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CESifo World Economic Survey November 2015

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CESifo WORLD ECONOMIC SURVEY

VOLUME 14, No. 4

NOVEMBER 2015

WORLD ECONOMIC CLIMATE

World Economic Climate cools down markedly

ECONOMIC EXPECTATIONS

Economic expectations less positive

INFLATION

Low inflation expectations, particularly in Europe

CURRENCIES

US Dollar seen as overvalued, but expected to rise further

INTEREST RATES

Fewer WES experts expect interest rates to rise

SPECIAL TOPIC

Should Greece exit the European Monetary Union?

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Ifo World Economic Survey

Regions

- World economy: Economic climate deteriorates nearly everywhere
- Western Europe: Economic upswing continues to lose momentum
- North America: US dampens economic climate
- Eastern Europe: Economic climate clouds over slightly
- CIS: Stabilisation at a low level
- Asia: Heavyweight China still dragging the region down
- Oceania: Economic climate improves, but remains at a low level
- Latin America: Another setback in the economic climate
- Near East: Economic climate indicator falls further
- Africa: Economic climate continues to cloud over

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. Its results offer a rapid, up-to-date assessment of the economic situation prevailing around the world. In October 2015, 1,040 economic experts in 113 countries were polled.

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 COOLS DOWN MARKEDLY

The Ifo Index for the world economy clouded over. After reaching 95.9 in the third quarter, the indicator declined to 89.6 points, which was clearly below its long-term average (96.1 points). Assessments of the current economic situation deteriorated only marginally, but expectations are far less positive than last quarter (see Figures 1 and 2). The most urgent economic problems, according to experts, are insufficient demand and a lack of confidence in government policies (see Table 1). The world economy is seeing only moderate growth (see Box 1).

Economic climate deteriorates nearly everywhere

The Ifo Economic Climate deteriorated in nearly all regions. Nonetheless, the indicator for *Europe* remained at a relatively high level. For *North America* it dropped to its long-term average. For *Asia, Africa* and *Latin America* it fell even further below its historical average. The indicator only increased slightly for the *CIS* states, although the climate remains undercooled.

Like in the first half of the year, world production is only expected to grow at a moderate pace in the second half of 2015. The upswing forecast at the beginning of this year failed to materialize. The differences that started to emerge between global regions in 2014 have recently grown more pronounced. The economy is very robust in most developed economies. In a number of emerging economies, by contrast, the economic situation continued to deteriorate. More specifically, there are signs of problems intensifying in *China*, where structural change is burdening key economic sectors like construction, manufacturing and

international trade. Weak Chinese demand for imports caused a dip in world trade in the first six months of the year and curbed the economies of China's Eastern Asian neighbours. Many of those emerging economies dependent on commodities have also been negatively impacted by the sharp decline in the price of oil and key industrial raw materials since mid-2014. Turbulence in the international financial markets and a renewed downturn in the price of energy and commodities over recent months have led to a further deterioration in the framework conditions for many emerging economies. Unrest in the financial markets started in *China*, where a stock market bubble burst and signs that the economy was weakening, started to grow. The drop in energy and commodity

