World economic climate brightens

Economic expectations clearly more optimistic

Inflation expectations unchanged

US dollar expected to rise

Long-term interest rates likely to rise

The multilateral trading system
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Regions

- World Economy: Uneven developments across continents
- Western Europe: Economic climate improves further
- North America: Uncertainty overclouds economic climate
- Eastern Europe: Economic climate indicator rises sharply
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- Oceania: Economic climate brightens further
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Notes

The World Economic Survey (WES) assesses worldwide economic trends by polling transnational and national organisations worldwide on current economic developments in their respective countries. Its results offer a rapid, up-to-date assessment of the economic situation prevailing around the world. In October 2013, 1,091 economic experts in 120 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 key economic indicators. It has proven 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 individual country’s exports and imports as a share of total world trade.

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

The *Ifo Institute* is one of the largest economic research institutes in Germany and has 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 Brightens

After dropping slightly in the last quarter, the Ifo Indicator for the world economic climate rose again. While assessments of the current economic situation were only fractionally more positive, the six-month economic outlook, by contrast, was clearly more optimistic (see Figures 1 and 2). At 98.6, the indicator slightly exceeded its long-term average of 96.0 (1997–2012). The world economy is edging closer towards a recovery in little steps (see Box 1). As in the previous quarter, the development of the economic climate differs across continents.

Uneven developments across continents

The world economy picked up in the first half year of 2013. Production primarily expanded more rapidly in the advanced economies, while the pace of growth in emerging economies, by contrast, barely picked up at all. Growing confidence on the part of companies in most countries suggests that the economic recovery will continue in the second half of the year.

After its sharp drop in the third quarter, the economic climate indicator in Asia rose again and is now above its 15 year average. The current economic situation in the region is assessed as satisfactory. Expectations of future economic developments are considerably more positive. China, in particular, saw a return of confidence in the economy. This also holds for Japan, where the current situation in particular was assessed more positively compared to the last quarter. The economic climate also rose in Europe, primarily due to far more positive economic expectations for the next six months. The current economic situation also improved compared to last quarter, but experts’ assessments remain unfavorable on the whole. However, the strong result is primarily due to reports from Germany, the economically most important country in Europe. The divide between the Northern and Southern economies of the euro area has widened. The current economic situation in Greece, Italy, Portugal, Spain and Cyprus barely changed compared to last quarter and remains at a crisis level in these countries. However, economic expectations for the next six months signal some improvement ahead in almost all crisis-afflicted countries, helping the economic climate indicator in these countries to rise. In North America, on the other hand, the economic climate indicator fell slightly. Assessments of the current economic situation in particular were more negative than three months ago. The “government shutdown” in the USA, which took place in the period of the survey, was a constraining factor. Despite a small decrease, however, expectations for the next six months
Box 1

Ifo Economic Clock and the Ifo World Economic Climate

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

According to the October survey, the Ifo indicator for the world economic climate rose slightly. Assessments of the current economic situation improved, as did economic expectations to an even greater extent. The indicator showed a small upwards movement in the “recovery” quadrant. The world economy is recovering step by step.


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).


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).


<table>
<thead>
<tr>
<th>Table 1</th>
<th>Ranks of the three most important economic problems</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>World</td>
</tr>
<tr>
<td>Lack of confidence in government’s econ. policy</td>
<td>1</td>
</tr>
<tr>
<td>Insufficient demand</td>
<td>3.5</td>
</tr>
<tr>
<td>Unemployment</td>
<td>3.5</td>
</tr>
<tr>
<td>Lack of international competitiveness</td>
<td>1</td>
</tr>
<tr>
<td>Lack of skilled labour</td>
<td>3</td>
</tr>
<tr>
<td>Public deficits</td>
<td>2</td>
</tr>
<tr>
<td>Capital shortage</td>
<td>2.5</td>
</tr>
</tbody>
</table>


are still on an upward trend. In Latin America, the economic climate remained unchanged. A more optimistic outlook was offset by less positive assessments of the current situation.

Although economic activity in advanced economies remains constrained by structural problems, there have been signs of a recovery since the beginning of the year. The US economy has coped very well with cuts to the public budget. Japan’s new government has succeeded in clearly stimulating the country’s economy with its highly expansionary economic policy. Finally, production in the euro area recently increased for the first time in 18 months. In emerging economies the growth dynamic remains strong overall, but has slowed down considerably recently. The lack of sound institutions is proving a growing constraint. This is particularly true of the large emerging economies of Brazil, Russia, India and China. Weaker growth in China, an economy that has heavily influenced the pace of world economic growth over the last decade, is of the greatest importance in this respect.
The WES results suggest that the slightly faster pace of world economic growth in the first half of 2013 will probably be sustained in the second half of the year, as well as in 2014. The improvement seen in sentiment also has fundamental roots: some of the factors constraining economic activity since the financial crisis are slowly becoming less significant. The economic environment does pose some risks for the outlook. Should the budget problems in the USA return and not be solved in the first quarter of 2014, a severe recession in the USA with serious implications for the world economy may result.

**Western Europe: Economic climate improves further**

The economic climate indicator for Western Europe improved by another ten index points to 112.2 in October, thus exceeding its long-term average of 104.7 between 1997 and 2012 (see Figure 3). Assessments of both the present economic situation and economic expectations were more positive than in the previous quarter. The current economic situation nevertheless remains below the satisfactory-line. The economic outlook for the next six months, on the other hand, reached its most optimistic point since early 2010 (see Figure 4). The same pattern applies to the euro area, where the indicator lies at 114.7, or about six index points above its 15-year long-term average of 108.0. The strong rise in the indicator mainly resulted from economic expectations, which have been strongly upwardly revised in nearly all euro member countries. Although assessments of the present economic situation continued to improve compared to the previous surveys, economic sentiment nevertheless remains subdued in the majority of euro area countries. This particularly applies to the crisis-afflicted countries of Cyprus, Greece, Italy, Portugal and Spain (see Figures 5a and 5b). In Ireland, the present economic situation deteriorated again in October, after having improved slightly in July. According to WES experts, high unemployment currently constitutes the most serious economic problem in these countries, fol-
and Belgium, Finland (see Table 1). While WES experts in also suffering from insufficient demand at the moment lowed by high public deficits. Greece and Cyprus are also suffering from insufficient demand at the moment (see Table 1). While WES experts in Belgium, Finland and France regard the present economic situation in their countries as less negative than in the previous survey, the current economic situation in the Netherlands, and Slovenia deteriorated further: all in all, the situation in the countries mentioned above is still seen as weak. In France, high unemployment is the most urgent economic problem. The Netherlands and Finland, on the other hand, are facing insufficient demand, while in Slovenia a lack of confidence in the government’s economic policy constitutes the most urgent problem. In Austria, assessments of the present economic situation remain unfavourable, while in Slovakia they moved into satisfactory territory. WES experts in Luxembourg, Malta and Estonia also regard economic performance as satisfactory at present. The economic experts surveyed gave Germany the best rating in the euro area where the already previously positive economic situation improved further. The performance of capital expenditure also improved versus the WES survey in July and reached a satisfactory level. Generally, no urgent economic problems were identified in Germany, except for a “lack of skilled labour”, which was ranked of middling importance.

