of the Ifo World Economic Survey (WES) of the 3rd quarter 2007
in co-operation with the International Chamber of Commerce (ICC), Paris

Ifo World Economic Climate Index rises

The Ifo World Economic Climate indicator has clearly risen in the third quarter of 2007. Both the assessments of the current economic situation as well as the six-months expectations have improved. These results point to a robust world economy in the second half of 2007.

The betterment in the Ifo World Economic Climate Index affected all three major economic regions: *Western Europe*, *North America* and *Asia*. In *Western Europe* the Ifo climate indicator rose again, after having already reached a six-year high in the second quarter of 2007. The current economic situation has been assessed positively in all countries of the region with the exception of *Portugal*. However in *Denmark*, *Ireland*, *Spain* and the *United Kingdom* the surveyed experts expect a growth slowing in the coming six months. In *North America*, the economic climate has brightened, after the index had fallen in the second quarter below its long-term average for the first time in four years. Both the assessments of the current economic situation as well as economic expectations for the next six months have improved. In *Asia* the climate indicator also rose.

Inflation expectations for 2007 have remained largely unchanged in the *US* at 2.8% and in *Western Europe* at 2.1%. In *Asia* they have risen slightly to 2.7% compared with 2.4% in April. More WES experts than in the previous survey expect increasing central bank and financial market rates.

On average of the countries surveyed, the *US dollar* is seen as slightly and the *Japanese yen* as clearly undervalued. The *euro* and the *British pound* are still considered to be overvalued by the WES experts.

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

World Economy (Index, 1995 = 100)

Quarter/year	III/05	IV/05	I/06	II/06	III/06	IV/06	I/07	II/07	III/07
Climate	97.5	99.3	109.2	111.0	105.6	104.7	106.5	106.5	113.6
Situation	93.2	98.6	109.6	113.2	115.1	120.5	122.4	120.5	127.9
Expectations	101.8	100.0	108.8	108.8	96.5	89.5	91.2	93.0	100.0

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 August 2007 survey received responses from 1.003 experts in 91 countries. The survey is conducted in co-operation with the International Chamber of Commerce in Paris (ICC) and with financial support from the European Commission.