Figure 1

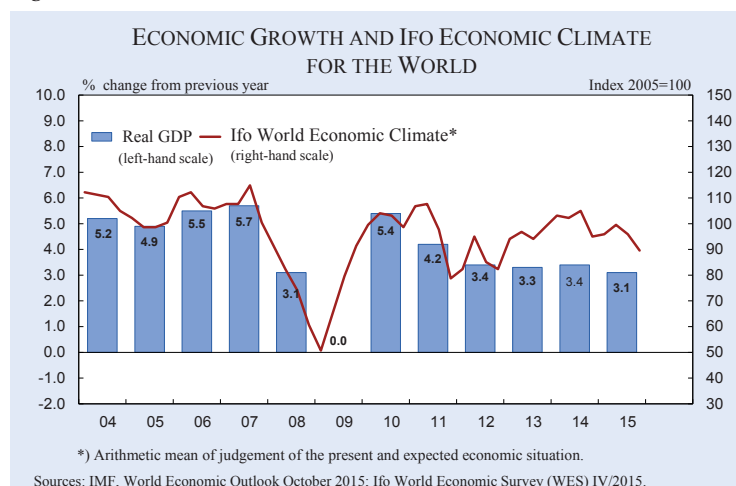
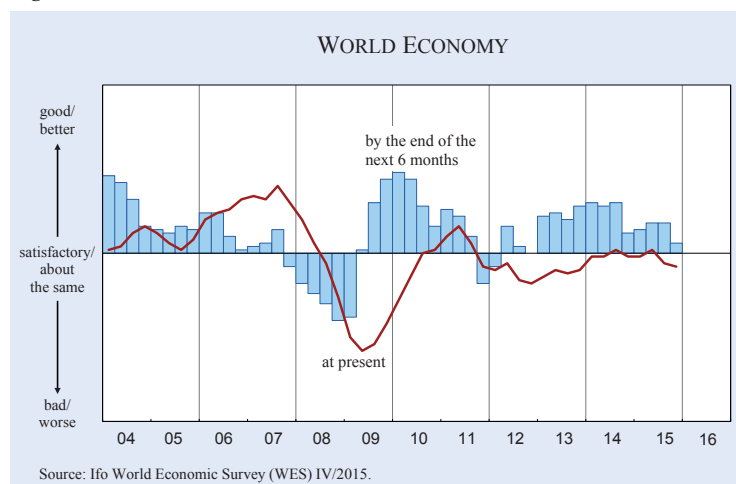


Figure 2

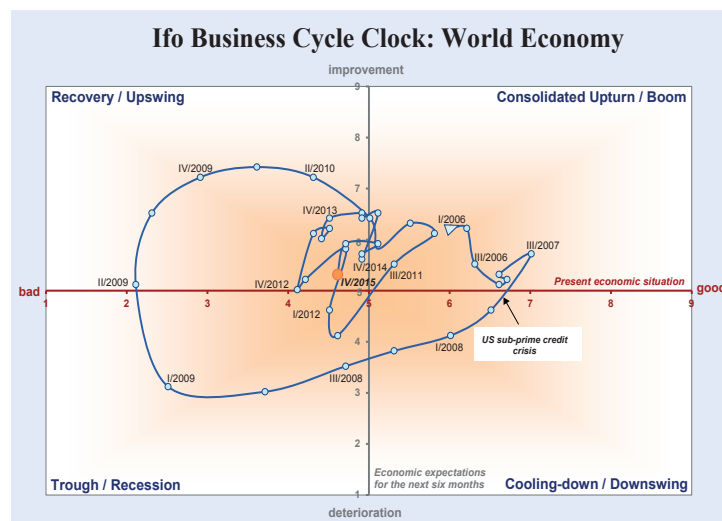


Box 1

Ifo Business Cycle Clock for the World Economy

A glance at the Ifo Business Cycle Clock, showing the development of the two components of the economic climate in recent 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 Economy fell markedly. While assessments of the current economic situation edged downwards, expectations dropped significantly. As a result, the indicator showed an almost vertical movement downwards in the recovery/upswing quadrant. Worldwide economic dynamics are losing momentum.



Source: Ifo World Economic Survey (WES) IV/2015.

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).

