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**Article**

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CESifo World Economic Survey

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# CESifo WORLD ECONOMIC SURVEY

VOLUME 10, No. 3

AUGUST 2011

## WORLD ECONOMIC CLIMATE

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World Economic Climate deteriorates

## ECONOMIC EXPECTATIONS

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Economic expectations further downgraded but still positive

## INFLATION

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Inflation pressure remains high despite some softening

## CURRENCIES

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Yen and euro are seen as somewhat overvalued

## INTEREST RATES

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Fewer WES experts expect further increase of short- and long-term interest rates

## SPECIAL TOPIC

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How should the G20 prioritize selected policy issues during their next summit?



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## Ifo World Economic Survey

### Regions

- World Economy: Global upswing is faltering
- Western Europe: Economic climate clouded
- North America: Economic climate deteriorates further
- Eastern Europe: Further improvement of present economic situation
- CIS: Less positive expectations
- Asia: Some economic cooling
- Oceania: Economic expectations upgraded
- Latin America: Unchanged economic climate
- Near East: Economic climate indicator declines somewhat
- Africa: No unified economic trend

## Notes

The World Economic Survey (WES) assesses worldwide economic trends by polling transnational as well as national organisations worldwide on current economic developments in their respective countries. This allows for a rapid, up-to-date assessment of the economic situation prevailing around the world. In *July 2011*, 1,080 economic experts in 117 countries were polled.

WES is conducted in co-operation with the International Chamber of Commerce (ICC) in Paris.

### **Methodology and evaluation technique**

The survey questionnaire focuses on qualitative information: assessments of a country's general economic situation and expectations regarding important economic indicators. It has proved to be a useful tool, since it reveals economic changes earlier than conventional business statistics.

The individual replies are combined for each country without weighting. The grading procedure consists in giving a grade of 9 to positive replies (+), a grade of 5 to indifferent replies (=) and a grade of 1 to negative (-) replies. Overall grades within the range of 5 to 9 indicate that positive answers prevail or that a majority expects trends to increase, whereas grades within the range of 1 to 5 reveal predominantly negative replies or expectations of decreasing trends.

The survey results are published as aggregated data. The aggregation procedure is based on country classifications. Within each country group or region, the country results are weighted according to the share of the specific country's exports and imports in total world trade.

*CES – Center for Economic Studies* is an institute within the department of economics of Ludwig-Maximilian University, Munich. Its research, concentrating on public finance, includes many diverse areas of economics.

*Ifo Institute for Economic Research* is one of the largest economic research institutes in Germany with a three-fold orientation: to conduct economic research, to offer advice to economic policy-makers and to provide services for the research and business communities. The Ifo Institute is internationally renowned for its business surveys.

*CESifo* is the name under which the international service products and research results of both organisations are published.

# WORLD ECONOMIC CLIMATE DETERIORATES

The Ifo World Economic Climate clouded over in the third quarter (see Figure 1). With this drop the indicator lost all the gains of the first two quarters of this year and now stands at 97.7, after 107.7 in April. The worsening affected both the appraisals of the current situation as well as the expectations for the coming six months (see Figure 2). However, despite the weakening, both components are still in positive territory. The global economic upswing is faltering. This is also illustrated by the business-cycle clock (see Box 1).

## Global upswing is faltering

The deterioration results from slowing in various regions. Especially in *North America*, in *Asia* and in *Western Europe* the economic climate has worsened (see Figure 3). Despite the common weakening, these developments have to be classified quite differently. In *Asia* – apart from a special development in *Japan* – the economic climate clouded probably because most of the *Asian* economies are seeking to moderate the growth pace somewhat to reduce inflationary pressure and to reduce the risk of overheating. Hence this slowing might be necessary to avoid crises later and to arrive at a more sustainable growth path. In particular in *India*, *China* and *Indonesia*, the WES experts assess the current situation and the further development more reservedly than so far. Nevertheless, the economic climate indicator for *Asia* is still slightly above its long-term average, showing that *Asia* despite the deceleration is still in a lively upswing. The situation in *North America* is quite different. The *US* economy is still fragile.

The recovery is weak and by far not strong enough to lead to a substantial improvement in the labour market. According to official data, GDP per capita stagnated in the first half of this year. The survey respondents evaluate the current situation – possibly also in view of debt problems – more unfavourably. Beyond that their expectations regarding the development in the near future are more sceptical than earlier this year. In *Western Europe* the climate has also worsened. The development within this area is uneven, though. The climate clouded partly because the hitherto strong upswings in *Germany*, *Sweden* and *Switzerland* are losing some momentum, partly

Figure 1

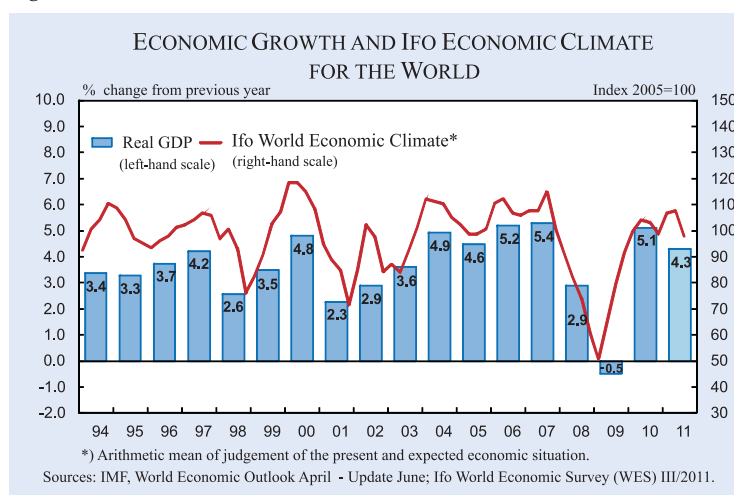
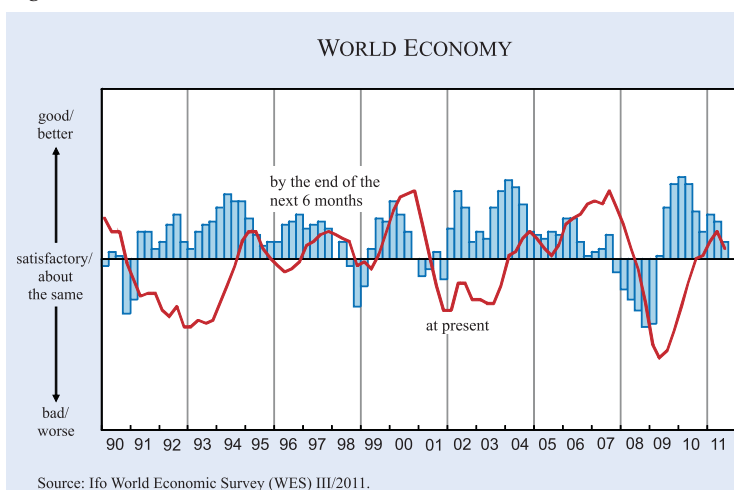


Figure 2



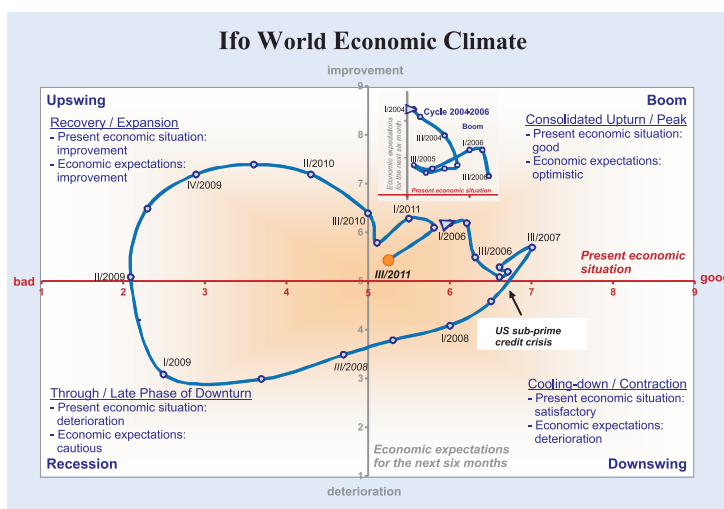
### Box 1

#### Ifo Economic Clock and the Ifo World Economic Climate

For a global, medium-term forecast, a look at the Ifo Economic Clock showing the development of the two components of the economic climate index over the last six years can be helpful. The business cycle typically proceeds clockwise in a circular fashion with the expectations leading assessments of the present situation.

According to the July survey the Ifo indicator for the world economic climate clearly declined. The deterioration of the climate results equally from less positive assessments of the present situation and of less positive economic expectations. The new value of the indicator is still positioned in the “consolidated upturn” quadrant, though closer to the center. This shows that the economic upswing is losing momentum.

The crucial question is in which direction the indicator will move in coming quarters. One scenario could be a development similar to the development in 2004/2006 (see small Figure): Here the climate indicator declined in 2004, as it has now, showed a sideward movement in most parts of 2005 towards the center of the diagram and started to rise again at the end of 2005 and early 2006. Thus, the development in 2005 was a pause and not the end of the upswing. Translated into the actual situation: The most recent development of the softening of the indicator could signal only a break but not the end of the upswing in the world economy. Of course this is only one amongst many other possibilities. A more negative scenario would be a drop of the climate indicator in one of the next survey rounds into the “downswing quadrant” or – even worse – a move directly from the “boom” into the “recession quadrant”, something which however has never before happened in the 30 years of the existence of WES.



The Ifo World Economic Climate is the arithmetic mean of the assessments of the current situation and economic expectations for the next six months. The correlation of the two climate components can be illustrated in a four-quadrant diagram (“Ifo Business Cycle Clock”). The assessments on the present economic situation are positioned along the abscissa, the responses on the economic expectations on the ordinate. The diagram is divided into four quadrants, defining the four phases of the world business cycle. For example, should the assessments of the interviewed experts on the present situation be negative, but the expectations became positive, the world business cycle is in an upswing phase (top left quadrant).

because of the problems especially in *Italy* and *Portugal*. Also the climate in the *United Kingdom* worsened. *Britain's* GDP figures in the second quarter showed that the economy has grown only very

the *euro area* (see Box 2). While the economic climate indicator of the *euro area* still lies marginally above its long-term average, the indicator for all of *Western Europe* has already dipped somewhat below.

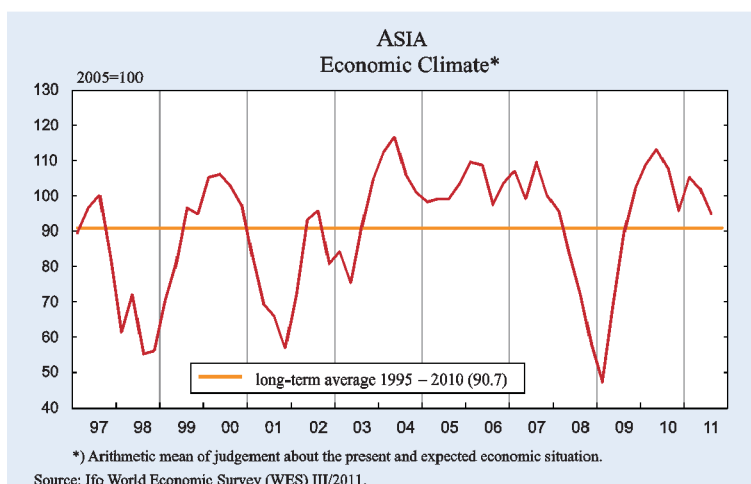
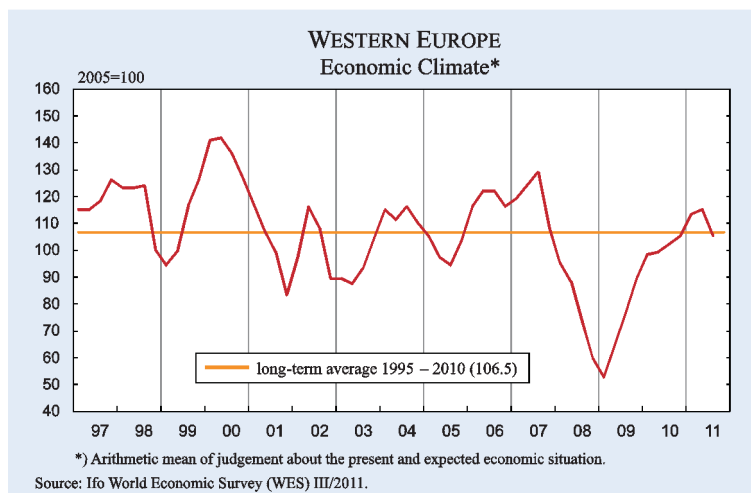
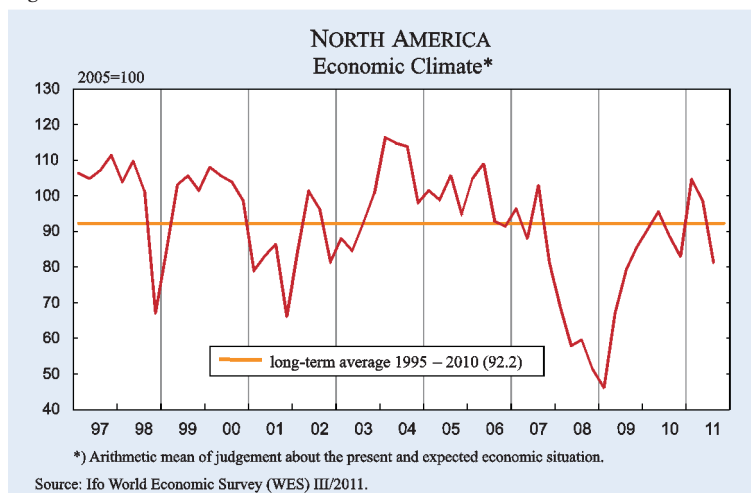
slightly. The WES experts also assess the situation in the third quarter less favourably and their expectations regarding the coming half year are more cautious than in April. So also the recovery in the *UK* seems to be fragile. In contrast to this, for example, the economic climate in *France* improved.

Overall, at the moment there are some regions and countries where a strong upswing is slowing somewhat and, on the other hand, there are some countries where the recovery process is uneven. This contributes at the moment to a slowdown of the global economic upswing. Recent official inflation figures in some countries were a little bit lower than before – for example in the *US*, in the *United Kingdom* and in the *euro zone* as a whole – but underlying inflationary pressure remains elevated in most countries. The WES experts expect a world-wide average inflation of 4.0% this year compared to a rise of 3.8% anticipated in the previous quarter. However, the recent strong falls of oil and commodity prices are not included in the survey.