### 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 next six months. The October results are based on the responses of 285 experts. As a rule, the trend in the Ifo Economic Climate indicator correlates closely 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 continued to rise this quarter, exceeding its long-term average for the first time since the end of 2011. Although the current economic situation in the euro area brightened slightly, assessments remain unfavourable. High unemployment, public budget deficits and weak demand continue to plague several countries. The economic outlook for the next six months, on the other hand, is considerably more optimistic than three months ago. Expectations are at their highest level in almost three years. However, the strong result is primarily due to reports from Germany, which is tremendously important as the biggest country in the euro area.

The current economic situation in Greece, Italy, Portugal, Spain and Cyprus barely changed compared to the last quarter and remains at a crisis level in these countries. In Ireland, Slovenia and the Netherlands the situation deteriorated somewhat, according to the experts surveyed. Although assessments of the economy for Belgium, Finland and France brightened slightly compared to last quarter, they nevertheless bear witness to a weak economic situation. Assessments of the current economic situation are also below the “satisfactory” mark in Austria. Germany – where the situation continued to improve – and Estonia remain the only countries in which economic experts reported a satisfactory to good economic situation. Expectations for the next six months continued to improve for all euro area countries with the exception of Belgium and Luxembourg. Cyprus was the only country in which economic expectations remain negative, despite some improvement. Experts expressed greater confidence in the mid-term economic perspectives in the euro area for the next 3-5 years than during the same period last year.

![Economic Growth and IFO Economic Climate for the Euro Area](image)

*) Arithmetic mean of judgment of the present and expected economic situation.


Outside the euro area economic developments remain heterogeneous. In Sweden, Switzerland and Monaco no major changes have been observed and the present economic situation remains more or less favourable and the economic outlook positive. In Denmark and the United
Figure 4

**Selected Regions**

**NORTH AMERICA**
Economic Situation

**WESTERN EUROPE**
Economic Situation

**EASTERN EUROPE**
Economic Situation

**CIS**
Economic Situation

**LATIN AMERICA**
Economic Situation

**ASIA**
Economic Situation

Kingdom assessments of the current economic situation improved compared to the July survey, but remain unfavourable overall. In Denmark, in particular, private consumption is currently considered weak, while insufficient demand ranks as the most important economic problem at present. In turn, WES experts in the United Kingdom reported capital expenditure to be mainly weak and see public deficits as the most urgent problem for their economy. In Norway, the decreasing trend in assessments of both the present economic situation and expectations continued. However, while the present economic situation remains favourable, economic expectations turned clearly negative and signal further deterioration in the six months ahead. A lack of economic expectations turned clearly negative and signal further deterioration in the six months ahead. A lack of international competitiveness is hampering Norway’s economy.

North America: Uncertainty overclouds economic climate

The rise in the economic climate indicator in North America ground to a halt this quarter. The index fell again – to 88.7, which is below its long-term average of 91.3 (1997–2012). While economic expectations remain fairly confident, assessments of the present economic situation are less positive than they were three months ago (see Figures 3 and 4).

In the United States assessments of both the present economic situation and economic expectations have been downgraded somewhat compared to the previous survey. The government shutdown, which fell into the WES October survey period, left its mark. WES experts cited the most important economic problems as “public deficits”, “lack of confidence in government’s economic policy” and “unemployment”. Despite the slight downward revision, the economic outlook still remains positive (see Figure 6). In Canada, appraisals of the current economic situation deteriorated somewhat, but remain at a satisfactory level. The economic prospects continued to follow an upward trend and signal further improvements in the six months ahead. Canadian experts cited a shortage of skilled labour as the most urgent problem for their economy at the moment.

Eastern Europe: Economic climate indicator rises sharply

In Eastern Europe the economic climate indicator continued to rise, and even saw a sharp increase in this survey period. The indicator climbed about 15 index points to 89.1, which is slightly above its 15-year average 85.4 (1997-2012). The rise in the indicator was primary the result of brighter economic expectations. Assessments of the present economic situation also improved, but less strongly, and remain in unfavourable territory (see Figures 4 and 7). As the region’s most important economic problems, WES experts highlighted insufficient demand and unemployment, followed by a lack of confidence in the government’s economic policy.

In Lithuania the present economic situation improved further and is rated as good. Economic expectations are again more optimistic and point to a continuing upward trend in the six months ahead. The economic climate in Latvia fell slightly due to less positive assessments of both the present economic situation and expectations. However, a satisfactory overall situation still prevails with a further positive outlook. In January 2014, Latvia will introduce the euro currency. WES experts in this country cited a lack of international competitiveness as the most important economic problem at present. In Bulgaria, Hungary, Poland and Romania the current situation was described by economic experts as unfavourable. In the Czech Republic, the present economic situation was assessed as somewhat better than three months ago, but the economic performance still has not reached a satisfactory level according to WES experts. In all of these countries, capital expenditure and private consumption are performing weakly at present. Overall, WES experts expressed greater confidence in the six-month economic outlook of these countries, and expect the export sector in particular to expand strongly during this period. In Croatia, a new member of the European Union since July, no changes for the better were recorded: indeed, all of the economic experts surveyed again unanimously attested to their country’s poor economic situation for the fifth time in succession. On the upside, economic expectations turned positive, which points to some economic improvement in the six months ahead.

In Eastern European countries outside the EU, the economic climate also improved due to a far more positive economic outlook compared to July’s survey. Assessments of the present economic situation, however, remained weak. This is true for Albania, Bosnia and Herzegovina, as well as for Serbia – despite some upward revisions in the latter country. In Macedonia, the current economic situation was rated as satisfactory. However, WES experts are now fairly confident with regard to the next six months and expect the situation in all countries to improve. Survey respondents only re-
On average annual economic growth expectations\(^1\) of 2.6 percent in the next three to five years for all 120 countries included in the survey, remain nearly unchanged in comparison to an estimated 2.5 percent one year ago (see Table 2). However, while the medium-term growth rate has been revised upwards compared to the survey one year ago in Western and Eastern Europe and in Asia, an opposing trend was seen in CIS countries, Latin America and Africa. In North America, Oceania and the Near East there were no major changes recorded versus the survey one year ago. Generally, the growth rates of middle- and low-income countries are again higher than in high-income countries, but the differences in the growth rates between advanced and developing countries is not as strongly pronounced as in previous surveys.

