



International Chamber of Commerce

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INTERNATIONAL CHAMBER OF COMMERCE

Media release

Global economic index rises again, but problems remain

Paris, 19 November 2009 -- Reflecting more favourable economic conditions for the coming six months but also a more positive assessment of the current situation, the World Economic Climate Indicator rose significantly in the fourth quarter for the third consecutive time following the sharp drops of last year.

The indicator, published by the International Chamber of Commerce (ICC) and the Ifo Institute for Economic Research, rose to 90.4 points from 78.7 points in July, with the economic climate improving in all major economic regions, most significantly in Asia.

"The recovery of the world economy is essentially due to the dynamism of Brazil, India, China and other Asian countries," ICC Secretary General Jean Rozwadowski said. "There are signs of recovery in the United States as well, but we should not become overconfident. There are still some hurdles to clear."

The report said economic expectations are optimistic almost everywhere, with the exception of several countries in Central and Eastern Europe, but serious problems remain before the global economy will begin to expand again without government stimulus packages.

Unemployment was the foremost difficulty cited by the 1,026 economic experts polled in 86 countries during the month of October, followed by insufficient demand and public debts. While the extensive governmental economic programs have so far played a crucial role in combating global recession, mounting public debts leave a narrow scope for additional fiscal stimuli, the experts said.

"Thus, to achieve sustainable growth rates, the global economy has to start gathering momentum under its own steam," the report concluded. "Major hopes are placed on emerging economies, particularly in Asia."

The ICC-Ifo report also said the euro was seen as being overvalued by more of the experts questioned than in the previous survey. In addition, a further weakening of the US dollar on a worldwide average is expected in the coming months.

Those questioned also expect a moderate increase in consumer prices in the next six months, in sharp contrast to the previous four reports, where a decline of consumer prices was forecast. Those surveyed expect an inflation rate of 2.5% on a worldwide scale for 2009 compared with 5.4% last year.

With the economy strengthening and consumer prices rising at a moderate level, the study forecast a tighter monetary policy in North America but said the economic outlook remained too fragile in most other areas of the world for any immediate interest rate increases.

The climate indicator improved in the United States and Canada due to higher expectations and a more upbeat assessment of the present situation, which nevertheless remains at a low level. Capital expenditures, private consumption, and exports are expected to pick up strongly in the first half of 2010. With household spending apparently expanding, imports should increase in the near term even though insufficient demand remains the number one problem in the United States.

In the euro area, the economic climate index improved but the current economic situation remains very weak in all euro area countries except Cyprus. Economic expectations for the next six months are particularly optimistic for Italy, Germany, the Netherlands, and Portugal and to a lesser extent for Austria, France, Finland, Belgium, Slovenia and Slovakia. Sluggish recovery is forecast for Spain and Greece while further economic weakening is expected in Ireland.

In the United Kingdom, current economic performance is regarded as weak, but consumer spending is expected to start rising early next year and business investment is expected to stabilize.

The Asian continent has shown the strongest growth, with the economists surveyed optimistic that the economy in the region will gain further momentum in the first half of 2010. "China's economic stimulus package has succeeded in generating domestic demand that has boosted its imports, stimulating not only the region but also the global economy," the report said.

Conditions are particularly favourable in India, Vietnam and Indonesia, where capital expenditures and private consumption are expected to revive in the next six months. The present situation in South Korea was assessed as much better than in the previous survey, but still below the satisfactory level.

The current economy was given extremely low marks in Japan and Taiwan. "In both countries the surveyed economists named insufficient demand and unemployment as the most important economic problems at present," the report said. "However, the economic expectations in both countries point to economic recovery."

In Latin America the economic indicator bounced back in October, with economic expectations for the next six months improving considerably, pointing to a strengthening of the regional economy in the first half of next year. The climate indicator also improved in South Africa, but only because of optimistic economic expectations as the current economic situation remains downbeat.

Impact of low carbon economy

An ICC special question revealed that most experts believe the transition to a low carbon economy can bring major opportunities to businesses in their countries. In Western Europe, 78% of those questioned saw business benefits in the transition, followed by Asia (71%), the Near East (68%), Central and Eastern Europe (66%), and North America (63%).

"Although the spread of non-polluting products and services appears to bear new economic opportunities all over the world, there are still significant obstacles to innovation because of a lack of legislative and regulatory guidelines," the report concluded.

The ICC-Ifo World Economic Survey has been conducted since 2001. ICC's alliance with Ifo combines the Munich-based institute's expertise in polling and analysis with ICC's unrivalled business network, which includes many of the world's biggest multinationals as well as companies of every size in every business sector.

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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, 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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