#### Western Europe: Economic climate clouded

The economic climate indicator for *Western Europe* deteriorated for the first time since early 2009 (see Figure 3). Both the present economic situation but mainly the economic expectations for the next six months have been downgraded considerably (see Figure 4). The same pattern applies to

Figure 3



According to the latest WES results, the current economic situation is judged as good in *Germany, Austria, Estonia and Finland* (see Figures 5a and 5b). While the assessments in *Austria and Estonia* have been upgraded over the previous survey, they remain unchanged in *Finland* and deteriorated marginally in *Germany*. The economic expectations for the next six months have been downgraded considerably in

the WES experts. In *Cyprus and Italy* no further improvement is expected in the next half year. The economic expectations in the *United Kingdom* have been downgraded considerably in comparison to the survey in April. However, they remain positive and some strengthening of the export sector in the second half of the year is expected. The situation for the remaining countries of the *euro zone – Greece,*

*Germany, Finland and Austria.* Nevertheless, they remain positive in *Finland*; in *Estonia*, where the expectations have been revised upwards, they remain optimistic. In both countries WES experts expect further strengthening of the export sector. In *Germany and Austria*, in contrast, WES experts are somewhat more cautious regarding future development. The economic experts in *Belgium, the Netherlands, France, Luxembourg, Malta and Slovakia* rated the present economic situation as still “satisfactory”. The expectations for the next six months in most of these countries have been downgraded somewhat but remain in positive territory in *Belgium, the Netherlands and in Luxembourg*; in *France and Slovakia* the WES experts are even fairly confident regarding the six-month outlook and expect a further strengthening of capital expenditures in both countries and in *Slovakia* of private consumption additionally. In contrast, the WES experts in *Malta* expect deterioration of the economic situation in the coming six months. In *Slovenia*, the present economic situation is still regarded as unfavourable albeit some improved over the previous survey. The expectations for the next six months remain fairly confident, with an expected strengthening of capital expenditures. In *Cyprus, Italy and the United Kingdom* the present economic situation is regarded as “poor” according to



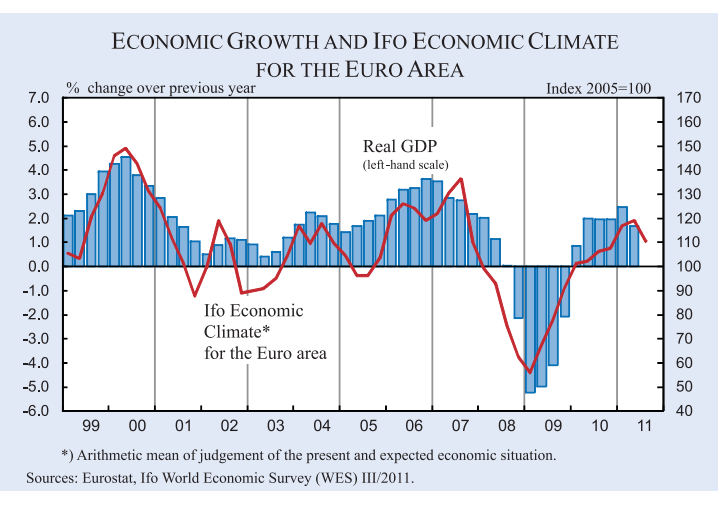
## Box 2

### World Economic Survey (WES) and GDP Growth in the Euro Area

The Ifo World Economic Climate for the 17 member countries of the euro area is the arithmetic mean of the assessments of the general economic situation and the expectations for the economic situation in the coming six months. The July results are based on the responses of 274 experts. As a rule, the trend of the Ifo Economic Climate indicator correlates well with the actual business-cycle trend for the euro area – measured in annual growth rates of real GDP (see Figure).

The Ifo indicator for the economic climate in the euro area has fallen in the third quarter for the first time since the beginning of 2009 and now stands only slightly above its long-term average. The assessments of the current situation are somewhat less positive compared to the second quarter of 2011. Above all the expectations for the coming six months weakened noticeably. Economic activity in the euro area is entering a difficult phase.

The current economic situation continues to be assessed as “excellent” in Germany, as “good” in Austria, Finland and Estonia and as “favourable” in Belgium. In France, the Netherlands and in Slovakia, the current economic situation has been assessed as “satisfactory” by the WES experts. The general economic situation has worsened above all in Cyprus. Here, as in Italy, it is appraised as “unfavourable”. In Ireland, Spain and Portugal, the economic experts have given the present economic situation even worse notes than in the previous quarter, i.e. it is very weak. Again, Greece received the worst appraisals on the WES scale. The expectations for the coming six months in the euro area are considerably less confident over the previous survey. In many countries a worsening of the economic situation is expected. In contrast, the expectations in Spain, Ireland, and France are increasingly pointing upwards. In the Eastern European euro member states (Estonia, Slovakia and Slovenia) the outlook remains confident.



Ireland, Portugal and Spain – has hardly changed. The WES experts continue to assess the present situation as very poor. Greece and Portugal even received the lowest mark on the WES scale. For the next six months the surveyed economic experts in Portugal remain very pessimistic and the Greece experts are cautious regarding the economic development. In both countries private consumption and in Portugal additional capital expenditures are

expected to remain subdued. In contrast, the economic expectations in Spain and Ireland are somewhat more positive, even to a higher degree than in the previous survey. In Ireland, Greece and Portugal the WES experts expect a rebound in the export sector.

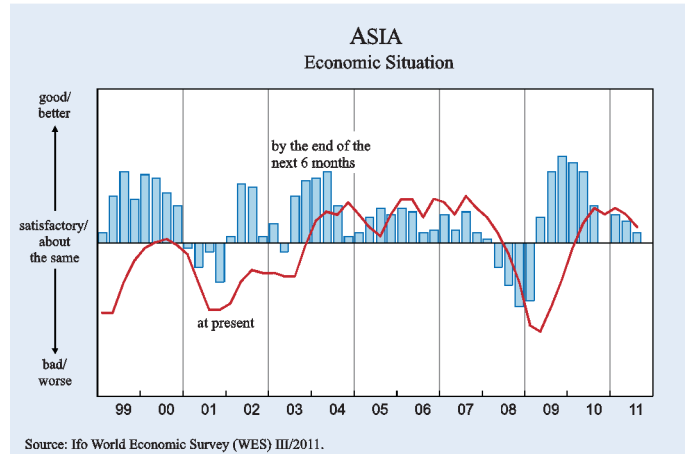
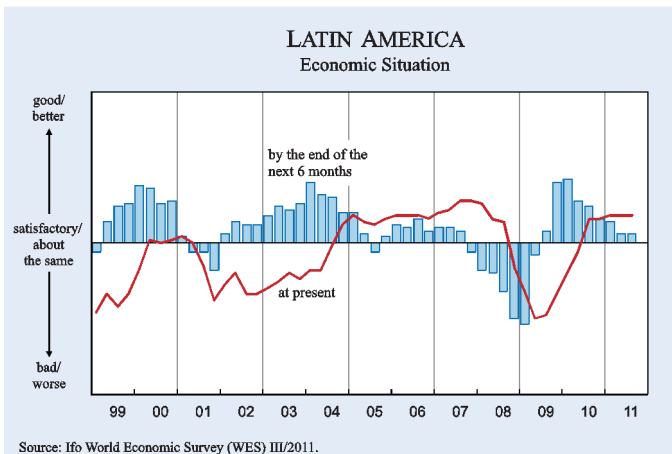
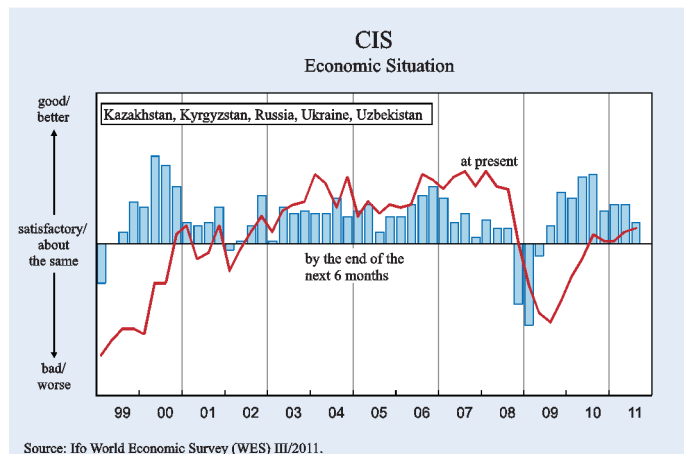
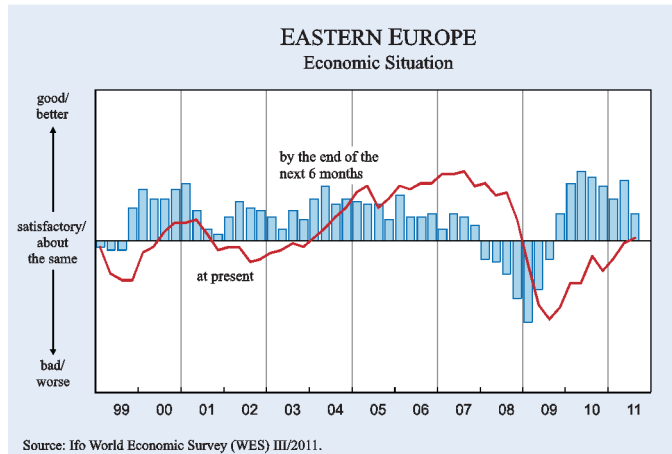
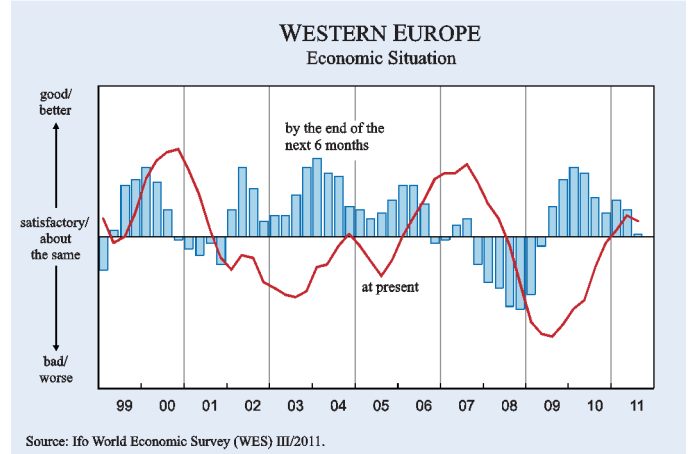
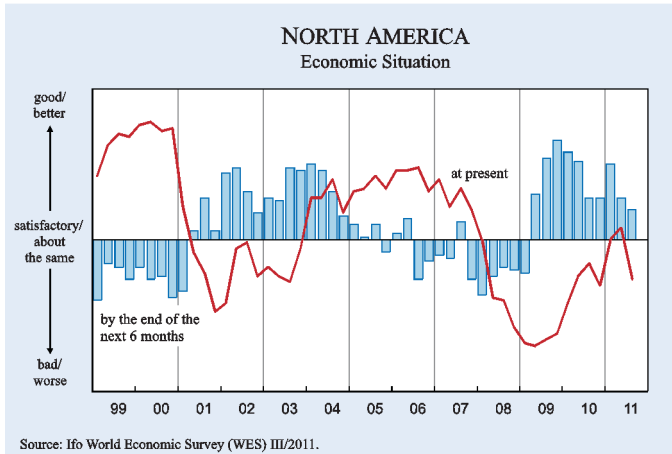
Outside the euro area, a favourable present economic situation prevails in Norway, Sweden, Switzerland and Monaco. The economic outlook for the next six months remains fairly confident in Norway and Monaco. In contrast, the economic expectations in Switzerland and Sweden have been downgraded considerably over the previous survey and WES experts are now cautious in Sweden and rather pessimistic in Switzerland regarding future economic development. In Denmark, the assessments of the present economic situation have been downgraded and are now seen as unfavourable. However, for the coming six months some improvement with a strengthening of the export sector is anticipated. In Iceland, WES experts assess the present economic situation as still weak. For the coming six months they see no room for improvement.

### North America: Economic climate deteriorates further

The economic climate indicator in North America declined further and slipped below its long-term average of 92.2 in the period 1995–2010 (see Figure 3). The assessments of both the present situation and the economic expectations have been downgraded, with the current economic situation even substantially clouded (see Figure 4). This is especially true for the United States. The present economic situation is now rated as weak according to the WES experts. Also the

Figure 4

## SELECTED REGIONS



expectations have been downgraded somewhat, but remain in positive territory (see Figure 6). The uncertainty regarding the settlement of the debt dispute in the end of July one week before the poll ended, led to a slight stronger downgrade of the economic expectations. In *Canada* both the present situation and the economic expectations have been downgraded somewhat, but still remain at a favourable level.

### **Eastern Europe: Further improvement of present economic situation**

The economic climate indicator in *Eastern Europe* deteriorated again after the strong rise in the second quarter this year, due to considerably less positive expectations. In contrast, the present economic situation improved somewhat over the previous survey and is still regarded as satisfactory (see Figures 4 and 7).

The WES experts in the *Czech Republic, Poland* and *Lithuania* rated the current economic situation as favourable. In *Lithuania* the economic expectations for the next six months have been upgraded considerably and are now regarded as highly optimistic by the surveyed experts. Capital expenditures, private consumption and the export sector are expected to strengthen further in the next half of the year. In contrast, the economic outlook for *Poland* and the *Czech Republic* has been downgraded remarkably over the previous survey but still remains in positive territory. In *Latvia* the assessments of the present economic situation have been upgraded somewhat and are now seen as “satisfactory”. For the coming six months no major changes are anticipated. In *Bulgaria, Hungary* and *Romania* the present situation is regarded as unfavourable, but at least the outlook for the coming six months remains in positive territory in all these countries. In *Bulgaria*, also the export sector is expected to strengthen further according to the surveyed economic experts.

The economic situation in the region outside the *EU* is assessed as unfavourable in *Albania* and as still very weak in *Croatia* and *Serbia*. However, for the next six months some improvement is expected in all these countries, especially in *Croatia*, where a strengthening of capital expenditures, private consumption and the export sector is anticipated.

### **CIS: Less positive expectations**

The economic climate indicator for *CIS* countries covered by WES (*Russia, Ukraine, Kazakhstan* and *Kyrgyzstan*) deteriorated somewhat. While the present situation improved marginally, retaining its satisfactory level, the economic expectations for the next six months deteriorated, but still remain in positive territory (see Figure 4).

This pattern applies particularly to *Russia*. The assessments of the present economic situation improved somewhat and have now reached a favourable level. The expectations for the next six months remain positive, although to a lesser degree than in the previous survey (see Figure 6). In *Kazakhstan* both the present economic situation and the economic expectations improved somewhat over the previous survey and remain on a favourable level. In contrast, in *Kyrgyzstan* the economic performance seems unimproved and macroeconomic development is expected to remain subdued in the coming months, according to the WES experts. In the *Ukraine*, the present economic situation improved somewhat, but is still regarded as unfavourable by the surveyed economic experts. However, for the next six months some further improvement is expected.

### **Asia: Some economic cooling**

The economic climate indicator in *Asia* dropped further, but at 94.7 still stands above its long-term average (1995–2010: 90.7). Both the present economic situation and the economic expectations have been similarly downgraded and are pointing to some economic cooling (see Figures 3, 4 and 8).

In *Hong Kong, Singapore* and *Sri Lanka* the current economic situation was assessed as particularly favourable. However, the economic expectations have been considerably downgraded over the previous survey, but they remain positive in *Singapore* and *Sri Lanka*. In contrast, WES experts in *Hong Kong* have a more cautious view on the future economic development for the next six months. In the *Philippines, Malaysia, South Korea, India, Indonesia* and *Taiwan*, the current economic situation was rated as good by the surveyed economic experts, although in *India* and *Indonesia* to a considerably lesser degree than in the previous survey. The economic outlook for the next six months remains positive – despite remarkable

downwards revisions – in all these countries, with the exception of *Malaysia*, where WES experts have a more cautious view on future economic performance for the next half of the year. The export sector is foreseen to pick up further in *India*, *Indonesia* and *South Korea*. In *Bangladesh*, *China* and *Thailand* the current economic situation has been assessed as satisfactory, although to a lesser degree than earlier this year. The economic expectations in *Bangladesh* and *Thailand* have been revised considerably upwards and are now more confident than in the second quarter. In contrast the *Chinese* WES experts retain their caution regarding the development in the second half of the year. In *Vietnam*, the situation has not changed. The current economic situation is still regarded as unfavourable and will remain so in the coming six months, according to the WES experts. *Japan* is still struggling with the aftermath of the earthquake and tsunami. The present situation was assessed as unimproved. Nevertheless, the economic expectations have been revised considerably upwards and are now rather optimistic. Capital expenditures, private consumption and the export sector are expected to rebound in the second half of the year. In *Pakistan* the present situation is still assessed as very poor, despite some improvement over the previous survey. For the coming six months WES experts see no room for improvement.