The highest medium-term economic growth rates are expected in the Near East with 3.8% and Asia with about 3.7% on average; but average growth rates of 3.6% are also forecast in Africa. The fastest growing countries in Asia once again include China (stable at estimated 6.8% p.a.), Vietnam (5.3% versus 4.7%), Indonesia (5.6%), Philippines (with estimated 6.3% considerably stronger than 4.4% one year ago) and India, whose annual growth rate has been downgraded from 6.4% in 2012 to 5.6% at present. In Africa the annual average growth rate will lie between 6.0% and 10.0% in Libya, Angola, Chad, Congo Dem. Rep., Ethiopia, Ghana, Ivory Coast, Liberia, Sierra Leone, Uganda and Zambia.

In Latin America medium-term growth potential is less strongly estimated than in previous surveys. This is specifically due lower estimated average annual growth rates in Brazil (2.6%), Argentina (2.6%), Colombia (3.9%) and Chile (3.8). Only a few countries in this region such as Mexico (3.4%), Peru (3.0%), Uruguay and Guatemala (both 3.8%) are expected to follow the growth rates seen in recent years.

In CIS countries the estimated average annual growth rate is also far lower than one year ago (2.5% compared to 3.4% last year). In Russia (2.1% vs. 3.2%) and the Ukraine (1.5% vs. 2.6%) WES experts downwardly revised their growth rate estimations in the mid-term. In North America and Oceania aggregates of growth rates estimations remain widely stable at 2.3%, respectively 3.5% compared to one year ago. In Canada (2.7% vs. 2.4%) and New Zealand (2.8% vs. 1.9%), however, higher growth rates than one year ago are expected.

In the middle range of growth expectations stands Eastern Europe with an estimated annual medium-term growth of 2.4%. Above the region’s average at around 2.9% up to 3.8% are the annual medium-term growth rates expectations of Estonia, Latvia, Lithuania, Poland and Serbia, according to WES experts. Experts’ estimated expansion rates in the Czech Republic (2.3%) and Romania (2.1%) are considerably more positive than one year ago.

In Western Europe, experts expressed greater confidence in mid-term economic perspectives for the next 3-5 years than during the same period last year (on average 1.5%, after 1.1%). In the euro area’s crisis-afflicted countries – namely Greece, Italy, Spain and Portugal in particular – a (more) positive growth rate is likely. Outside the euro area, and especially in the United Kingdom, a stronger output (2.3% vs. 1.4% one year ago) is expected.

\(^1\) Country economic growth rate is the GDP in constant prices. Within each country group or region, as well as for the world GDP forecast, the country results are weighted according to the specific country’s exports and imports as a share of total world trade. These global GDP growth rates are different from the world GDP growth that is calculated using purchasing power parities as country specific weights, as applied by the IMF forecasts. Thus, world economic growth calculated by the Ifo method, which is also applied by the World Bank, tends to be somewhat lower than the corresponding figures released by the IMF as a rule.
main cautious in Bosnia and Herzegovina and do not see any substantial economic improvement over the next six months.

CIS: Economic climate indicator hits four-year low

The economic climate indicator for the CIS countries covered by WES (Russia, Ukraine, Kazakhstan, Kyrgyzstan, Uzbekistan and Armenia) continued to fall for the third time in a row. Both components of the economic climate – the present situation and economic expectations – declined equally and were more unfavourable than in the previous survey (see Figure 4). The economic climate indicator for CIS fell to its lowest level since end-2009. As in previous surveys, the region’s most serious economic problems are a lack of international competitiveness and little confidence in the economic policy of governments. Corruption also seems to be a key economic problem in this region, particularly in Russia and Armenia.

In Russia, the downward trend in assessments of both the present economic situation and, to an even greater degree, economic expectations, continued. The economic situation is, in the opinion of WES experts, unfavourable. Capital expenditure is mainly considered as weak at present, while private consumption is performing satisfactorily. As far as future economic developments in the months ahead are concerned, WES experts expressed even more caution than in the previous survey. In the Ukraine and Armenia the appraisals of the economic situation are – like in the previous survey – at an unfavourable level. In both countries, the economic experts surveyed expect their economies to deteriorate further in the six months ahead. In Georgia and Kyrgyzstan the present economic situation is also rated as weak with no indications that the situation will change for the better in the next six months, according to WES experts. Kazakhstan and Uzbekistan are the only countries in which a satisfactory present economic situation prevails, and it is expected to persist for the next six months.

Asia: Economic climate indicator picks up again

After the strong downturn in July, the economic climate indicator in Asia bounced back up to 98.2, exceeding its long-time average of 90.0 (1997–2012). Assessments of the present economic situation recovered and reached the satisfactory-mark once again. The economic outlook is also more positive, compared to the previous quarter and points to further improvements of economic performance in the next six months (see Figures 3, 4 and 8). Lack of confidence in government’s economic policy was cited as the region’s most important economic problem, closely followed by public deficits. Shortage of skilled labour is ranking way down on the list of current problems.

In China, Japan and Sri Lanka WES experts’ appraisals of the current economic situation have been upwardly revised compared to the July survey and reported a satisfactory economy. In Japan, public deficits are ranked as the most important economic problem by far. Governments’ plans to raise the consumption tax from its current level of 5% to 8% in April 2014 should help to reduce deficits. However, they will also lead to accelerated consumption prior to the plan’s implementation and to uncertainty about future economic developments. The undervalued yen will help to strengthen exports further in the next six months. Economic expectations in all of these countries picked up compared to the survey in July – especially in China – and WES experts have an optimistic view of economic activity. In Singapore and Indonesia no major changes have been recorded and a satisfactory economic situation prevails, which is expected to stabilise at the current good levels in the next half year. In Bangladesh, Hong Kong and the Philippines, the majority of experts surveyed reported a good economic situation at present. While private consumption is the main driving force in these countries at the moment, capital expenditure in Bangladesh is considered as weak. The inflation rate is seen as the country’s most important economic problem at present and should be among the highest in the region by the end of this year at an estimated 8%. With regard to the economic outlook for the next six months, WES experts in all of these countries retain their positive view. In the Philippines, however, they are somewhat less positive than three months ago. The strongest downwards revision in the economic climate compared to the previous survey took place in Malaysia. Here assessments of both the present economic situation and economic expectations moved into unfavourable territory. This country’s most urgent economic problems at present are a “lack of skilled labour” and “public deficits”, according to the experts surveyed. In South Korea, Thailand and Vietnam an unfavourable economic situation still prevails, despite some slight upwards revision versus the survey in July in