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

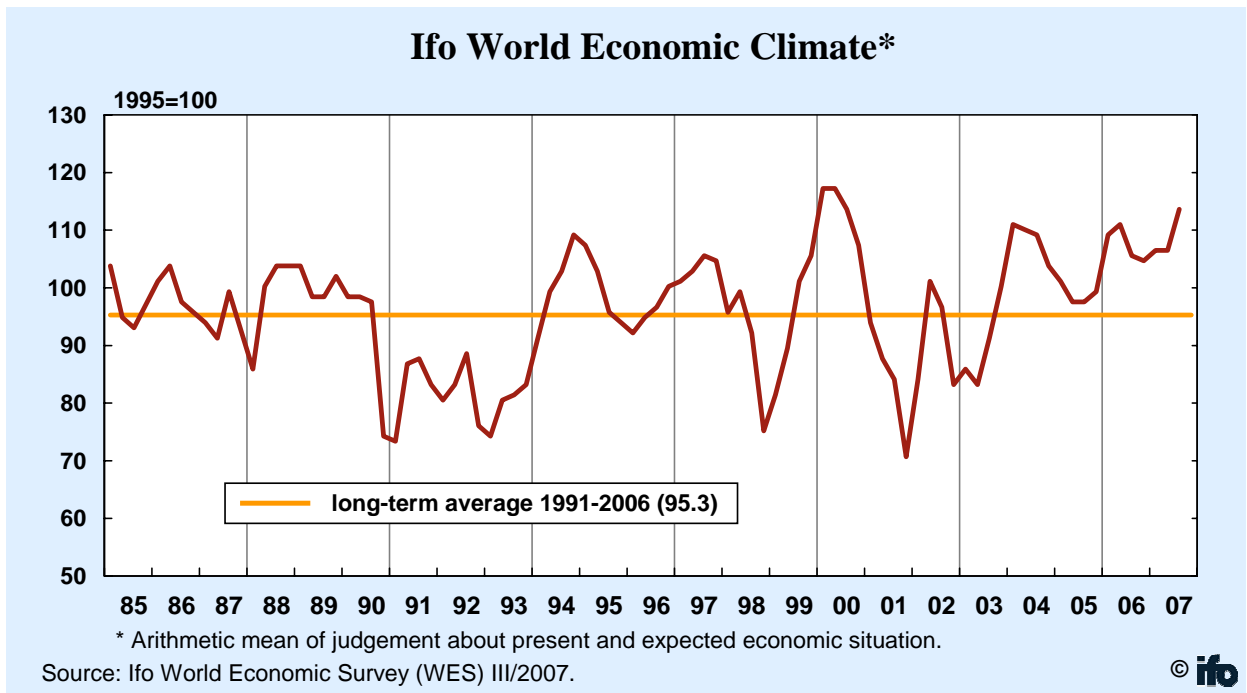


Fig. 2

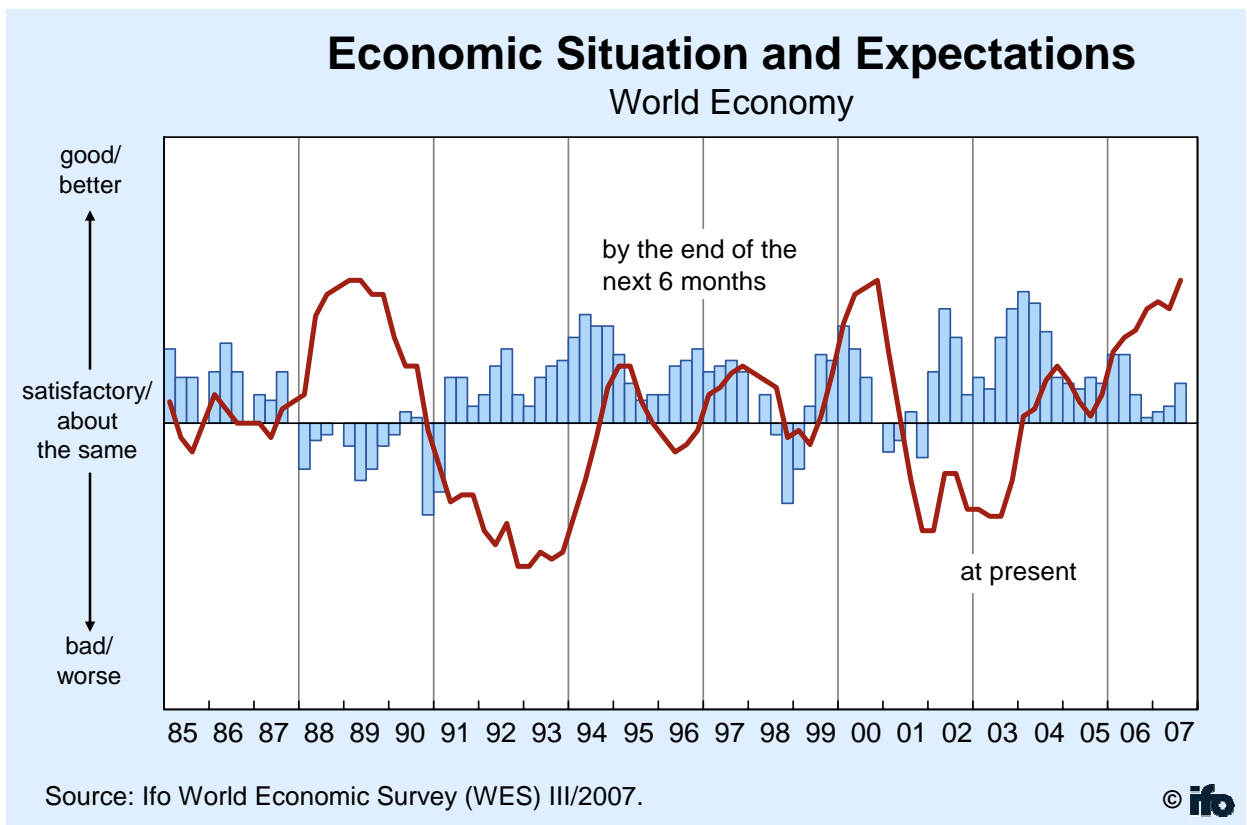
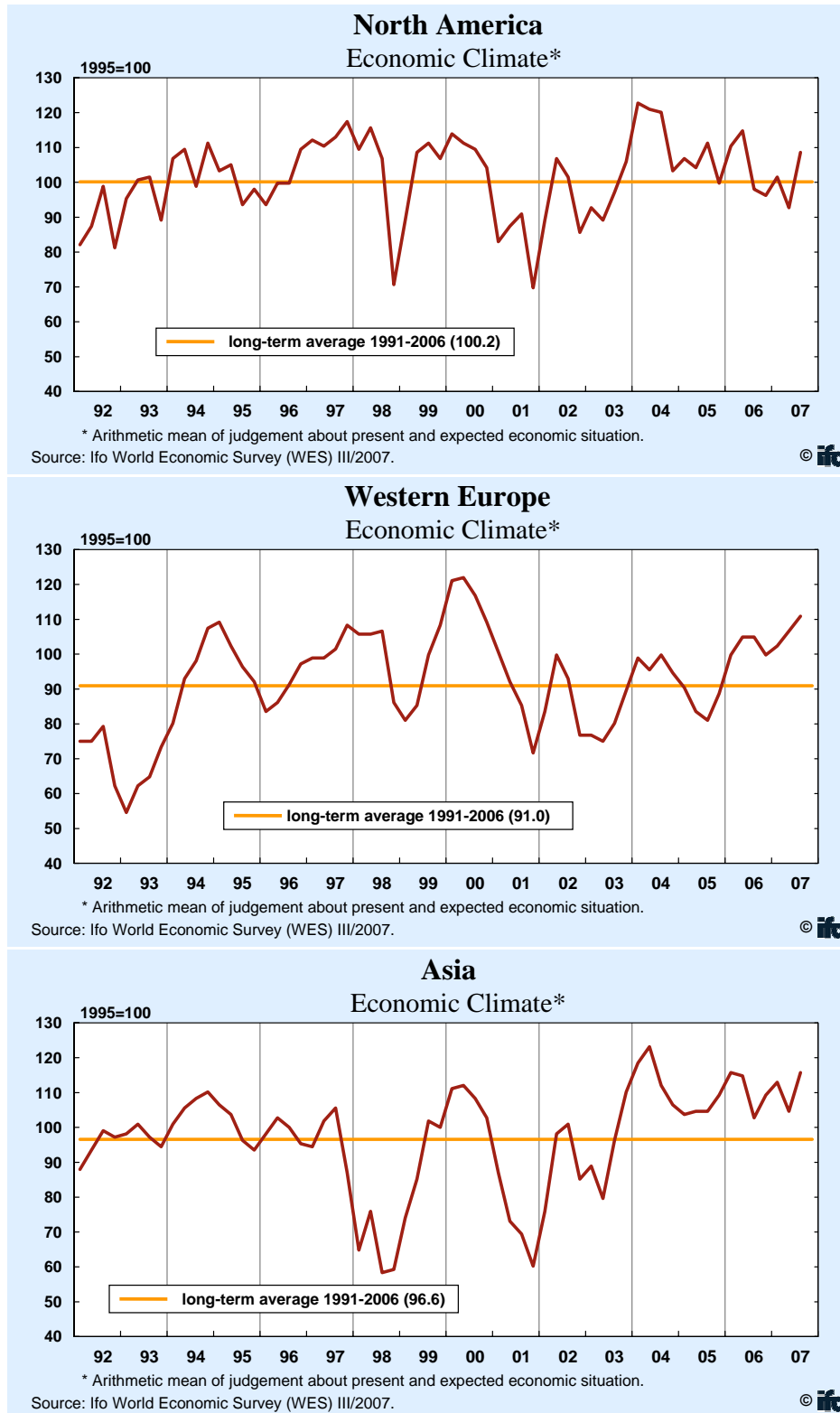


Fig. 3



Climate (1995=100)	III/05	IV/05	I/06	II/06	III/06	IV/06	I/07	II/07	III/07
North America	111.3	99.8	110.4	114.8	98.0	96.2	101.5	92.7	108.6
Western Europe	81.0	88.7	99.8	104.9	104.9	99.8	102.3	106.6	110.9
Asia	104.6	109.3	115.7	114.8	102.8	109.3	113.0	104.6	115.7