### **Oceania: Economic expectations upgraded**

*Oceania* is the only region in which the expectations – compared to the previous quarter – have become more positive. However, the economic climate indicator deteriorated somewhat due to the remarkable downgrade of the present economic situation. This is especially true for *Australia* (see Figure 6). The current economic situation has been revised considerably downwards, but still remains on a favourable level. The economic outlook continues to be positive – even to a higher degree than earlier this year. In *New Zealand* the WES experts still assess the present economic situation as unfavourable. However, for the second half of the year the surveyed economic experts are fairly confident and expect mainly capital expenditures and the export sector to strengthen strongly.

### **Latin America: Unchanged economic climate**

In *Latin America* the economic climate indicator has not changed. Both the assessments of the present

situation, as well as the economic expectations remain at the same favourable level as in the previous survey (see Figures 4 and 9).

In *Argentina*, *Chile*, *Paraguay*, *Peru* and *Uruguay* a highly favourable present economic situation prevails. The economic expectations have been revised downwards in all these countries with the exception of *Uruguay*. However, the economic outlook in *Chile*, *Paraguay* and *Uruguay* remains positive. In contrast, WES experts in *Peru* and *Argentina* have a more cautious view on future economic performance. The surveyed economic experts in *Brazil* and *Colombia* continue to assess a favourable present economic situation, including a strong private consumption. The economic expectations for the next six months in *Colombia* have been upgraded considerably and are now optimistic. In *Brazil*, the economic expectations continue to point to an economic stabilization at current levels. In *Mexico*, *Costa Rica*, the *Dominican Republic*, *Ecuador* and *Panama*, the surveyed experts rate the economic situation again as “satisfactory”. While in nearly all these countries the assessments of the present situation remained unchanged, the situation deteriorated slightly in *Mexico*, probably due to its strong link to the *United States*. The outlook for the coming six months remains positive in all these countries – in the *Dominican Republic*, *Ecuador* and *Panama* even to a higher degree than in the second quarter. The current economic situation in *El Salvador*, *Bolivia* and *Guatemala* is regarded as unfavourable by WES experts. The economic performance in the next half year is expected to remain about the same in *Bolivia* and *Guatemala*. Only WES experts in *El Salvador* expect some improvement in coming months. In *Cuba*, *Trinidad and Tobago* and *Venezuela* the present economic situation is assessed as very weak. For the next six months, some improvement is expected in *Venezuela* and *Trinidad and Tobago*. In contrast WES experts in *Cuba* don’t anticipate any substantial changes of the economic situation.

### **Near East: Economic climate indicator declines somewhat**

The economic climate indicator in the *Near East* deteriorated again after its strong rise and reaching its highest peak ever in April 2011. Both the current situation as well as the six-month outlook deteriorated markedly (see Figure 10). However, a

favourable economic climate still prevails. In *Israel* and *Saudi Arabia* a highly favourable and in *Turkey* at least a favourable present economic situation predominates. The expectations for the coming six months in all these countries are positive, in *Saudi Arabia* even fairly confident. In *Bahrain*, *Kuwait*, *Lebanon* and the *United Arab Emirates* the current economic situation has been assessed as satisfactory by the surveyed economic experts. The economic outlook for the next six months continues to be fairly confident in all these countries. In *Iran* a weak economic performance has been observed. Within the next six months WES experts don't assume any substantial improvement regarding the economic performance.

#### **Africa: No unified economic trend**

The countries of the *African* region display a very differing pattern concerning the economic climate. Thus, an aggregated climate index for the countries surveyed by WES on this continent still makes little sense, and the following analysis will focus on particular economic trends in individual countries of *Northern* and *Sub-Saharan Africa*.

The current economic situation in the *Northern African* countries *Egypt* and *Tunisia* is still assessed as poor. In *Egypt* the economic outlook has been revised downwards and WES experts don't expect major changes of the economic situation in the coming six months. In contrast, the economic expectations in *Tunisia* have been considerably upgraded and are now optimistic. In *Morocco* some improvement regarding the present economic situation has been observed and it is now regarded as satisfactory. For the next six months, however, WES experts expect some weakening of the overall economy as well as of private consumption. In *Algeria*, WES experts continue to assess the current economic situation as favourable. The economic forecasts for the next six months have been downgraded somewhat, but still remain positive. Mainly the export sector is expected to strengthen somewhat.

The economic climate in *South Africa* cooled somewhat. Both the assessments of the present economic situation and the economic expectations have been downgraded considerably (see Figure 10). The present situation is now regarded as satisfactory and the economic outlook for the second half of the year remains positive, despite of the downwards revisions.

In *Chad*, *Rwanda* and *Zambia* the present economic situation is assessed as very good. While in *Rwanda* the assessments remain unchanged over the previous survey, they have been downgraded somewhat in *Zambia*. In all these countries the outlook for the coming six months remains positive, and in *Rwanda* it is even optimistic. Especially the export sector in *Rwanda* and *Zambia* is foreseen to strengthen strongly.

In *Congo Dem. Republic*, *Congo-Brazzaville*, *Mauritius*, *Niger* and *Sierra Leone* the economic situation is regarded as favourable according to the WES experts. The economic outlook for the next half year has been upgraded considerably in *Sierra Leone* and *Niger* and is now even optimistic. In both countries further strengthening mainly of private consumption and the export sector is expected in the coming six months. In *Mauritius* and *Congo-Brazzaville* the economic expectations remain in positive territory, despite some downwards revisions in *Congo-Brazzaville*. Also in *Congo Dem. Republic* the economic expectations deteriorated considerably and are now rather pessimistic.

In *Burundi*, *Gabon*, *Liberia*, *Malawi*, *Namibia*, *Nigeria*, *Senegal*, *Tanzania* and *Uganda* WES experts rated the present economic situation as "satisfactory". In nearly all countries it is expected that the economic situation will remain about the same in the next six months. In *Namibia* and *Nigeria*, the surveyed economic experts are even more confident regarding future development. Only in *Uganda* does the economic outlook for the second half of the year remain pessimistic, according to the WES experts.

The present situation in *Benin*, *Kenya*, *Lesotho* and *Sudan* is now assessed as unfavourable, due to considerable downwards revision in all countries with the exception of *Sudan*. There, already in the previous survey uncertainty prevailed because WES experts still awaited the official secession, which took effect on 9 July 2011. For the next six months the surveyed economic experts, who are all located in the north of *Sudan*, remain pessimistic regarding future economic development as it is not clear how the secession will affect both countries – *Sudan* and the newly founded *South Sudan*. In *Lesotho* no further improvement of the economic situation is expected within the next six months. In *Kenya*, the economic expectations are even pessimistic, according to the surveyed economic experts. Only in *Benin*

Figure 5a

# EUROPEAN UNION

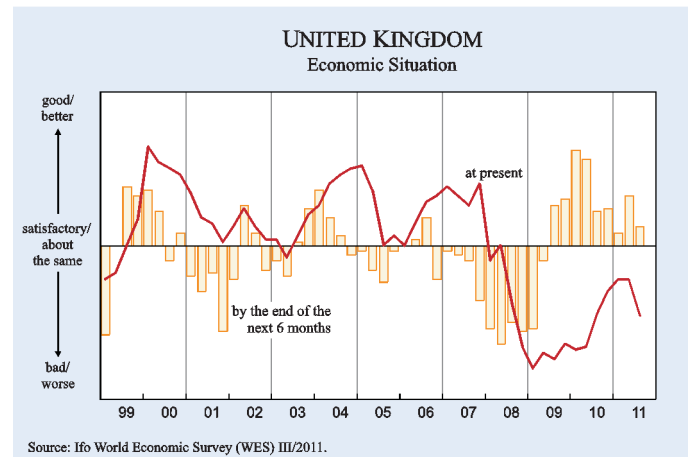
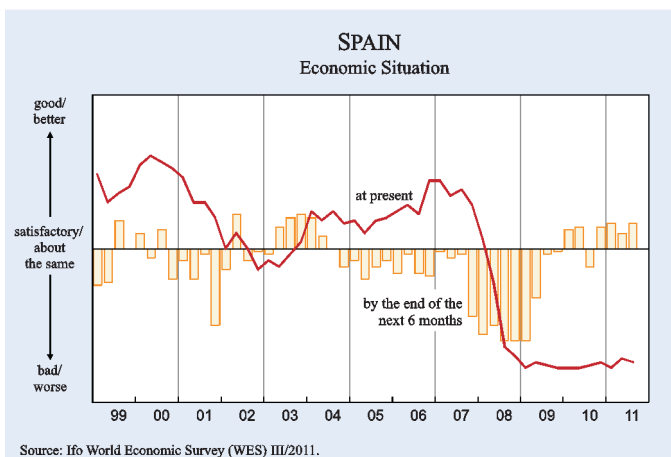
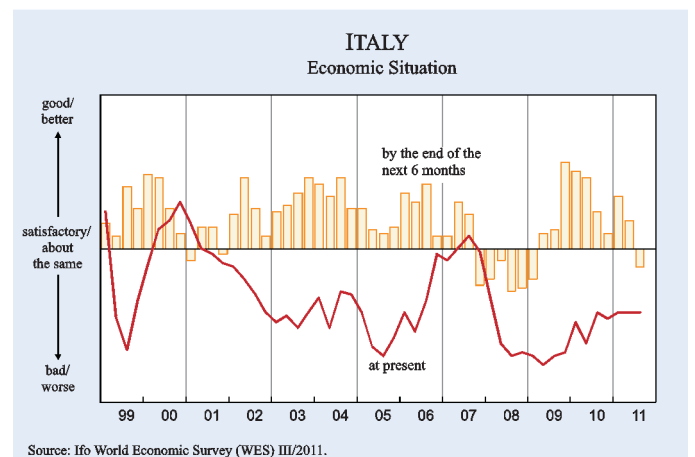
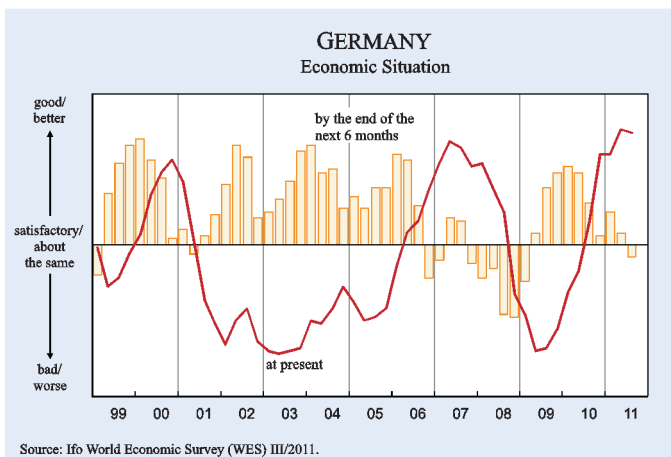
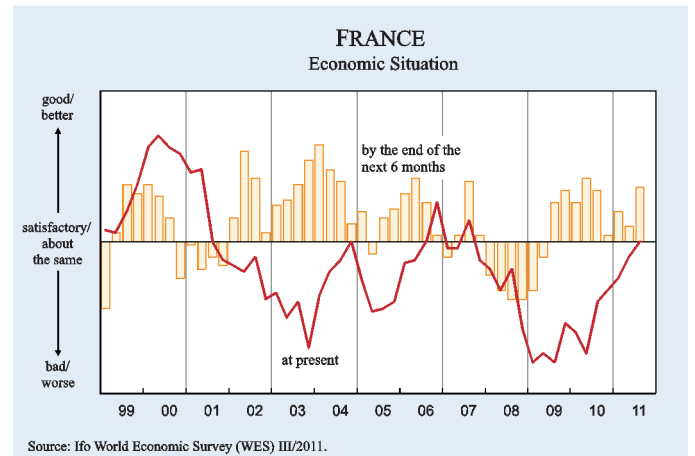
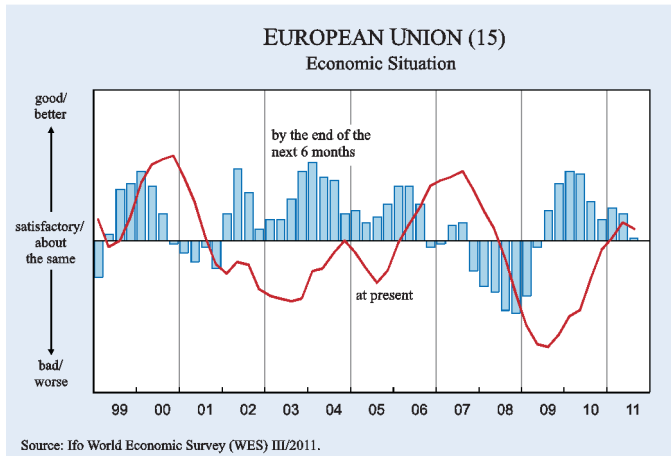