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1 Georgia, which is not a member of the Commonwealth of Independent States, is included in this group for reasons of geography and similarities in economic structure.
Figure 5a

**EUROPEAN UNION**

**EUROPEAN UNION (15)**

Economic Situation

![Graph showing economic situation by country in the European Union.](source)

**FRANCE**

Economic Situation

![Graph showing economic situation in France.](source)

**GERMANY**

Economic Situation

![Graph showing economic situation in Germany.](source)

**ITALY**

Economic Situation

![Graph showing economic situation in Italy.](source)

**SPAIN**

Economic Situation

![Graph showing economic situation in Spain.](source)

**UNITED KINGDOM**

Economic Situation

![Graph showing economic situation in the United Kingdom.](source)
European Union

**Austria**

Economic Situation

- By the end of the next 6 months: good/better, satisfactory/about the same, bad/worse

- At present: good/better, satisfactory/about the same, bad/worse

**Denmark**

Economic Situation

- By the end of the next 6 months: good/better, satisfactory/about the same, bad/worse

- At present: good/better, satisfactory/about the same, bad/worse

**Finland**

Economic Situation

- By the end of the next 6 months: good/better, satisfactory/about the same, bad/worse

- At present: good/better, satisfactory/about the same, bad/worse

**Netherlands**

Economic Situation

- By the end of the next 6 months: good/better, satisfactory/about the same, bad/worse

- At present: good/better, satisfactory/about the same, bad/worse

**Portugal**

Economic Situation

- By the end of the next 6 months: good/better, satisfactory/about the same, bad/worse

- At present: good/better, satisfactory/about the same, bad/worse

**Sweden**

Economic Situation

- By the end of the next 6 months: good/better, satisfactory/about the same, bad/worse

- At present: good/better, satisfactory/about the same, bad/worse


Figure 5b
Figure 6

**NORTH AMERICA, OCEANIA AND CIS**

**USA**

Economic Situation

By the end of the next 6 months

At present

**CANADA**

Economic Situation

By the end of the next 6 months

At present

**AUSTRALIA**

Economic Situation

By the end of the next 6 months

At present

**NEW ZEALAND**

Economic Situation

By the end of the next 6 months

At present

**RUSSIA**

Economic Situation

By the end of the next 6 months

At present

**UKRAINE**

Economic Situation

By the end of the next 6 months

At present

**Eastern Europe**

**Czech Republic**

Economic Situation

- At present: good/better
- By the end of the next 6 months: good/better


**Estonia**

Economic Situation

- At present: satisfactory/about the same
- By the end of the next 6 months: satisfactory/about the same


**Hungary**

Economic Situation

- At present: good/better
- By the end of the next 6 months: good/better


**Poland**

Economic Situation

- At present: satisfactory/about the same
- By the end of the next 6 months: satisfactory/about the same


**Slovak Republic**

Economic Situation

- At present: good/better
- By the end of the next 6 months: good/better


**Slovenia**

Economic Situation

- At present: satisfactory/about the same
- By the end of the next 6 months: satisfactory/about the same

Figure 9

LATIN AMERICA

MEXICO
Economic Situation

ARGENTINA
Economic Situation

BRAZIL
Economic Situation

COLOMBIA
Economic Situation

PERU
Economic Situation

VENEZUELA
Economic Situation

Figure 10

**Near East and Africa**

**Near East**

**Economic Situation**


**Africa**

**Economic Situation**


**Turkey**

**Economic Situation**


**Israel**

**Economic Situation**


**United Arab Emirates**

**Economic Situation**


**South Africa**

**Economic Situation**

South Korea. In Thailand and South Korea the situation is expected to improve within the next six months, while in Vietnam the current weak economic performance is likely to persist in the opinion of the experts surveyed. In India and Taiwan assessments of the present economic situation continued to deteriorate further and bear witness to the weak state of the economy. India is mainly suffering from inflation at present, while the economic experts surveyed in Taiwan stated a lack of confidence in the government’s economic policy as the most important economic problem. As far as economic developments over the next six months are concerned, more WES experts than in the previous survey expect a slight improvement. In Pakistan, appraisals of the economic situation deteriorated further. For the next six months WES experts have become more cautious and no longer believe in a substantial improvement in the six months ahead.

Oceania: Economic climate brightens further

In Oceania the economic climate indicator rose to 108.0 (previous survey 103.4), but only due to more positive economic expectations. In turn, assessments of the present economic situation deteriorated somewhat. This pattern particularly applies to Australia: the present economic situation was assessed less positively than last quarter, but remains satisfactory on the whole. Overall, economic expectations are considerably friendlier than three months ago. Some weakening, however, is expected in capital expenditure. WES experts highlighted insufficient demand and lacking international competitiveness as Australia’s most important economic problems. The latter are also seen as problematic in New Zealand, which also suffers from a lack of skilled labour. Apart from that, there was not much movement in the economic climate indicator in this country: the present economic situation was again assessed as favourable and the economic outlook as positive.

Latin America: Economic climate remains subdued

The economic climate indicator in Latin America has not changed compared to the previous survey. While the present situation deteriorated somewhat, economic expectations were upgraded (see Figures 4 and 9). As a result, the indicator remains stable at 79.6, which – however – is far below its long-term average (1997–2012: 92.7). A lack of international competitiveness, as well as low confidence in the government’s economic policy are considered to be the most important economic problems of this region at present. Argentina, Venezuela and Uruguay also suffer from a high inflation rate.

In Brazil, appraisals of the present economic situation, although slightly better than the previous survey, still remain below the satisfactory level. Capital expenditure is again considered as particularly weak at present. The economic outlook is slightly more positive than three months ago, however it does not signal any major changes for the better in the six months ahead. In Mexico, the second most economically important country in this region, the present economic situation deteriorated significantly, according to WES experts, and was assessed as unfavourable this quarter. There is no positive news from Argentina either and the economy remains weak, particularly in terms of capital expenditure. No substantial improvement is expected in either country within the next six months. In Argentina, survey participants warned of a rising inflation rate in the months ahead, and expect peso devaluation to continue. In Venezuela, El Salvador, Guatemala, Costa Rica and the Dominican Republic WES experts reported a weak current economic performance. In Venezuela, Costa Rica and Guatemala the majority of experts surveyed do not see any improvement in economic conditions over the next six months, while in El Salvador and the Dominican Republic the economic outlook is positive. In Bolivia, Chile and Ecuador, the present economic situation was rated far friendlier than in the other Latin American countries mentioned above. In Paraguay, Peru and Uruguay the situation was also assessed as favourable, despite some slight downwards revision versus the previous survey by survey participants. However, as far as WES experts’ future economic expectations are concerned, there are diverging trends in these countries: while in Bolivia, Paraguay and Peru the current good economic conditions are expected to persist, Chile, Ecuador and Uruguay are on the verge of an expected deterioration over the next six months. In Colombia, Cuba and Panama a satisfactory present economic situation prevails, and is expected to stabilise at these current good levels in all three countries.