Figure 5b

# EUROPEAN UNION

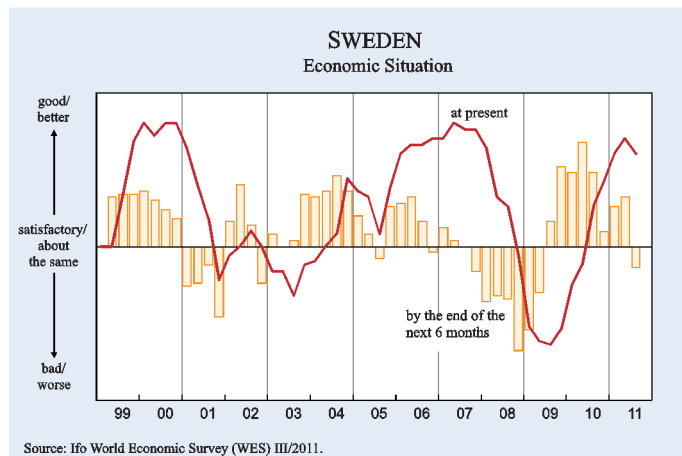
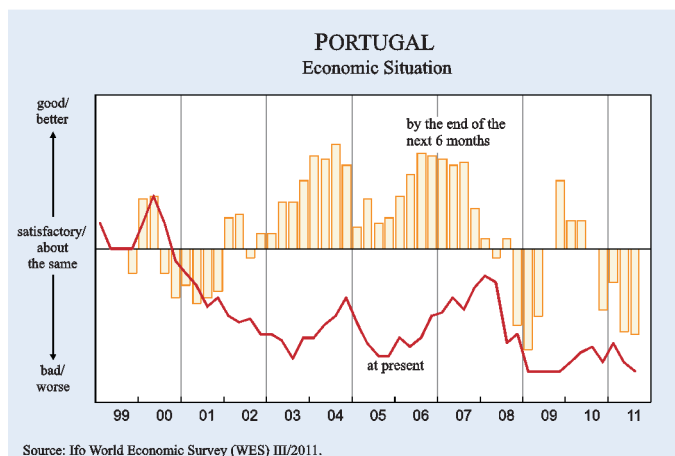
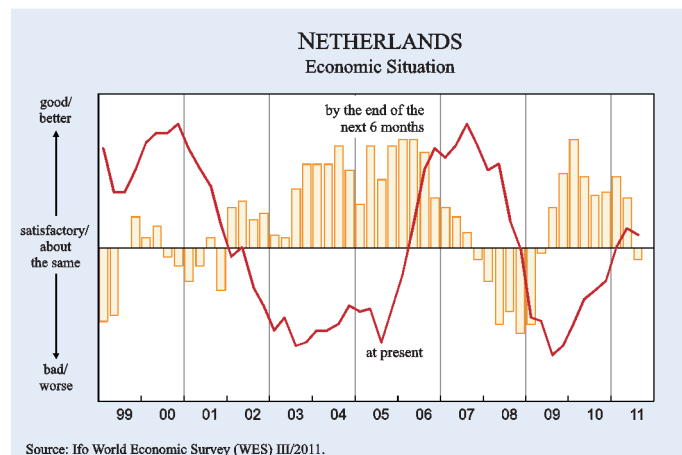
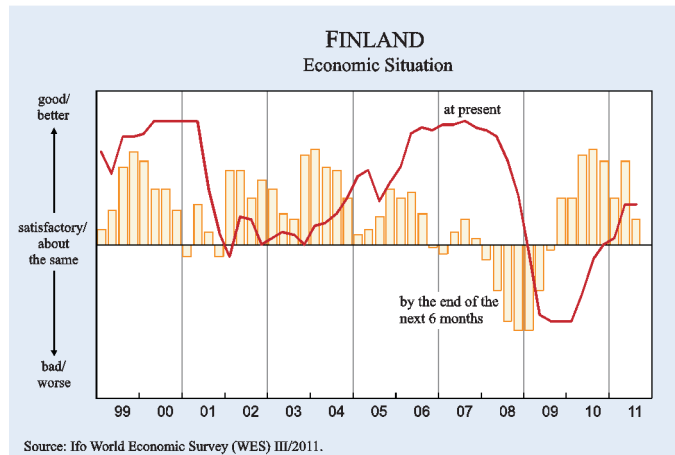
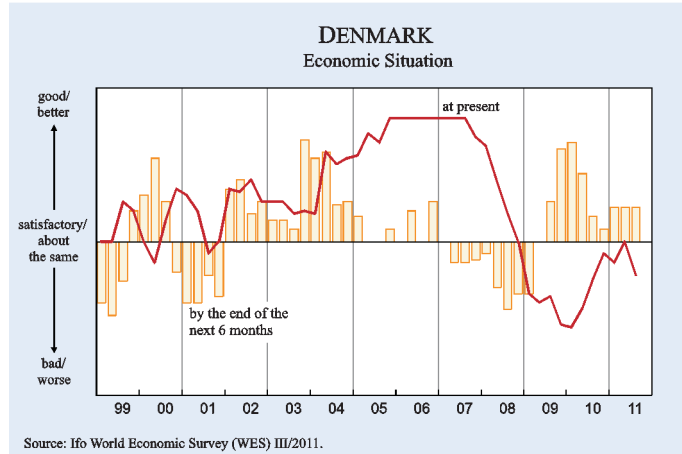
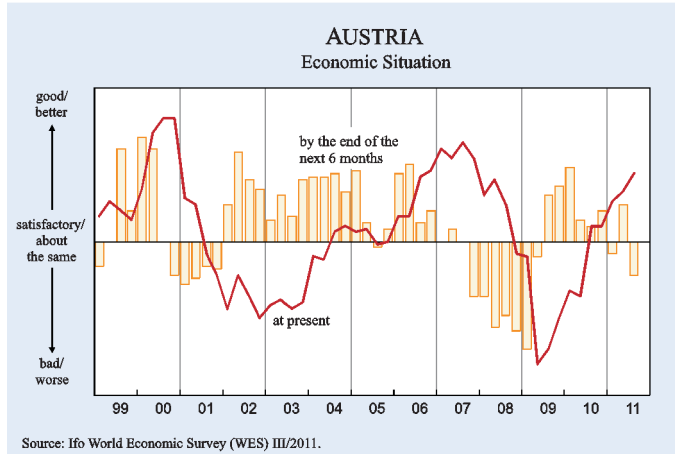


Figure 6

NORTH AMERICA, OCEANIA AND CIS

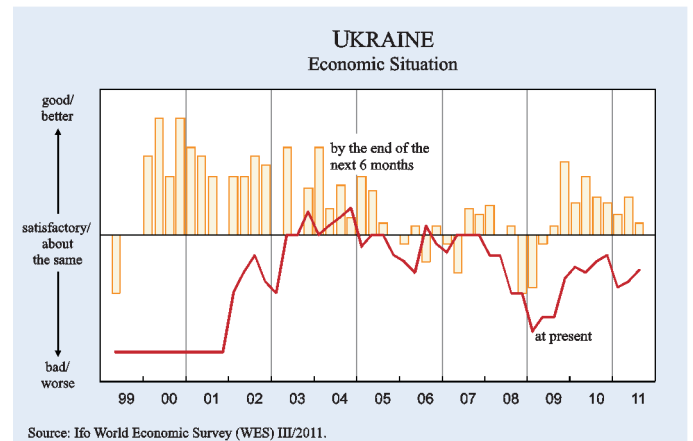
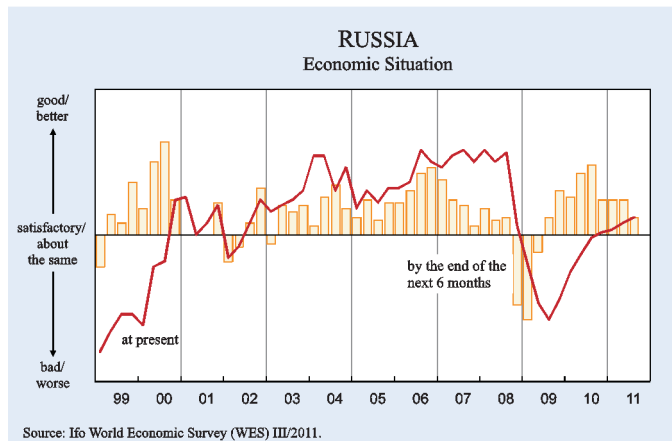
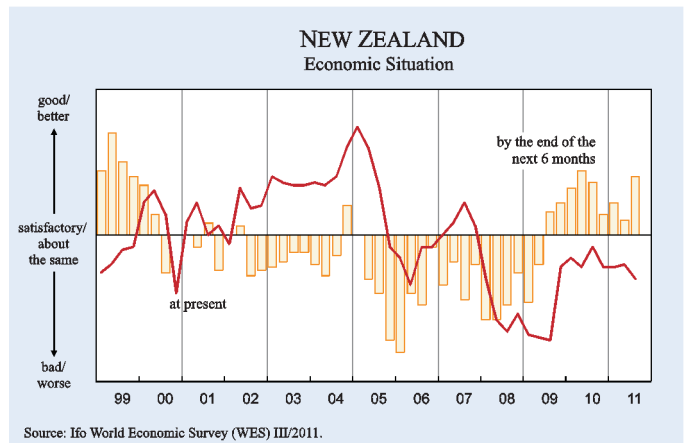
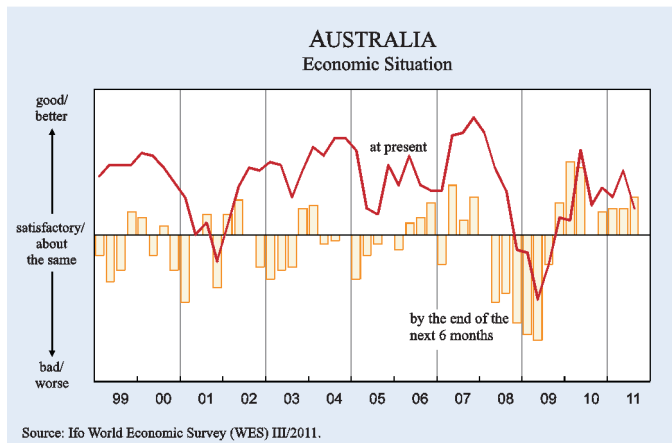
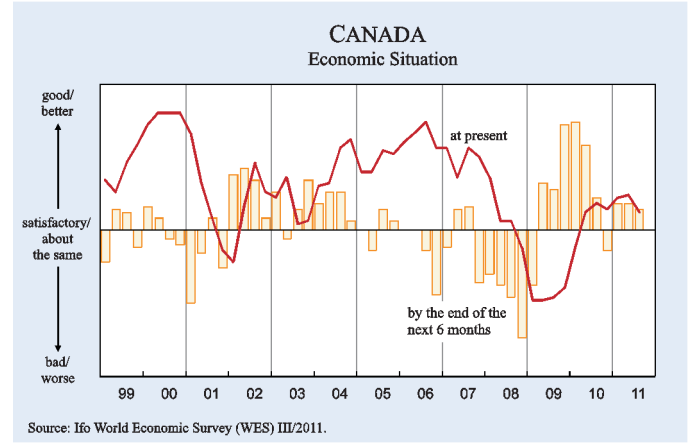
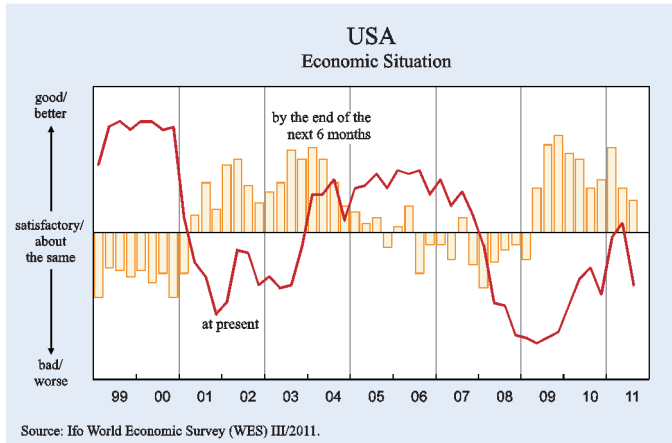




Figure 7

# EASTERN EUROPE

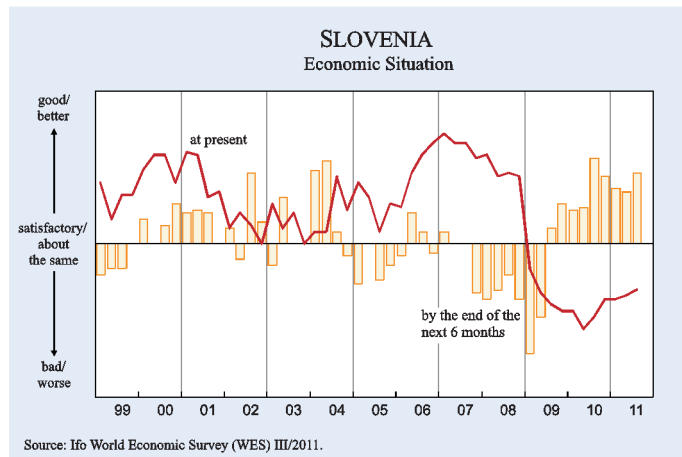
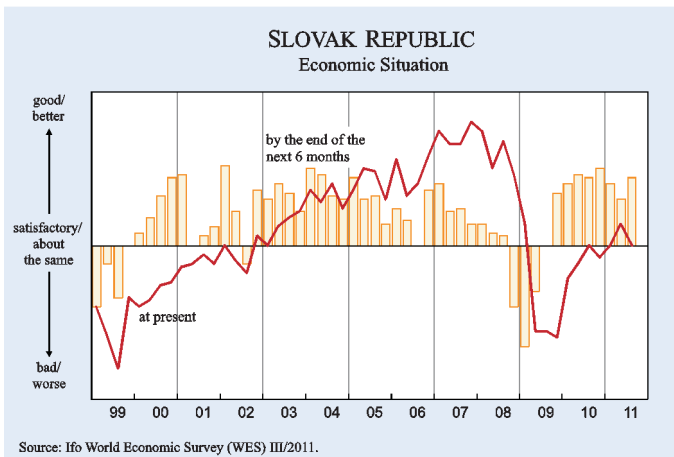
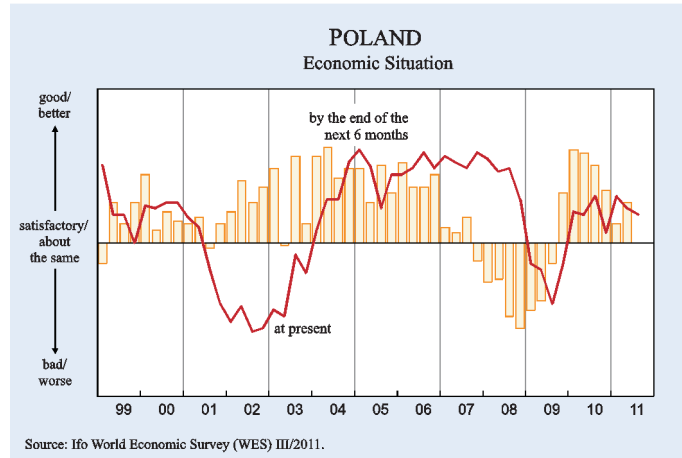
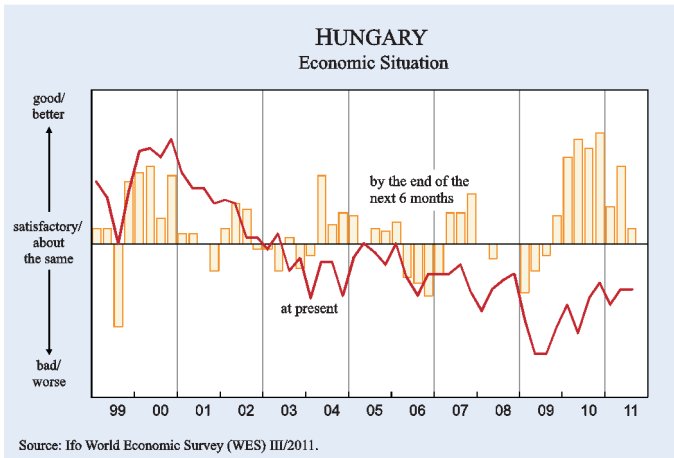
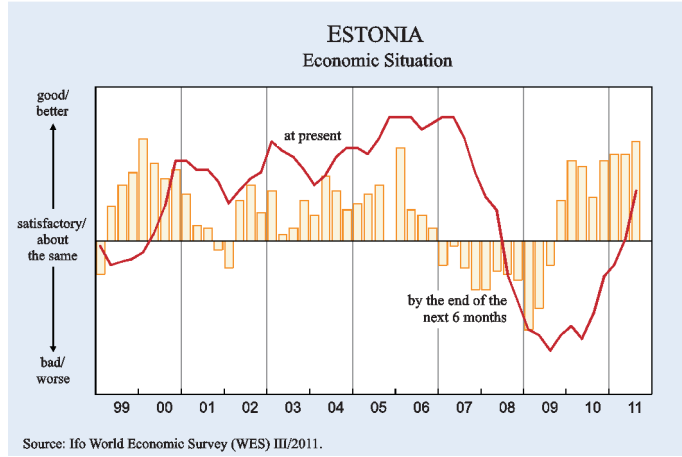
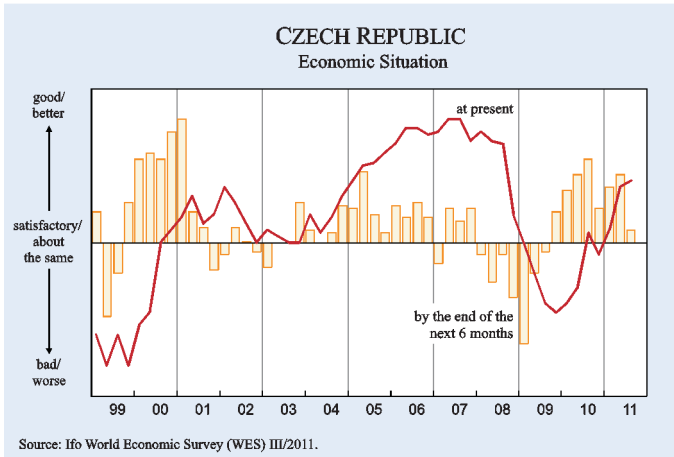


Figure 8

ASIA

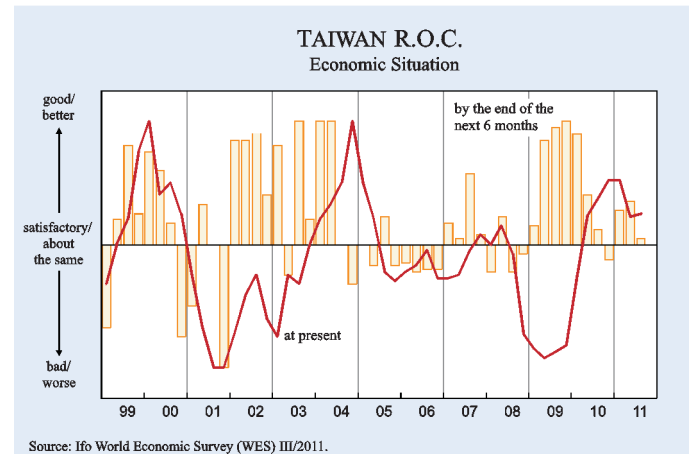
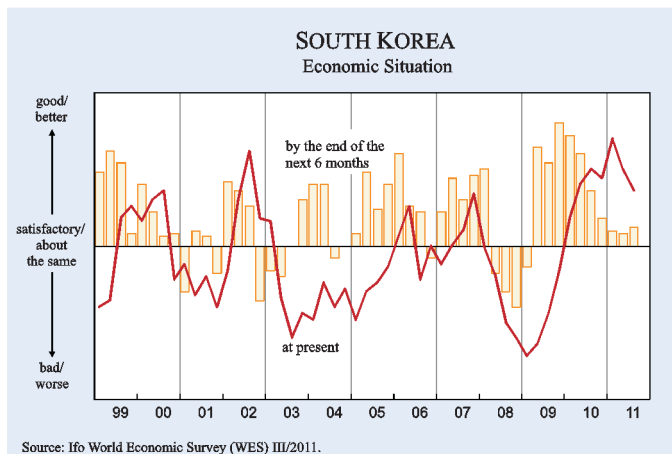
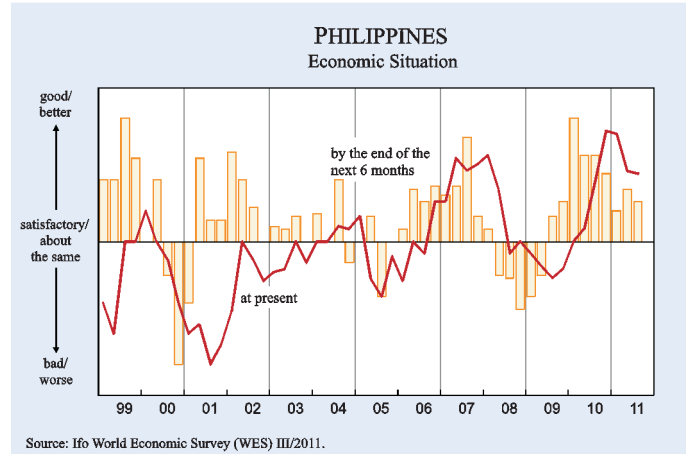
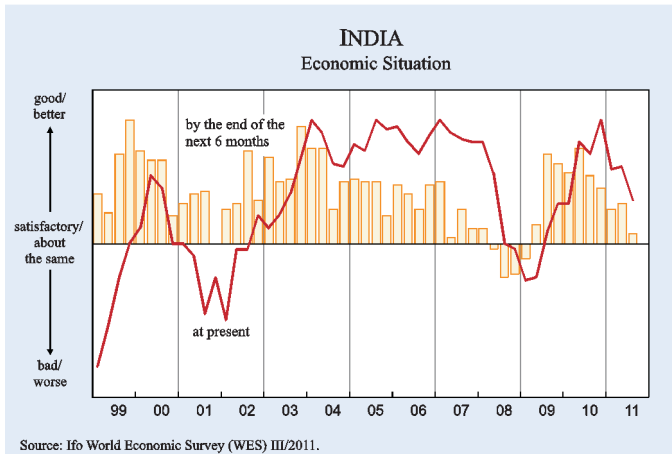
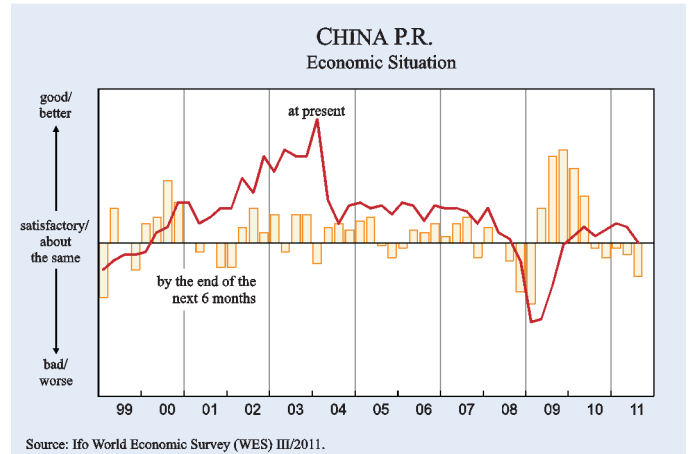
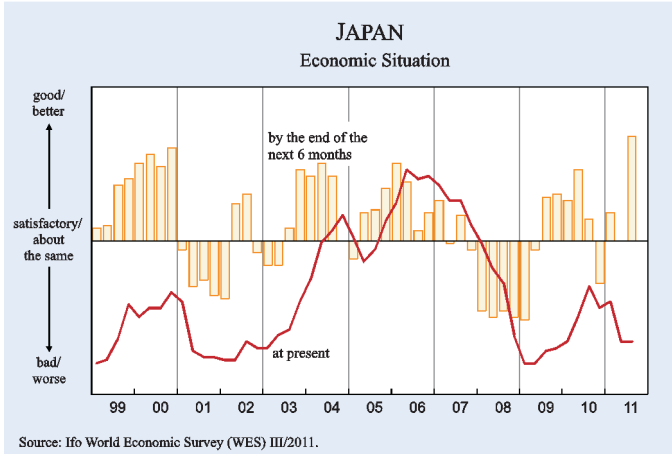


Figure 9

LATIN AMERICA

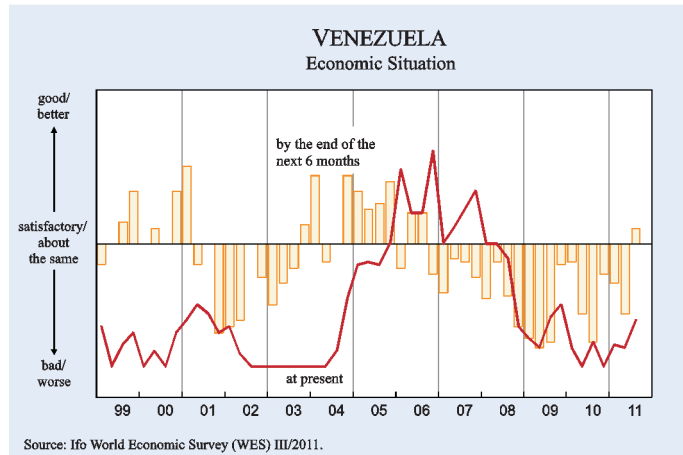
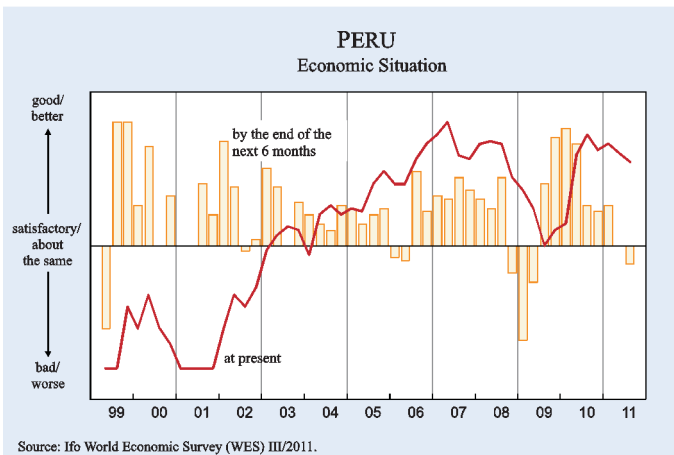
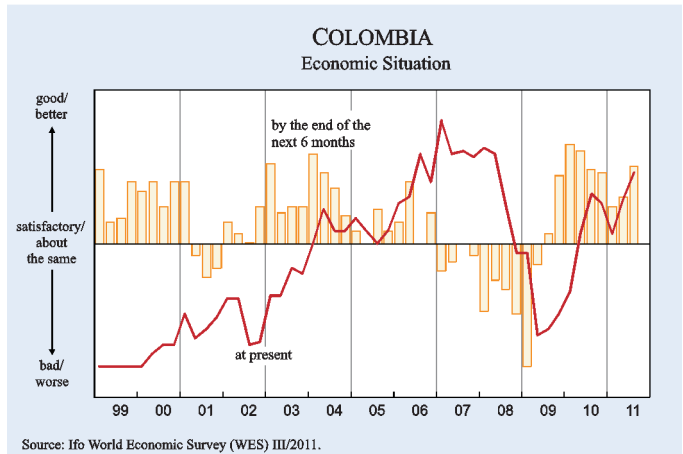
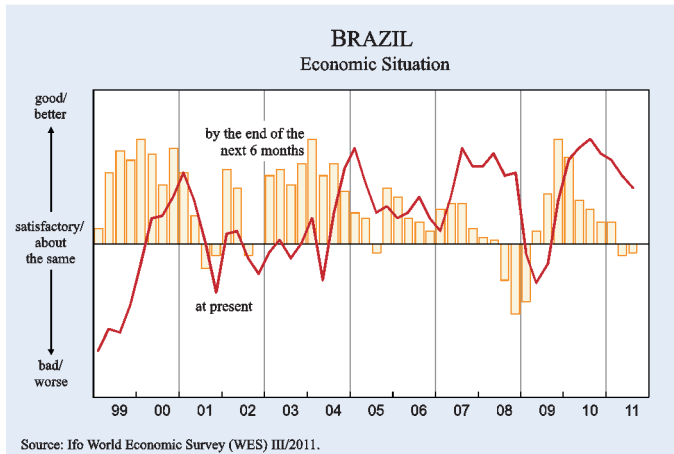
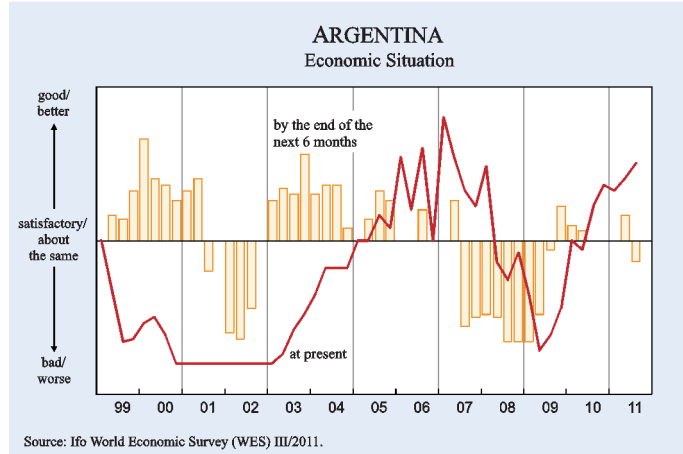
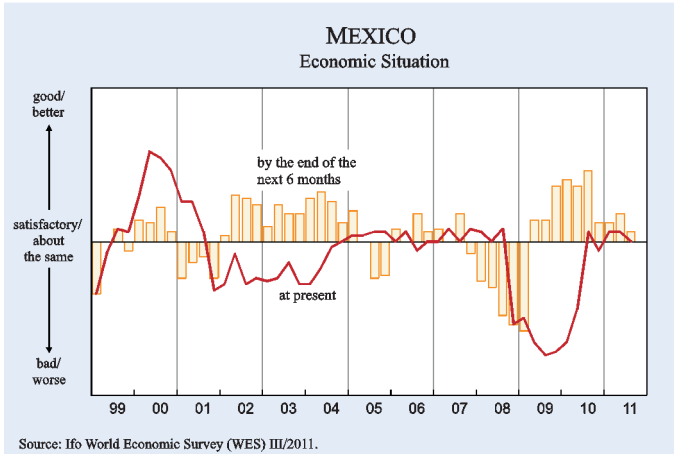
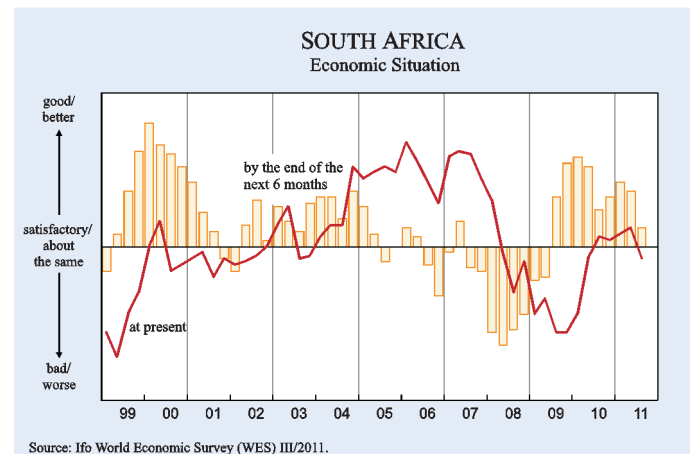
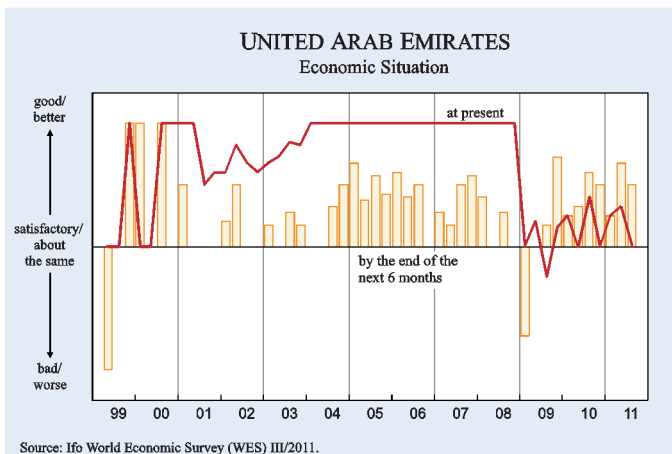
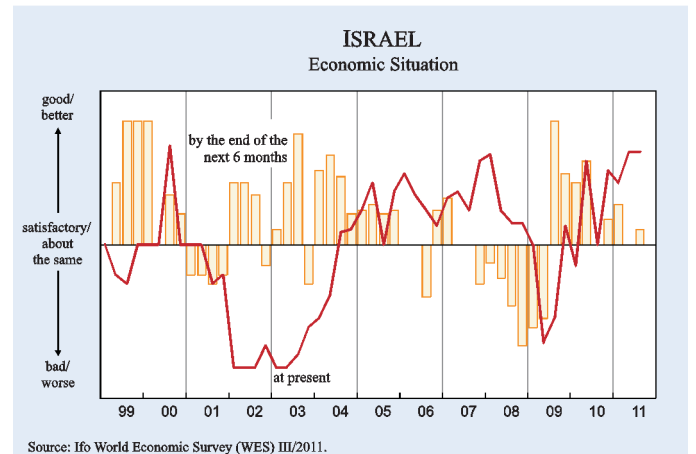
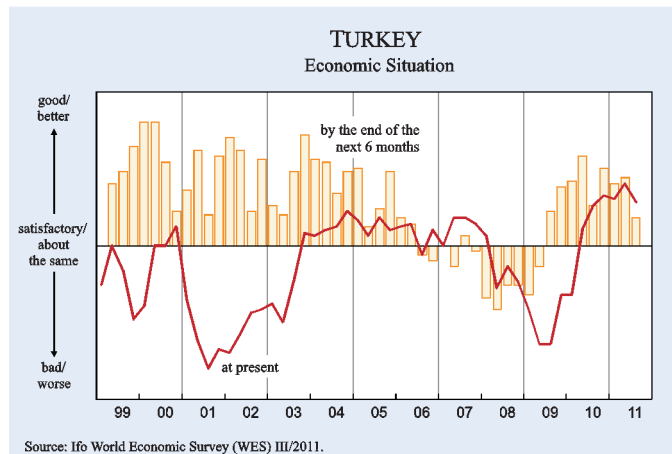
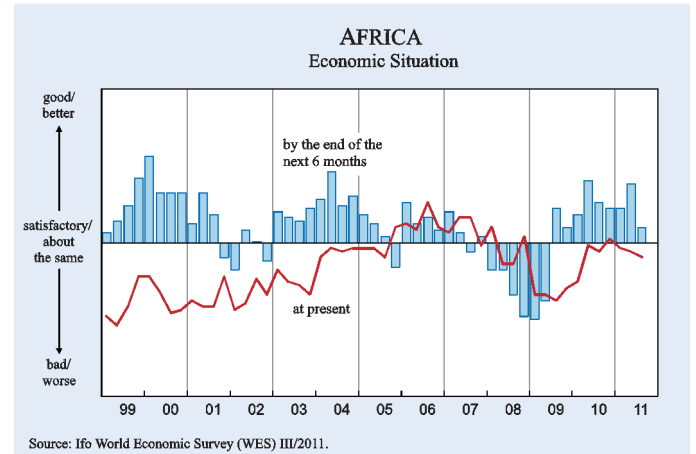
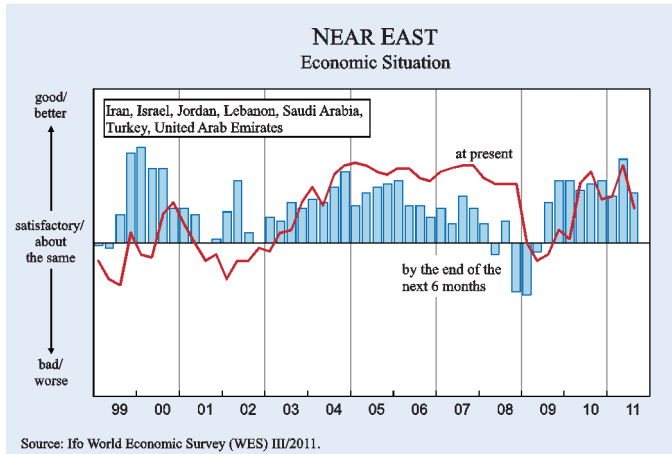