Near East: Economic climate clouds over slightly

In the Near East the economic climate indicator dropped from 95.5 to 87.7, but still stands above its long-term average of 84.9 (1997–2012). Assessments of both the current economic situation and economic expectations are less favourable than three months ago (see Figure 10).
Box 4
Forward guidance as a monetary policy tool at the zero lower bound

Most central banks in industrialized countries have lowered their interest rates to levels close to zero in response to the economic downturn and the deflationary pressures that resulted from the world financial crisis and the euro crisis. In order to further increase the expansionary stance of their policy they successively introduced a wide range of unconventional measures, such as voluminous bond-buying programmes, the provision of long-term refinancing credits with maturities up to three years and full allotment, and a significant relaxation of the collateral requirements for central bank credit. As an additional tool, almost all central banks have introduced some form of forward guidance about future interest rate policy into their communication. This box offers a brief review of the main features of forward guidance.

A very loose form of communication is the so-called open-ended forward guidance. Central banks indicate that policy rates will remain at the current low level for an indefinite time. During the current financial crisis the US Federal Reserve was the first central bank to introduce such guidance. As of 16 December 2008 it regularly announced that “weak economic conditions” were “likely to warrant exceptionally low levels of the federal funds rate for some time”, which was changed to “an extended period” on 18 March 2009. More than 4 years later, on 4 July 2013, the European Central Bank followed the US example and augmented its introductory statement to the monthly press conference by indicating that “the Governing Council expects the key ECB interest rates to remain at present or lower levels for an extended period of time.” Since the scope for interpretation of the duration of “some time” or “an extended period” was large and effectively did not bind central bankers’ future actions in any way, the effectiveness of open-ended guidance is low. Market expectations about future policy rates (as measured by the fed funds futures or the EURIBOR futures) do not seem to have reacted in response to the change in central bank communications in the US or in the euro area.

On 21 April 2009 the Bank of Canada and the Swedish Riksbank pioneered so-called time-contingent forward guidance by providing an explicit commitment to a date by which the policy rate was expected to reach its current low level. On 9 August 2011 the US Federal Reserve also switched from open-ended statements to time-contingent statements. While these central banks initially offered guidance about one and a half years into the future, the US Federal Reserve committed to the current policy rate for about three years into the future from 25 January 2012 onwards. While a central bank’s commitment to an explicit date per se provides more information to the public than open-ended formulations, and thus should increase the impact of its communication, central banks thereby give up their flexibility to increase policy rates earlier than announced in the event of unexpected positive information about state of the economy. In order to preserve this flexibility, time-contingent statements were made conditional to the outlook for economic conditions, and in particular to inflation on the date on which the governing board of the central bank issued the forward guidance. Notwithstanding this conditionality, in all cases the release of the time-contingent statements had an immediate effect on market expectations about future policy rates. In the US, for example, expectations about the fed funds rate two years ahead remained at about 0.25% from August 2011 until May 2013, thereby indicating that markets largely believed in the announcement of the US Federal Reserve that it would not raise its policy rate before the specified date.

A final form of state-contingent forward guidance was introduced by the US Federal Reserve on 12 December 2012. Instead of specifying a date, the central bank defined the economic conditions that would put an end to the current unusually accommodative policy. Specifically, the US Federal Reserve announced: “that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6-1/2 percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee’s 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored.” On 1 August 2013 the Bank of England also announced its intention not to raise its policy rate at least until the unemployment rate has fallen to a threshold of 7%. The main advantage of such state-contingent guidance over time-contingent guidance is its embedded conditionality. Whenever the state of the economy improves faster than originally expected, the central bank may decide to raise interest rates earlier without breaking any commitment to a specific date. Moreover, it provides the public with important information about the reaction function of the central bank, thereby increasing the all too important transparency of the decision-making process.
Nevertheless, the overall situation is rated as good in the majority of the countries in this region like Israel, Jordan, Qatar and the United Arab Emirates. In Turkey, the situation remains satisfactory, according to WES experts. They regard unemployment and capital shortage as the country’s most urgent economic problems at present. In all previously mentioned countries the economic outlook remains positive, except for in Israel, where WES experts once again expressed caution with regard to future economic developments. In Lebanon and Syria, economic performance was reported to be weak and is not expected to improve substantially over the next six months.

### Africa: No unified economic trend

Countries in Africa display a highly differentiated pattern as far as the economic climate is concerned. Thus, an aggregated climate index for the countries surveyed by WES on this continent makes little sense, and the following analysis will focus on specific economic trends in the individual countries of Northern and Sub-Saharan Africa. Nevertheless, both parts of Africa have the following most frequently mentioned economic problems in common: namely “unemployment” and “lack of international competitiveness”. In Northern African countries a shortage of skilled labour was also cited as a key problem, while in Sub-Saharan economies “lack of confidence in government’s economic policy” ranks high. In addition, Burundi, Kenya, Malawi and Sudan, are also suffering from a high inflation rate. WES experts in Nigeria and Comoros cited corruption as another major obstacle.

The economic climate in the Northern African countries covered by WES barely changed this quarter. As in the previous survey, the present economic situation in Algeria, Libya and Morocco is considered as satisfactory and the current good situation is likely to prevail for the next six months, according to WES experts. In Egypt and Tunisia, however, the present economic situation was rated as weak once again. WES experts in Egypt at least have become more positive with regard to future economic developments and expect the situation to improve in the six months ahead. In Tunisia, in turn, the economic expectations of the experts surveyed remain cautious and don’t signal any major improvements over the next six months.

The economic climate indicator in South Africa remains at a low level. The present economic situation was once again assessed as unfavourable. Economic expectations were downgraded, and WES experts do not expect the situation to improve over the next six months (see Figure 10). In Angola, Benin, Congo-Brazzaville, Ethiopia, Ghana, Malawi, Mauritania, Nigeria and Senegal the current economic situation did not change compared to the previous survey and was again assessed as satisfactory. In most of these countries, current economic performance is expected to remain good, except for in Angola and Nigeria, where WES experts expressed greater caution. In Congo Dem. Republic, Lesotho and Namibia WES experts were somewhat less positive than in the previous survey, but assessments of the present economic situation nevertheless remain satisfactory to good on the whole. In all three countries, the majority of economic experts surveyed retained their positive view of future economic developments over the next six months. In Mauritius, the current economic situation improved strongly compared to the previous survey and is no longer regarded as weak. The six-month economic outlook also turned positive. In Chad, Ivory Coast, Liberia, Sierra Leone and Zambia, the current economic situation remains strong. Economic expectations point to a stabilization at the current good levels, except for in Zambia, where WES experts – despite some upwards revision – remain cautious with regard to future economic developments. In
Figure 12

EXPECTED TREND FOR THE NEXT 6 MONTHS FOR SHORT- AND LONG-TERM INTEREST RATES

Kenya, the economic climate deteriorated due to the strong downwards revision of both climate components. The present economic situation is now regarded as unfavourable and economic expectations are less optimistic than they were three months ago. In Burundi, Comoros, Gabon, Madagascar, Niger, Sudan, Swaziland, Togo, Uganda and Zimbabwe no changes for the better were reported and the situation remains weak. In most of the countries the situation is forecast to remain subdued over the next six months. Only WES experts in Comoros, Swaziland and Uganda expect an improvement in their economies during this period.

**Inflation expectations unchanged**

**General trends**

On a world-wide average, the WES experts’ inflation forecast for the year 2013 has now stabilised at 3.2% (see Table 1). Thus, the average inflation rate for 2013 is most likely to be a tick lower than expected at the beginning of the year (3.3%). Compared with the estimate in the previous survey, inflation expectations continued to pick up in Latin America (from 8.5% to now 9.2%) whereas they slowed down slightly in most other regions.

**Price trends by countries**

The average forecast inflation rate for the euro area in 2013 will be 1.7%, according to WES experts, after an expected 2.1% at the beginning of the year. Within the euro area the lowest inflation rates in 2013 are again expected in the crisis-affected countries of Greece (-0.1%), Ireland (1.0%), as well as in Portugal and Cyprus (1.1% respectively 0.7%). The expected inflation rates lie above the euro area average in Estonia (3.3%) in particular, and to a lower degree in the Netherlands (2.4%) and Slovenia (2.1%).

In Western Europe outside the euro area the two extremes of the presumable development of prices continue to be Switzerland (0.3%) at one end of the scale and the United Kingdom (3.0%) at the other.

In Eastern Europe the inflation rate forecast for 2013 of 2.2% is significantly lower than that reported at the beginning of the year (3.3%). This tendency can be observed in all countries in the region. According to WES experts, the lowest price increase will be seen in Poland (1.7%), and the highest in Serbia (6.0%), which nevertheless signals some improvement on the inflation front.

In North America, the 2013 inflation forecast stands unchanged at 1.9%, with 2.0% in the United States and 1.5% in Canada.

In Asia inflation expectations for 2013 increased slightly (from 3.2% to 3.4% at present). This was mainly due to higher inflation expectations in Indonesia (from 7.7% to 8.3% this quarter), Pakistan (from 9.6% to 12.1%) and Malaysia (from 2.9% to 3.6% at present). By contrast, inflation expectations for 2013 were revised downwards in Sri Lanka (from 9.1% to 8.5%) and Vietnam (from 6.7% to 6.2%) in particular. Inflation expectations have changed only marginally during the past three months in most other Asian countries like China (3.4% after 3.1%), South Korea (2.5% after 2.2%) and Hong Kong (3.6% after 3.7%), or remained unchanged as in Thailand (3.2%). The lowest inflation rates in the region were again reported in Taiwan (1.3%) and Japan (0.6%), where aggressive monetary policy aimed at fighting deflation and stimulating growth has proven moderately successful, although the new government’s 2% inflation target in the medium-term is still a long way off.

In Oceania inflation expectations for 2013 remained unchanged at 2.4%, with 2.5% in Australia and 1.6% in New Zealand.

In Latin America inflation expectations for this year picked up further (from 8.5% to now 9.2%). This, however, was mainly due to the even poorer inflation outlook in Venezuela (increase from 38.3% to 47.0% at present). In most other Latin American countries the inflation outlook remained unchanged or even improved somewhat as in Brazil (from 6.2% to 5.8% at present) and Mexico (from 4.4% to 3.9%).

In CIS countries inflation expectations for 2013 declined further and currently stand at 6.9% (after 8.1% in July). The inflation rate in the Ukraine in particular (5.4%) will be lower than the regional average. The expected inflation rate in Russia is close to the regional average (7.1% after an expected 7.6% in July) and in Kazakhstan (unchanged 6.6%). However, Uzbekistan (13.2%) will remain above regional average inflation rates in 2013.
Table 2: Expected average annual growth rates of real Gross Domestic Product (GDP) over the next 3 to 5 years (based on WES QIV/2013 and QIV/2012)

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<td>Senegal</td>
<td>(3.8)</td>
<td>(3.8)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>9.4</td>
<td>13.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Africa</td>
<td>3.2</td>
<td>3.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swaziland</td>
<td>1.5</td>
<td>0.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Togo</td>
<td>(3.8)</td>
<td>(3.8)</td>
<td></td>
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<tr>
<td>Uganda</td>
<td>6.3</td>
<td>(3.8)</td>
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<tr>
<td>Zambia</td>
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<td>6.7</td>
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<tr>
<td>Zimbabwe</td>
<td>3.0</td>
<td>5.6</td>
<td></td>
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</tr>
</tbody>
</table>

* 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. – * Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom. – † Czech Rep., Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia, Slovakia, Bulgaria, Romania, Croatia. – ‡ Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom. – ‡ Georgia, which is not member of the Commonwealth of Independent States, is included in this group for reasons of geography and similarities in economic structure.

Source: Mo World Economic Survey (WES) IV/2013 and IV/2012.
In the **Near East** inflation expectations for 2013 declined somewhat (from 4.3% to 3.9%). This was mainly caused by the United Arab Emirates where for an average an inflation rate of just 1.6% is expected in 2013, after 2.2% in July. In **Turkey** the expected 2013 inflation rate remained unchanged at 7.6% and increased slightly in **Israel** (from 2.1% to 2.4%).

In **Africa** price trends remain very heterogeneous. Relatively low inflation rates (below 4%) for 2013 are expected again in the Congo Dem. Republic (1.4%), Togo and Zimbabwe (both 2.7%), **Niger** (2.9%), Ivory Coast and Morocco (both 3.0%), Gabon (3.2%), Congo-Brazzaville Rep. (3.4%), as well as in **Benin** (3.7%). The 2013 inflation expectations lie in a medium inflation bracket (between 4 and 9%) for the majority of countries covered in the survey like Algeria (5.0%), Lesotho (6.2%), Namibia and South Africa (both 6.3%), Mauritania (6.5%), Swaziland (6.6%), Tunisia (7.5%), Kenya (7.8%). High inflation rates of over 9% will continue to predominate in 2013, particularly in Sudan (43.8%), Malawi (18.0%) as well as Burundi (20.0%); and to a lesser degree in Nigeria (9.9%), Egypt (10.9%), Sierra Leone (9.8%), Ethiopia (10.0%) and Ghana (11.0%), which are among the high inflation countries in **Africa**.