Figure 10

## NEAR EAST AND AFRICA



do the economic expectations for the second half of the year remain optimistic.

In *Comoros*, *Mauritania* and *Zimbabwe* the present economic situation has been assessed as weak and is expected to remain so in *Mauritania*. In contrast, in *Comoros* and *Zimbabwe* some improvement in the next six months is anticipated. The remaining *Sub-Saharan* countries *Burkina Faso*, *Ivory Coast*, *Madagascar*, *Swaziland* and *Togo* have been assessed by the surveyed economic experts with the lowest mark on the WES scale. The present situation is regarded as very poor. In the next six months in *Madagascar* and *Togo* no improvement of the economic performance is expected. The WES experts in *Swaziland* and *Burkina Faso* even forecast deterioration. At least in *Ivory Coast* a bettering of the economic situation in the next six months is anticipated.

### **Inflation pressure remains high despite some softening**

#### *General trends*

On a world-wide average, WES experts forecast for 2011 an annual inflation rate of 4.0% compared with 3.8% in the April survey and 3.4% at the beginning of the year (see Table 1). Thus, the extent of upward revisions in inflation expectations is shrinking. The expected slowdown of the inflation trend is also signalled by the results of another survey question focussing on the expected tendency of consumer prices in the coming six months. Here a significant smaller percentage of WES experts than in the previous survey expect further price increases in the coming six months.

#### *Price trends by regions and countries*

On average for the *euro area*, the expected inflation rate will be 2.6% in 2011 which is again clearly above the medium-term inflation objective of the ECB. However, the results of the additional question on the inflation tendency in coming six months point to some deceleration of consumer price inflation. Within the *euro area* the lowest inflation rates in 2011 are expected in *Slovenia* (2.1%), *France* (2.2%), *Ireland* and the *Netherlands* (each 2.3%) as well as in *Germany* (2.4%). Above the average of the *euro area* lie the expected inflation rates particularly in *Greece* (3.4%) as well as in *Portugal* and in *Finland* (each

3.3%). In the case of *Greece* and *Portugal* the increase of taxes and charges as part of the fiscal consolidation programme will lead also in 2011 – as already in 2010 – to the expected still relatively high inflation rate. In *Western Europe* outside the *euro area* by far the lowest inflation rate (1.0% in 2011) is again expected in *Switzerland*, where a strong appreciation of the *Swiss franc* appears to counterbalance inflationary pressures coming from the outside, mainly from prices for raw materials (including oil) and agricultural products.

In *Eastern Europe* inflation expectations picked up only moderately in the course of the previous three months. In *Serbia* inflation expectations (9.6%) remain the highest in the region followed by *Romania* (5.3%). The lowest inflation in 2011 will prevail, according to the WES experts' expectations, in the *Czech Republic* (2.1%) and in *Croatia* (2.5%).

In *North America*, the new inflation forecast both for the *United States* and *Canada* stands at 2.6% and is thus nearly unchanged over the forecast in the previous survey.

In *Asia* inflation expectations for 2011 continue their rise and have now reached 4.1% for 2011 after an expected 3.6% at the beginning of the year and 3.9% in the April survey. By far the highest inflation rates in the region prevail again in *Vietnam* (16.3%) and in *Pakistan* (14.9%). In *China* inflation expectations for 2011 picked up strongly from 4.9% to 5.5% despite a relatively restrictive monetary policy for more than a year. However, in the answers to the additional question on the expected price trend in the coming six months some success of the high interest rate policy of the *Chinese Central Bank* is becoming apparent: The percentage of WES experts in *China* expecting further price increases in the coming six months is clearly shrinking. In *India* the inflation outlook remained constant at 8.0% in 2011. The moderate inflation typical for *Taiwan* is expected to continue also in 2011 (2.0%). In *Japan* the deflationary process seems to be overcome but the expected price increase in 2011 is still negligible (0.4%).

In *Oceania* – both in *Australia* and *New Zealand* – inflation expectations for 2011 remained slightly above 3%.

In *Latin America* inflation expectations for 2011 declined somewhat from 7.9% to 7.4%. The coun-

Table 1

**Inflation Rate Expectations for 2011**  
(based on WES QIII/2011 and QII/2011)

Region	QIII/2011	QII/2011	Region	QIII/2011	QII/2011
<b>Average of countries*</b>	<b>4.0</b>	<b>3.8</b>	<b>North America</b>	<b>2.6</b>	<b>2.5</b>
High-income countries	2.9	2.7	Canada	2.6	2.4
Middle-income countries	7.5	7.3	United States	2.6	2.5
Upper-middle	7.6	7.3			
Lower-middle	7.3	7.3	<b>Latin America</b>	<b>7.4</b>	<b>7.9</b>
Low-income countries	9.9	9.7	Argentina	27.2	27.1
EU 27 countries	2.9	2.8	Bolivia	9.7	11.8
EU countries (old members) <sup>a)</sup>	2.8	2.7	Brazil	6.1	6.2
EU countries (new members) <sup>b)</sup>	3.7	3.7	Chile	4.0	4.5
Euro area <sup>c)</sup>	2.6	2.5	Colombia	3.6	3.4
			Costa Rica	(7.0)	(6.0)
<b>Western Europe</b>	<b>2.7</b>	<b>2.6</b>	Cuba	(4.0)	(4.0)
Austria	2.8	2.6	Dominican Republic	(8.0)	(6.0)
Belgium	3.3	3.1	Ecuador	4.1	3.8
Cyprus	2.9	2.7	El Salvador	4.4	3.7
Denmark	2.9	2.8	Guatemala	6.4	6.6
Finland	3.3	3.2	Mexico	4.3	4.6
France	2.2	2.1	Panama	5.0	(6.0)
Germany	2.4	2.3	Paraguay	8.0	8.6
Greece	3.4	3.5	Peru	3.1	3.4
Iceland	(4.0)	2.8	Trinidad and Tobago	(10.0)	14.0
Ireland	2.3	1.9	Uruguay	8.2	7.9
Italy	2.5	2.3	Venezuela	29.3	27.9
Luxembourg	3.1	(3.3)			
Malta	(3.0)	(3.0)	<b>Near East</b>	<b>6.4</b>	<b>4.3</b>
Monaco	(2.0)	(2.0)	Bahrain	(3.0)	–
Netherlands	2.3	2.2	Iran	(20.0)	–
Norway	2.1	2.2	Israel	3.2	3.4
Portugal	3.3	2.9	Jordan	–	(5.5)
Spain	2.8	3.0	Kuwait	(4.5)	(5.5)
Sweden	2.6	2.6	Lebanon	(6.0)	(5.5)
Switzerland	1.0	1.0	Saudi Arabia	6.3	3.9
United Kingdom	4.4	4.3	Syrian Arab Republic	–	(6.5)
			Turkey	7.1	6.6
<b>Eastern Europe</b>	<b>3.8</b>	<b>3.7</b>	United Arab Emirates	3.0	2.9
Albania	4.2	4.2			
Bulgaria	4.5	5.1	<b>Africa</b>	<b>7.0</b>	<b>7.5</b>
Croatia	2.5	2.6	<b>Northern Africa</b>	<b>5.5</b>	<b>6.7</b>
Czech Republic	2.1	2.2	Algeria	4.4	4.5
Estonia	4.6	4.2	Egypt	11.7	14.7
Hungary	4.1	4.2	Morocco	2.1	3.1
Latvia	5.2	4.3	Tunisia	4.8	4.5
Lithuania	3.8	3.6	<b>Sub-Saharan Africa</b>	<b>8.0</b>	<b>8.0</b>
Poland	4.2	3.9	Benin	2.5	3.0
Romania	5.3	5.5	Burkina Faso	(2.0)	(4.0)
Serbia	9.6	8.9	Burundi	12.1	9.0
Slovakia	4.0	3.6	Comoros	3.8	(5.4)
Slovenia	2.1	2.3	Congo Dem. Rep.	16.1	13.0
			Congo-Brazzaville Rep.	2.7	3.3
<b>CIS</b>	<b>9.8</b>	<b>10.0</b>	Gabon	(5.0)	(4.7)
Kazakhstan	8.7	8.9	Ghana	–	(9.0)
Kyrgyzstan	15.7	19.3	Ivory Coast	5.0	(7.0)
Russia	9.5	9.7	Kenya	15.3	11.4
Ukraine	12.5	11.7	Lesotho	4.7	5.5
			Liberia	7.8	8.4
<b>Asia</b>	<b>4.1</b>	<b>3.9</b>	Madagascar	9.2	9.2
Bangladesh	9.1	9.4	Malawi	(9.0)	(10.0)
China	5.5	4.9	Mauritania	8.5	7.5
Hong Kong	5.1	4.6	Mauritius	5.9	6.2
India	8.0	8.0	Namibia	5.4	5.2
Indonesia	6.3	6.4	Niger	3.7	2.3
Japan	0.4	0.3	Nigeria	12.0	11.6
Malaysia	3.6	3.3	Rwanda	5.0	7.7
Pakistan	14.9	17.1	Sierra Leone	14.7	14.1
Philippines	4.9	4.5	South Africa	5.3	5.1
Singapore	4.3	(4.0)	Sudan	19.2	19.6
South Korea	4.3	4.5	Swaziland	6.8	6.7
Sri Lanka	8.5	8.5	Tanzania	(6.0)	9.0
Taiwan	2.0	2.2	Togo	(2.0)	(2.1)
Thailand	3.9	3.9	Uganda	12.0	8.3
Vietnam	16.3	12.5	Zambia	9.8	9.4
			Zimbabwe	5.0	5.8
<b>Oceania</b>	<b>3.3</b>	<b>3.3</b>			
Australia	3.3	3.3			
New Zealand	3.1	3.5			

\* Within each country group or region the country results are weighted according to the share of the specific country's exports and imports in the total world trade. – ( ) The data in brackets result from few responses. – <sup>a)</sup> Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom. – <sup>b)</sup> Czech Rep., Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia, Slovakia, Bulgaria and Romania. – <sup>c)</sup> Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Spain, Slovenia, Slovakia.

Source: Ifo World Economic Survey (WES) III/2011 and II/2011.

tries with the worst inflation outlook are still *Venezuela* (29.3%) and *Argentina* (27.2%). The countries with below-average inflation in 2011 will again be *Peru* (3.1%), *Colombia* (3.6%), *Chile* (4.0%) and *Mexico* (4.3%). In *Brazil*, despite a restrictive monetary policy and an appreciation of the currency, inflation expectations remain high for 2011 (6.1%).

In *CIS* countries inflation expectations for 2011 stabilised at a high level of around 10%. The relatively best inflation performance is seen in 2011 by WES experts in *Kazakhstan*, though an expected rate of 8.7% is still far from satisfactory. However, compared with this figure the inflation outlook in *Russia* is somewhat (9.5%) and in *Kyrgyzstan* by far worse (15.7%).

In the *Near East* the inflation outlook for 2011 deteriorated from 4.3% to 6.4%. The worsening of the inflation outlook is mainly due to *Saudi Arabia* where the inflation forecast for 2011 increased from 3.9% in the April survey to now 6.3%. In the *United Arab Emirates* as well as in *Israel* inflation is expected to remain moderate in 2011 (3.0% and 3.2% respectively). In *Turkey* the expected price increase in 2011 at 7.1% is somewhat higher than the average of the region.

In *Africa* the expected inflation rate for 2011 has slowed down slightly since April (from 7.5% to 7.0%). However, price trends in *Africa* are still very heterogeneous. Relatively low inflation rates for 2011 are again expected in *Niger* (3.7%) and *Benin* (2.5%). In a medium inflation bracket lie *Algeria* (4.4%), *Tunisia* (4.8%), *South Africa* (5.3), *Namibia* (5.4%) and *Swaziland* (6.8%). High inflation rates of 10% or more will predominate in 2011 according to WES experts particularly in *Kenya* (15.3%), *Nigeria* (12.0%), *Congo Dem. Rep.* (16.1%), *Sierra Leone* (14.7%), *Egypt* (11.7%) and *Sudan* (19.2%).

### Yen and euro are seen as somewhat overvalued

On a world-wide scale the exchange rates of two of the four currencies that constitute the Special Drawing Rights of the IMF – namely the *US dollar* and the *UK pound* – appear to be close to their fundamentally appropriate values. The other two lead currencies – the *Japanese yen* and the *euro* – are regarded by the majority of WES experts as overvalued (see Figure 11).