**US Dollar expected to rise**

On a world-wide scale WES experts see the **US dollar** – as in the preceding survey – as very close to its fundamentally appropriate value, while the Japanese yen is judged as somewhat **undervalued** and the euro and the **British pound** are still considered as **overvalued** (see Figure 11).

However, major differences in currency evaluation persist from country to country: WES experts assessed their own currencies as generally undervalued in the **United States** and **Australia** – but not with regard to the yen in both countries –, in some **Eastern European** countries like **Bosnia and Herzegovina**, as well as in **Romania**, and in some countries in **Africa** like **South Africa**, Zambia, Lesotho, Mauritius and Sierra Leone. Some **Asian** countries like **China** and **India** again reported an undervaluation of the own currency, as did **Japan** with regard to the **US dollar** and the euro. By contrast, experts regard their own currency as generally overvalued in the **Asian** countries of Malaysia, **Indonesia** and **South Korea**, in some **Northern African** countries like **Egypt** and **Tunisia**, in the **Latin American** countries of **Argentina** and **Uruguay**, as well as in the **Ukraine**. In the **euro area**, and particularly in **France**, **Finland** and **Slovenia**, experts assess the euro as overvalued vis-à-vis the US dollar, the yen and the British pound.

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 worldwide rise in the average value of the **US dollar** in the course of the coming six months, particularly in **Latin America**, **CIS countries** and **Oceania**. On the other hand, an expected weakening in the **US dollar** is expected again in several **Asian** countries (**China**, Malaysia, the **Philippines** and **South Korea**), in some **Eastern European** countries like **Poland** and **Latvia**, as well as in a few **African** countries (**Namibia**, Niger, **Swaziland** and the **Comoros**).

**WES experts continue to expect an increase in long-term interest rates in the six months ahead**

On a worldwide scale, short-term interest rates are expected to rise in the course of the next six months. The expected up-tick in the case of long-term interest rates is more pronounced, although this trend has softened slightly compared to the preceding survey.

The expected upward trend in short and long-term interest rates is most marked in **North America**, both in the **United States** and in **Canada**. The exceptions, where the expected trend in interest rates in the coming six months is pointing downwards are to be found in **Vietnam**, among the **Eastern European** countries of **Albania**, **Romania**, as well as in **Bulgaria** and **Hungary** – however, in the latter two cases only with regard to short-term interest rates. Declining interest rates are also expected in the **Russian Federation** and in the **Ukraine**, as well as in some countries in **Africa** like **Egypt**, Congo-Brazzaville Rep., Niger and Sierra Leone and in **Latin America** Chile.

**ICC Special Question:**
**The multilateral trading system**

On December 3-6, delegates will meet at the World Trade Organization’s (WTO) ministerial meetings in Bali, Indonesia. Hopes are high that the deadlock that has frustrated progress in multilateral trade liberaliza-
tion during the last years can be broken. One important Bali deliverable concerns trade facilitation, which the WTO defines as the “simplification and harmonization of international trade procedures” where trade procedures are the “activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade”. Examples relate to the administration of trade policy, the collection of customs duties, safety and security controls at the border and conformity checks. These entry procedures at the border are regularly cited as important obstacles to trade. Overcoming them involves costs, which medium-sized firms find particularly hard to shoulder. These costs keep foreign firms out of the domestic market and therefore effectively protect domestic firms from international competition. From a macroeconomic point of view, such border charges are extremely costly because they constitute pure waste. Unlike import tariffs, they do not raise any money for governments, but simply oblige firms to use resources without improving product characteristics.

Economic experts have been asked whether they would agree that governments should conclude an agreement on trade facilitation to simplify customs procedures. Unsurprisingly, at least 94% of all respondents in every region agree or strongly agree (see Figure 13). Consent is particularly pronounced in North America, where 100% of respondents desire customs process simplifications. Consent is lower in the Near East, Eastern Europe or the CIS countries. These differences may reflect the fact that these countries are specialized in goods for which trade facilitation will not bring substantial gains. This is true for commodities such as agricultural products, steel, lumber etc.

One important element in breaking the Doha deadlock may be to reduce the scope of WTO deals to make them less ambitious. To date, the WTO has employed the so-called single undertaking principle: “nothing is agreed until everything is agreed”, whereby the package has been defined in a framework agreement in 2004. The problem with this strategy is that issues of relatively low economic importance (such as in the area of agriculture) or concerns of some, and possibly just a few, countries can uphold the entire liberalization process. Allowing plurilateral and sectoral approaches would offer additional flexibility and breathe new life into the negotiations. The alternative, which is quickly gaining impetus, is that groups of countries press forward with their own liberalizing agenda within the context of preferential trade agreements, rather than under the umbrella of the WTO.

When asked whether governments should agree to employ alternative, pragmatic negotiating approaches to
liberalizing world trade within a multilateral framework, respondents mostly agreed. Consensus was strongest in North America, where 53% of respondents strongly agreed (see Figure 14). This may reflect the widespread opinion in the US that single countries or items should not uphold overall progress. Consensus was lower in the Near East, Africa, Eastern Europe and the CIS countries. Interestingly, a very large majority of over 90% of respondents from regions that have blocked progress at the WTO to date (like Brazil or China), agreed or strongly agreed.
Table 3  
Inflation rate expectations for 2013 (based on WES QIV/2013 and QIII/2013)  

<table>
<thead>
<tr>
<th>Region</th>
<th>QIV/2013</th>
<th>QIII/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average of countries *</td>
<td>3.2</td>
<td>3.2</td>
</tr>
<tr>
<td>High-income countries</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Middle-income countries</td>
<td>6.9</td>
<td>6.8</td>
</tr>
<tr>
<td>Lower-middle</td>
<td>6.6</td>
<td>6.5</td>
</tr>
<tr>
<td>Low-income countries</td>
<td>6.6</td>
<td>6.5</td>
</tr>
<tr>
<td>EU 28 countries</td>
<td>1.9</td>
<td>1.8</td>
</tr>
<tr>
<td>EU countries (old members)</td>
<td>1.8</td>
<td>1.8</td>
</tr>
<tr>
<td>EU countries (new members) b)</td>
<td>2.1</td>
<td>2.2</td>
</tr>
<tr>
<td>Euro area c)</td>
<td>1.7</td>
<td>1.7</td>
</tr>
</tbody>
</table>

| Western Europe | 1.8 | 1.7 |
| Austria | 2.1 | 2.1 |
| Belgium | 1.3 | 1.4 |
| Cyprus | 0.7 | 1.0 |
| Denmark | 1.2 | 1.3 |
| Finland | 1.8 | 2.0 |
| France | 1.2 | 1.1 |
| Germany | 1.8 | 1.8 |
| Greece | -0.1 | 0.1 |
| Ireland | 1.0 | 1.4 |
| Italy | 1.7 | 1.8 |
| Luxembourg | 0.9 | 1.5 |
| Malta | (2.2) | --- |
| Monaco | 1.8 | 2.3 |
| Netherlands | 2.4 | 2.3 |
| Norway | 2.6 | 1.6 |
| Portugal | 1.1 | 1.4 |
| Spain | 1.9 | 2.0 |
| Sweden | 0.9 | 0.9 |
| Switzerland | 0.3 | 0.2 |
| United Kingdom | 3.0 | 2.7 |

| Eastern Europe | 2.2 | 2.4 |
| Albania | 3.0 | 3.0 |
| Bosnia and Herzegovina | 1.8 | 2.2 |
| Bulgaria | 2.6 | 2.7 |
| Croatia | 2.6 | 2.8 |
| Czech Republic | 1.8 | 1.8 |
| Estonia | 3.3 | 3.3 |
| Hungary | 2.4 | 2.6 |
| Latvia | 1.9 | 2.5 |
| Lithuania | 1.8 | 2.4 |
| Macedonia | 3.0 | 2.5 |
| Poland | 1.7 | 1.5 |
| Romania | 3.8 | 4.3 |
| Serbia | 6.0 | 9.8 |
| Slovak republic | 1.8 | 2.1 |
| Slovenia | 2.1 | 2.1 |

| North America | 1.9 | 1.9 |
| Canada | 1.5 | 1.5 |
| United States | 2.0 | 2.0 |

| Oceania | 2.4 | 2.4 |
| Australia | 2.5 | 2.5 |
| New Zealand | 1.6 | 1.7 |

| Asia | 3.4 | 3.2 |
| Bangladesh | 8.0 | 7.6 |
| China | 3.4 | 3.1 |
| Hong Kong | 3.6 | 3.7 |
| India | 7.1 | 7.0 |
| Indonesia | 8.3 | 7.7 |
| Japan | 0.6 | 0.4 |
| Malaysia | 3.6 | 2.9 |
| Pakistan | 12.1 | 9.6 |
| Philippines | 3.1 | 3.3 |
| Singapore | (3.0) | 3.5 |
| South Korea | 2.5 | 2.2 |
| Sri Lanka | 8.5 | 9.1 |
| Taiwan | 1.3 | 1.5 |
| Thailand | 3.2 | 3.2 |
| Vietnam | 6.2 | 6.7 |

| Latin America | 9.2 | 8.5 |
| Argentina | 26.0 | 27.0 |
| Bolivia | 5.9 | 5.0 |
| Brazil | 5.8 | 6.2 |
| Chile | 2.6 | 2.4 |
| Colombia | 2.7 | 2.8 |
| Costa Rica | 5.4 | 5.9 |
| Cuba | (2.5) | --- |
| Dominican Republic | 5.0 | 5.6 |
| Ecuador | 3.6 | 4.3 |
| El Salvador | 1.5 | 1.8 |
| Guatemala | 4.8 | 5.4 |
| Mexico | 3.9 | 4.4 |
| Panama | (6.0) | (5.0) |
| Peru | 2.9 | 2.6 |
| Uruguay | 8.6 | 8.0 |
| Venezuela | 47.0 | 38.3 |
| Armenia | 8.0 | 7.8 |
| Belarus | 8.0 | 7.8 |
| Georgia a) | 1.7 | (1.5) |
| Kazakhstan | 6.6 | 6.6 |
| Kyrgyzstan | (5.0) | 9.0 |
| Russia | 7.1 | 7.6 |
| Ukraine | 5.4 | 4.7 |
| Uzbekistan | (13.2) | (16.5) |
| Jordan | --- | (7.4) |
| Lebanon | (7.0) | (6.8) |
| Qatar | (3.5) | (3.5) |
| Saudi Arabia | --- | 4.3 |
| Syrian Arab. Republic | (50.0) | --- |
| Turkey | 7.6 | 7.6 |
| United Arab Emirates | 1.6 | 2.2 |
| Lebanon | 70.0 | (6.8) |
| Libya | (4.0) | (6.0) |
| Morocco | (3.0) | (3.0) |
| Tunisia | 7.5 | 5.2 |
| Angola | (9.0) | (9.0) |
| Benin | 3.7 | 4.0 |
| Burundi | (20.0) | 21.0 |
| Chad | (5.2) | (5.2) |
| Comoros | 4.7 | 3.3 |
| Congo Dem. Rep. | 1.4 | 2.7 |
| Congo-Brazzaville Rep. | 3.4 | (3.0) |
| Ethiopia | (10.0) | 8.0 |
| Ghana | (11.0) | (11.0) |
| Ivory Coast | (3.0) | --- |
| Kenya | 7.8 | 6.6 |
| Lesotho | 6.2 | 5.9 |
| Liberia | 7.6 | 7.7 |
| Madagascar | 7.6 | 8.1 |
| Malawi | (18.0) | (30.0) |
| Mauritania | 6.5 | 7.0 |
| Mauritius | 3.6 | 4.5 |
| Namibia | 6.3 | 6.2 |
| Niger | 2.9 | 2.5 |
| Nigeria | 9.9 | 10.4 |
| Sierra Leone | 9.8 | 10.8 |
| South Africa | 6.3 | 6.2 |
| Sudan | 43.8 | 38.8 |
| Swaziland | 6.6 | 6.7 |
| Togo | (2.7) | (3.0) |
| Uganda | 6.4 | --- |
| Zambia | 8.0 | 8.2 |
| Zimbabwe | 2.7 | 3.6 |

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* 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.  
a) Austrian, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Netherlands, Portugal, Spain, Sweden, United Kingdom.  

b) Czech Rep., Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia, Sweden, Slovakia.  
c) Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Spain, Sweden, United Kingdom.  

--- Georgia, which is not member of the Commonwealth of Independent States, is included in this group for reasons of geography and similarities in economic structure.  
World economic climate brightens

Economic expectations clearly more optimistic

Inflation expectations unchanged

US dollar expected to rise

Long-term interest rates likely to rise

The multilateral trading system