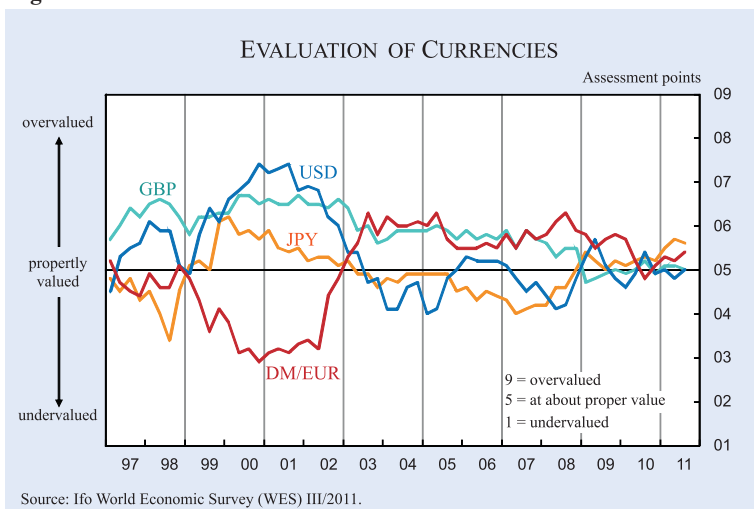
**Table 2**  
Legal and Administrative Restrictions for Foreign Firms

Absent	
Hong Kong	8.3
Sweden	8.3
Finland	7.9
Hungary	7.5
Uruguay	7.5
Cyprus	7.4
Ireland	7.4
Norway	7.4
Denmark	7.3
Austria	7.2
Portugal	7.2
Spain	7.2
Albania	7.0
Saudi Arabia	7.0
Rather low	
Chile	6.8
Namibia	6.7
Romania	6.7
Germany	6.6
Latvia	6.6
Netherlands	6.6
Sierra Leone	6.6
Belgium	6.5
Slovenia	6.5
France	6.4
United Kingdom	6.4
Colombia	6.3
Peru	6.3
Switzerland	6.2
Poland	6.1
Turkey	6.1
Israel	6.0
New Zealand	6.0
Canada	5.9
Slovakia	5.9
El Salvador	5.8
Mauritius	5.8
Kazakhstan	5.7
Malaysia	5.7
United States	5.7
India	5.6
Bulgaria	5.5
Australia	5.4
Czech Republic	5.4
Japan	5.4
Brazil	5.3
Mexico	5.0
Paraguay	5.0
South Korea	5.0
Sudan	5.0
Thailand	5.0
Italy	4.7
South Africa	4.5
Kenya	4.4
Croatia	4.3
Congo Dem. Rep.	4.2
Guatemala	4.2
Greece	4.1
Nigeria	4.1
Philippines	4.1
Pakistan	4.0
Rather high	
Taiwan	3.5
Benin	3.4
Egypt	3.4
Indonesia	3.4
Ukraine	3.4
Serbia	3.3
Ecuador	3.0
Lesotho	3.0
Venezuela	3.0
Argentina	2.8
China	2.8
Bolivia	2.6
Russian Federation	2.5
Zimbabwe	1.4

Only countries with more than four responses were included in the analysis. – WES scale: 9 – absent, 5 – low, 1 – high.

Source: Ifo World Economic Survey (WES) III/2011.

**Figure 11**



However, by countries there are big differences in currency evaluations: WES experts regard their own currency as generally **overvalued** in *Switzerland, Indonesia, Egypt* as well as in *South Africa*; on the other hand, experts assessed their own currencies as generally **undervalued** particularly again in *China* but also in *Bangladesh* as well as in the *Philippines*, in *Russia*, in *Turkey*, in *Sierra Leone* and also in *Venezuela*.

The answers to a supplementary survey question on the likely development of the *US dollar* in the next six months, regardless of how currencies are

assessed from a fundamental point of view, signal on a world-wide average a decline in the value of the *US dollar* in the course of the coming six months. However, behind this average are diverging trends: An expected **weakening** of the *US dollar* is expected particularly in some *Asian* countries (particularly *China, Singapore, Thailand* and the *Philippines*), in *Canada* as well as in *Russia*. These results contrast with an expected **increase** of the value of the *US dollar* in *Switzerland, Australia* and *New Zealand*, in *Japan*,

*Vietnam* and *Bangladesh*, in some *Eastern European* countries like *Albania, Croatia* and *Lithuania*, in the *CIS* countries *Kyrgyzstan* and the *Ukraine*, in most *Near East* countries as well as in most *African* countries including *South Africa*. In *Western Europe* as well as in *Eastern Europe* the value of the *US dollar* six months from now continues to be seen by the vast majority of WES experts as roughly **unchanged** or marginally lower.

**Fewer WES experts expect further increase of short- and long-term interest rates**

**Table 3**  
Assessment of the Following Factors Influencing the Climate for Foreign Investors in the Next Six Months

Climate due to	Change for the next six months*	
	Deterioration	Improvement
Legal/administrative restrictions to invest and/or to repatriate profits	Benin	Greece, Kenya, Romania, Saudi Arabia, Serbia, Sierra Leone
Political stability	Bulgaria, Congo Dem. Rep., El Salvador, Mexico, Paraguay, Serbia, Taiwan, Venezuela, Zimbabwe	Namibia, Nigeria, Saudi Arabia

For the countries that are not mentioned in the table, no major changes relating to the climate for foreign investors are expected during the next six months. Only countries with more than four responses were included in the analysis.

**Criteria for selection of countries:**  
Deterioration: WES grade between 1.0 and 3.5  
Improvement: WES grade between 6.0 and 9.0

Source: Ifo World Economic Survey (WES) III/2011.

The number of WES experts expecting a tightening of monetary policy in the course of the next six months has decreased for the first time since the end of 2010 (see Figure 13). This result is in line with the expected slowdown of inflation in the course of coming six months and the softer patch of world economic development.

The softening of the upward trend affects both long-term and short-term interest rates on a world-wide average. However, particularly in *Australia* and in *Canada* as well as in the majority of *Eastern European* countries, the weaker upward trend is restricted to the short-term interest rates whereas the



### Box 3

#### Adjustment processes in the *GIIPS* countries

Since the outbreak of the financial and economic crisis investors have been sceptical about the sustainability of the public finances of *Greece, Ireland, Portugal*, and – to a lesser extent – *Spain* and *Italy* (*GIIPS*). This loss of confidence of the financial markets is reflected in strongly increased risk premia of some of the government bonds since early 2010.

In addition to country-specific structural problems, the high levels of private and public debts result from massive capital inflows and low interest rates from the mid-1990s on that were due to an inappropriate risk assessment of investors. Consequently, in most of these countries a construction and consumption boom emerged that boosted wages and prices. This, in turn, undermined their competitiveness and led to considerable current account deficits.

In order for the *GIIPS* countries to be granted more favorable conditions when incurring new debts, the investors have to regain confidence. This is only possible if, in addition to fiscal consolidation, the *GIIPS* increase their price and cost competitiveness in order to improve their mid-term growth perspectives.

One indicator for the change in competitiveness is the relative consumer price inflation. *Ireland* succeeded in enhancing its competitive position within the *euro area*; it even experienced deflation from early 2009 on. Although it recently realised positive inflation rates again, they are still far below the *euro zone* average (Figure 12, 1). Inflation rates in *Greece, Italy, Portugal* and *Spain*, however, are markedly above average. Yet, these are biased upwards because of the effects of indirect taxes and administered prices that have risen as a result of fiscal consolidation. Since these effects are temporary, the prospects for their price competitiveness are (at least slightly) more favourable.

Other competitiveness indicators are the nominal unit labour costs relative to the *euro zone* average (Figure 12, 2). In contrast to *Germany*, where they have evolved similarly to the *euro area* since the onset of the financial crisis in mid-2008, they have fallen more strongly especially in *Ireland*, but also in *Spain* and *Portugal*, so that these countries have been able to improve their competitiveness. In *Italy*, however, unit labour costs are currently even higher than before the financial crisis. In *Greece*, they declined recently, although the data are seen to be quite volatile.

For analysing changes in the competitive situation of the *GIIPS* countries relative to their trading partners in the *euro area*, several relative cost and price indicators can be consulted. The real effective exchange rate on the basis of the GDP deflator (Figure 12, 3) has the advantage that it reflects the price dynamics of the domestic economy, excluding import price effects. It can be seen that *Ireland* has strongly depreciated in real terms and thus gained competitiveness since the beginning of the financial crisis. *Spain* also improved its competitiveness, while the *Portuguese* real terms of trade have remained broadly unchanged. The deterioration indicated for *Greece* is partly due to the tax effects mentioned above. But its real effective exchange rate on the basis of unit labour costs has also only stagnated in the same period. Thus, the *Greek* consolidation measures seem not to have affected the competitiveness of the private sector yet.

The different adjustment processes and changes in the competitiveness positions are reflected in the current account balances. While *Italy* has enlarged its current account deficit since 2008, *Greece, Ireland, Portugal* and *Spain* were able to reduce the deficits they had built up over the years – even though to different degrees (Figure 12, 4). Due to its flexible labour market, *Ireland* managed to strengthen its competitiveness to such an extent that in 2010 its current account deficit only amounted to 0.7% in relation to the gross domestic product. In *Spain*, the structural labour market reforms have also shown first effects. In *Portugal, Greece* and *Italy*, however, much greater efforts are required for the adjustment process to gain momentum. *Greece*, in particular, will not be able to service its foreign credits without a massive increase in competitiveness.

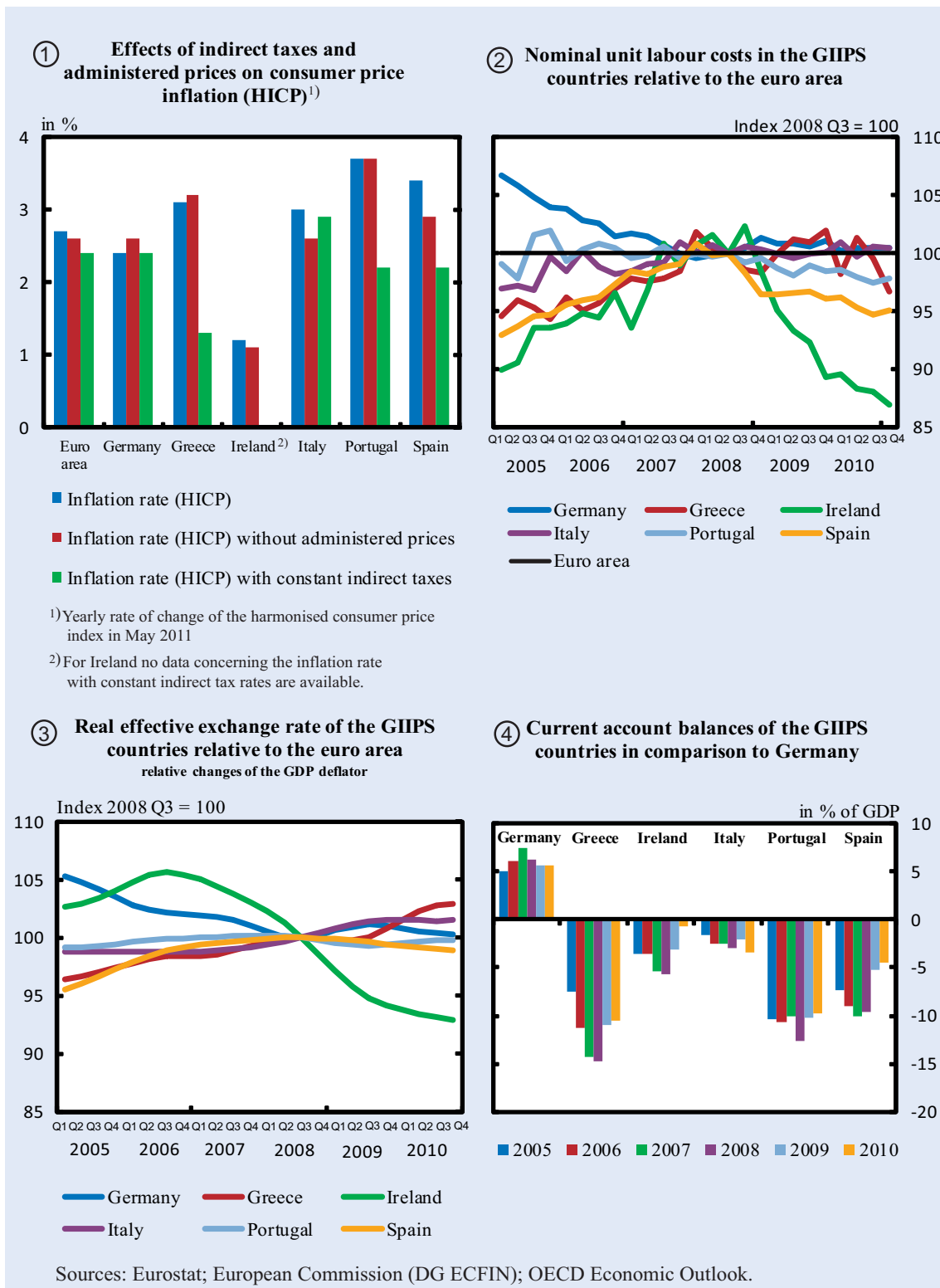
expected further rise of long-term interest rates remained unchanged or even increased slightly. In *CIS* countries as well as in most *Latin American* countries, the current upward trend of short- and long-term interest rates remained unchanged.

#### **ICC Special Question: How should the G20 prioritize selected policy issues during their next summit?**

This quarter's ICC special question asked the surveyed economic experts to assign the priority that the G20 should give to selected policy issues during this year's summit in Cannes, France. Among the selection, the topics "improving financial regula-

tion" and "reforming the international monetary system" were identified as the most important through all surveyed countries and regions (see Figure 14). In *Western Europe, North America, Latin America, Near East* and *Africa* the issue "fighting unemployment by creating productive jobs" also received a high priority. For the surveyed economic experts in *Asia* and *Oceania*, "fighting protectionism and concluding the Doha Round trade negotiations" was considered as important, whereas in *Africa* it was: "the framework for encouraging direct investment across frontiers should be improved". The WES experts in *Eastern Europe, CIS* and *Africa* also selected "strengthening international cooperation against corruption in business transactions" as an important issue for the G20.

**Figure 12**



However, within the regions, some more aspects were emphasized, depending on the countries. The WES experts in *Serbia, Slovenia, India, the Philippines, Thailand, Saudi Arabia, Lesotho* and *Nigeria* also considered promoting green growth as important (see Table 4). The economic experts in

*India, Pakistan, Thailand, Saudi Arabia* and in some *African countries (Kenya, Zimbabwe and Nigeria)* in addition asserted that combating climate change should be prioritized by the G20. “Improving coordination to reduce large imbalances in countries’ external payments” is an important issue to be

**Figure 13**

**ACTUAL SHORT-TERM INTEREST RATES AND EXPECTED TREND FOR THE NEXT 6 MONTHS (QUARTERLY DATA)**

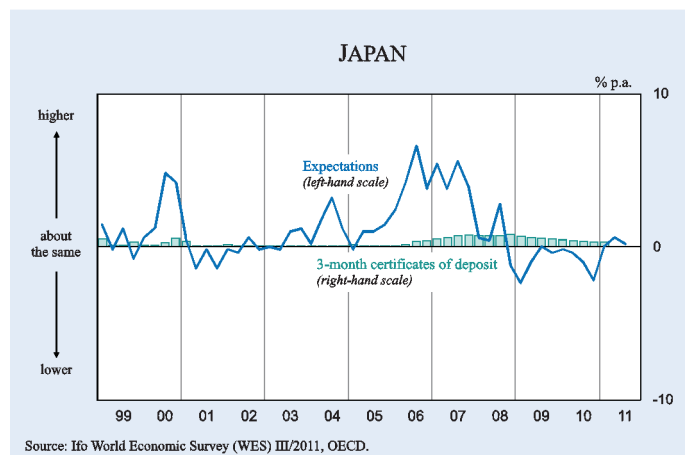
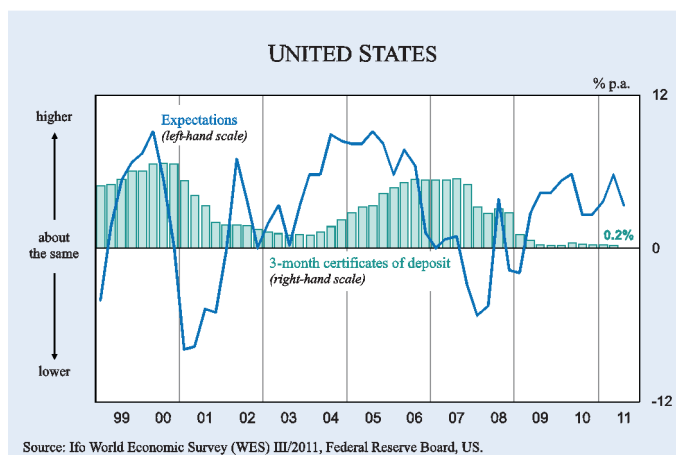
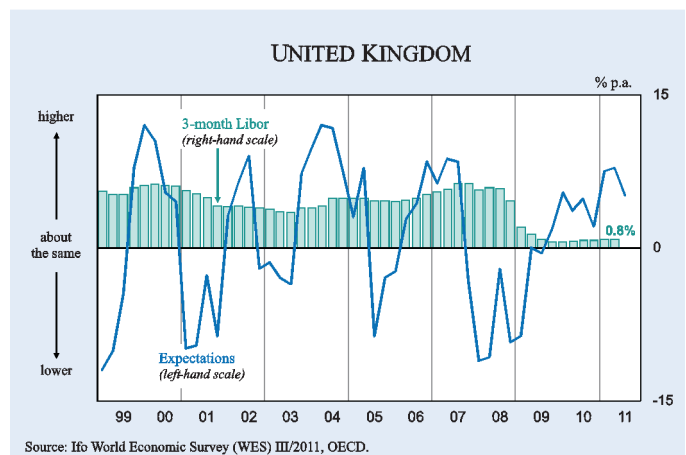
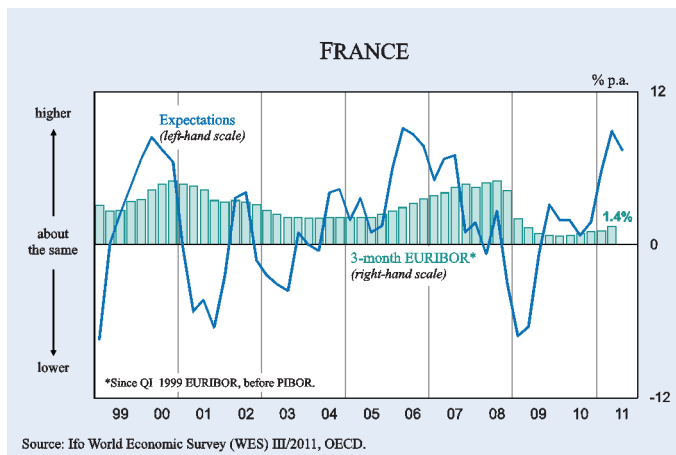
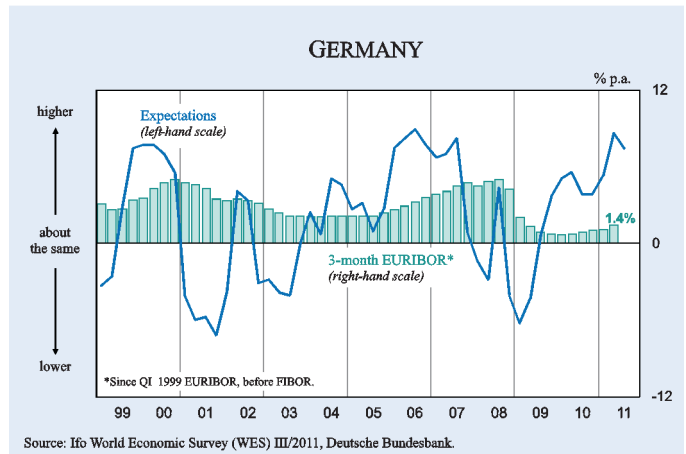
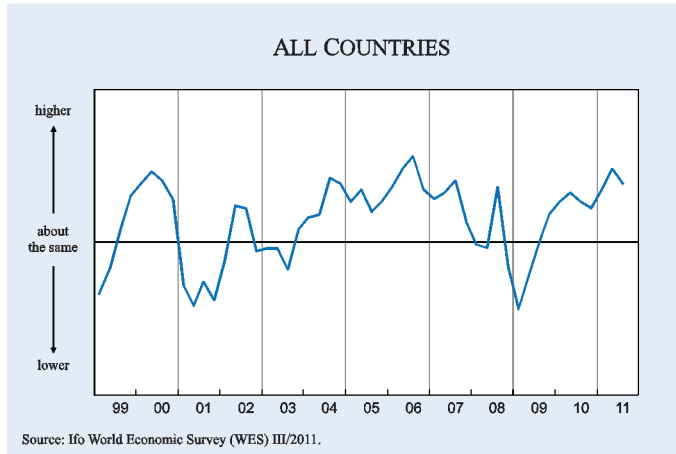


Table 4

## What priority should the G20 give to the following policy issues?\*

Region	Fighting protectionism and concluding the Doha Round trade negotiations	Reforming the inter-national monetary system	Improving financial regulation	Promoting green growth	Pushing ahead with UN-led efforts to combat climate change	Strengthening international co-operation against corruption in business transactions	Reducing price volatility in commodities	Improving coordination to reduce large imbalances in countries' external payments	Fighting unemployment by creating productive jobs	Improving the framework for encouraging direct investment across frontiers
<b>Western Europe</b>										
Austria	4.3	5.7	7.5	5.4	5.7	5.4	5.0	4.6	5.4	4.2
Belgium	5.5	6.1	6.6	5.3	5.0	3.1	3.0	5.5	5.8	4.2
Denmark	7.9	3.3	4.4	4.4	5.6	7.3	3.3	3.9	5.0	5.6
Finland	5.5	6.3	6.1	4.1	4.6	4.8	3.4	5.0	5.0	3.9
France	3.6	6.7	7.6	4.1	4.4	3.6	5.6	5.9	6.4	4.1
Germany	5.9	6.4	7.2	4.9	5.3	5.1	3.9	4.2	4.8	3.9
Greece	4.4	6.4	6.4	4.7	5.0	5.9	4.1	3.8	6.5	5.6
Italy	5.2	5.9	7.9	5.1	5.0	6.6	5.7	6.1	7.2	4.7
Netherlands	6.0	6.0	7.1	4.4	4.8	4.8	3.9	5.0	4.8	3.9
Portugal	4.6	6.5	6.8	3.9	3.9	6.1	5.4	6.1	7.5	6.1
Spain	5.0	6.0	7.9	3.8	4.3	5.4	5.3	6.0	8.0	5.8
Sweden	7.3	5.7	5.7	4.7	5.3	5.0	3.3	4.3	4.7	4.3
Switzerland	7.0	6.5	5.9	3.8	3.5	4.7	5.3	5.3	4.7	5.3
United Kingdom	6.2	6.8	6.5	2.8	3.5	4.1	5.6	5.6	5.3	4.4
<b>Eastern Europe and CIS</b>										
Albania	5.0	5.5	6.0	5.0	4.5	6.5	3.0	4.0	4.5	6.0
Bulgaria	5.7	6.6	7.4	4.8	3.6	6.3	4.5	5.0	4.8	5.0
Czech Republic	6.2	5.4	6.2	2.6	3.0	7.4	3.8	3.4	4.6	3.4
Hungary	5.0	6.7	5.0	5.0	3.9	7.3	4.4	5.0	7.3	5.0
Kazakhstan	4.6	8.3	7.5	5.7	4.6	6.5	7.2	6.2	6.1	4.6
Poland	3.9	7.3	6.4	3.3	3.0	4.4	4.1	4.4	6.1	4.7
Romania	3.9	5.6	8.4	5.6	5.7	7.3	6.1	8.4	6.7	5.0
Russia	3.9	7.4	8.0	4.1	3.6	5.5	4.0	5.5	4.5	4.7
Serbia	6.1	6.7	7.9	6.7	3.9	6.7	6.7	5.0	7.3	5.6
Slovakia	4.4	6.5	7.2	5.6	5.6	5.9	4.7	4.7	7.8	5.0
Slovenia	3.7	7.3	6.7	6.7	6.3	6.7	5.7	5.6	7.3	5.0
Ukraine	5.5	6.3	7.7	5.0	4.1	7.2	5.0	4.6	5.9	7.2
<b>North and Latin America</b>										
Argentina	5.7	5.0	5.7	3.9	5.7	5.0	3.9	5.4	6.1	6.8
Brazil	5.9	6.6	7.1	6.1	6.3	5.5	4.1	5.3	5.2	4.8
Canada	7.2	5.9	6.2	4.1	4.4	5.0	2.5	5.6	5.0	3.8
Chile	5.7	7.5	7.5	3.5	3.9	5.7	5.7	7.5	6.1	3.9
Colombia	6.3	6.0	7.8	5.0	6.0	5.8	4.0	5.0	5.3	4.5
Ecuador	5.0	5.4	7.0	5.0	5.0	6.2	5.4	6.2	5.4	3.8
Mexico	4.7	5.9	7.0	5.3	5.6	5.9	6.1	4.4	7.0	4.1
Paraguay	5.7	6.3	5.7	5.0	4.3	6.3	4.3	3.7	8.3	5.7
Peru	5.6	5.9	8.1	4.4	5.6	5.9	4.7	6.2	6.5	4.4
United States	4.4	5.1	6.4	3.8	4.0	4.6	3.5	4.2	6.8	5.0
Uruguay	7.5	6.0	7.5	3.5	4.0	5.0	5.0	4.5	2.5	4.0
Venezuela	5.0	6.5	7.5	5.0	5.5	6.0	4.5	4.0	5.0	4.5
<b>Asia and Oceania</b>										
Australia	6.3	6.3	6.8	5.0	4.6	5.0	2.8	5.0	6.3	4.6
China	6.5	6.3	6.8	5.5	5.0	5.5	7.0	5.0	5.5	4.0
Hong Kong	6.3	6.6	5.7	6.3	6.3	5.0	4.3	2.6	6.3	3.4
India	6.5	6.2	6.8	6.8	7.5	6.5	5.6	5.6	6.8	5.0
Indonesia	5.0	4.3	5.7	3.7	4.3	6.3	5.0	5.0	5.7	4.3
Japan	5.3	6.0	5.3	4.7	4.3	3.6	5.4	4.6	4.7	4.0
Malaysia	5.7	5.7	5.0	5.0	4.3	7.0	5.7	4.3	6.3	6.3
New Zealand	6.5	5.5	7.5	3.5	2.5	5.0	2.0	3.5	4.0	5.5
Pakistan	5.5	8.5	7.5	5.5	6.5	6.5	8.5	5.5	9.0	5.0
Philippines	6.5	6.0	7.2	6.5	6.0	7.2	7.0	5.5	7.5	6.8
South Korea	5.3	5.3	5.6	6.2	4.4	4.7	5.3	4.4	5.6	5.3
Taiwan	6.4	7.0	7.6	5.8	5.8	4.2	6.4	5.4	5.6	4.0
Thailand	5.0	6.1	7.0	7.0	7.0	7.7	5.7	4.3	5.0	6.3
<b>Near East and Africa</b>										
Israel	6.0	6.5	6.5	6.0	6.0	6.0	6.5	6.5	5.5	5.0
Kenya	4.4	6.1	6.1	6.1	6.7	7.9	8.4	5.0	6.3	6.7
Lesotho	5.7	5.7	7.0	7.7	6.3	9.0	5.0	5.0	9.0	9.0
Namibia	5.5	5.5	7.5	3.0	4.0	5.5	6.0	7.5	8.5	6.0
Nigeria	7.2	7.2	7.7	7.2	6.8	8.6	8.6	6.3	8.6	7.2
Saudi Arabia	6.3	7.7	8.3	7.7	7.7	7.7	7.0	5.7	9.0	7.0
South Africa	5.5	5.7	5.4	4.3	4.7	6.9	4.2	5.4	7.3	5.7
Sudan	5.0	6.3	7.0	6.3	5.0	5.7	9.0	9.0	7.7	7.0
Turkey	5.0	6.1	7.0	5.0	5.6	6.4	5.9	5.3	6.4	5.9
Zimbabwe	5.0	6.5	6.5	5.0	6.5	6.5	6.5	4.5	7.5	7.0

\* WES scale: 9 – most important, 5 – important, 1 – less important. Only countries with more than five responses were included in the analysis. More important aspects are shaded.

Source: Ifo World Economic Survey (WES) III/2011.

Figure 14

What priority should the G20 give to the following policy issues? – Aggregated to regions*										
	World	Western Europe	North America	Latin America	Oceania	Asia	Near East	Africa	Eastern Europe	CIS
Fighting protectionism and concluding the Doha Round trade negotiations	5.5	5.5	5.0	5.4	6.4	5.8	6.0	5.3	4.7	4.2
Reforming the international monetary system	6.1	6.2	5.3	6.3	6.2	6.0	6.9	4.6	6.5	7.3
Improving financial regulation	6.6	7.0	6.4	7.2	6.9	6.0	7.0	6.3	6.6	7.9
Promoting green growth	4.7	4.5	3.8	5.2	4.8	5.3	5.7	4.7	4.1	4.3
Pushing ahead with UN-led efforts to combat climate change	4.7	4.7	4.1	5.6	4.3	5.1	5.5	4.8	3.8	3.8
Strengthening international co-operation against corruption in business transactions	5.1	4.8	4.7	5.6	5.0	5.0	6.4	6.8	6.2	5.8
Reducing price volatility in commodities	4.7	4.6	3.3	5.1	2.7	5.7	5.5	6.1	4.5	4.4
Improving coordination to reduce large imbalances in countries' external payments	4.9	5.2	4.5	5.1	4.8	4.6	5.7	5.7	4.8	5.4
Fighting unemployment by creating productive jobs	5.9	5.8	6.4	6.0	6.0	5.6	6.6	7.6	6.1	4.9
Improving the framework for encouraging direct investment across frontiers	4.7	4.4	4.8	4.6	4.7	4.8	5.5	6.3	4.5	5.0

\* Within each country group or region the country results are weighted according to the share of the specific country's exports and imports in the total world trade. WES scale: 9 - most important, 5 - important, 1 - less important. The three most important aspects are shaded.

Source: Ifo World Economic Survey (WES) III/2011.

solved by the G20, according to the WES experts in *Romania, Chile, Israel and Sudan*. According to the surveyed economic experts in *Kazakhstan, Serbia, China, Pakistan, the Philippines, Israel, Saudi Arabia* and several *African countries (Kenya, Nigeria, Sudan and Zimbabwe)*, “reducing price volatility in commodities” should receive a high priority.

In summary, among the ten stated policy issues, the vast majority of the surveyed WES experts in all countries and regions gave priority to the issues “improving financial regulation”, “reforming the international monetary system” and “fighting unemployment”. Among other policy issues, which the surveyed WES experts specified themselves, several economic experts asserted that solving the debt problem and the *euro* crisis should receive priority by the G20.

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.....,when known  
Surname .....

Forename .....

Title .....

Dept. ....

Organisation .....

Address .....

Phone and e-mail .....

Please correct current spelling of name and/or address as indicated

Please remove my name from your mailing list

Please replace my name with the following name and address

Mr.  Mrs.

Surname .....

Forename .....

Title .....

Dept. ....

Organisation .....

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