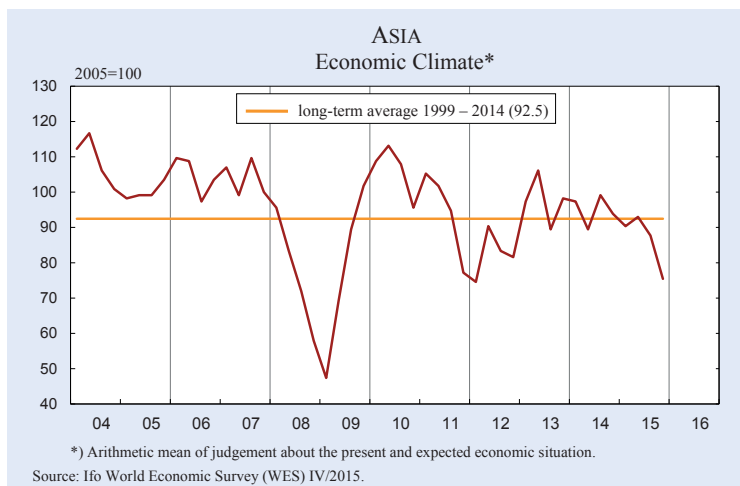
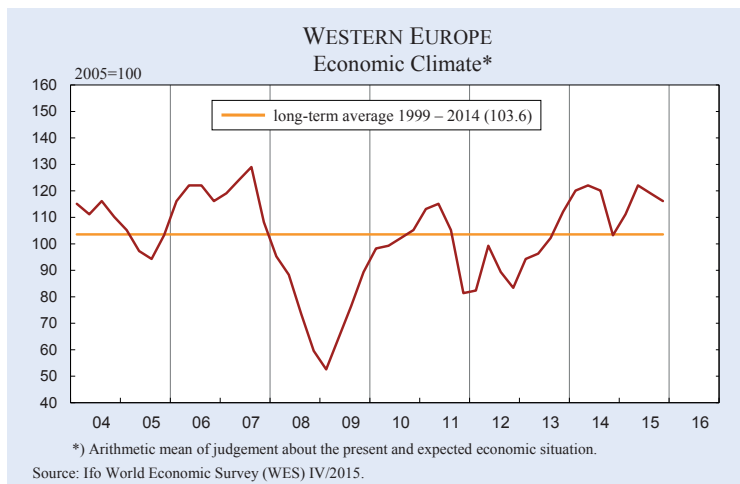
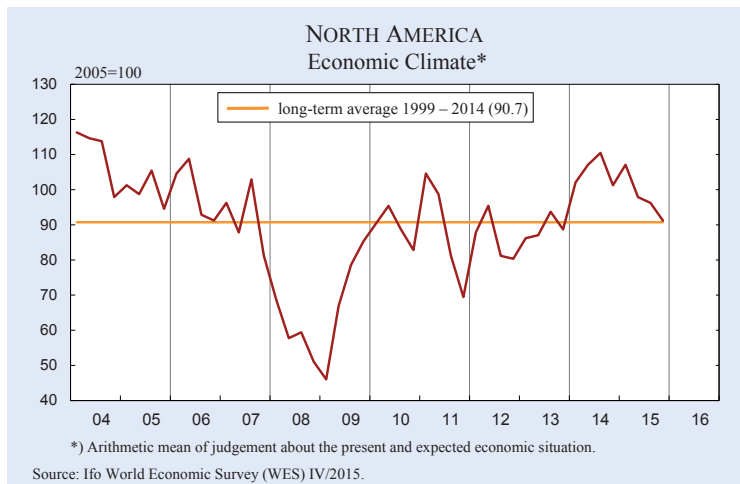
prices probably resulted from both a clouding over of the outlook in terms of future demand and an upturn in supply. On balance, the fall in commodity prices is expected to increase aggregate demand worldwide, because the internal absorption of commodity-importing countries is generally far greater than that of commodity exporters, which will suffer losses in real income.

Lower energy and commodity prices have significantly curbed the global price dynamic since the end of 2014. In several emerging economies – such as *India* and *China* – central banks eased their monetary policy. In *Brazil*, by contrast, monetary policy reins were tightened markedly to offset pressure on its domestic currency to depreciate. In the major advanced economies monetary policy remains very expansive. Nevertheless, the expansionary stance in these countries has diverged this year. The US central bank has not increased the volume of bonds that it holds since De-

| | World | Western Europe | North America | Latin America | Oceania | Asia | Near East | Africa | Eastern Europe | CIS |
|--|-------|----------------|---------------|---------------|---------|------|-----------|--------|----------------|-----|
| Lack of confidence in government's econ. policy | 1.5 | | 2 | 1 | 3 | 2 | | | 2 | 3 |
| Insufficient demand | 1.5 | 3 | | | 1 | 1 | 2 | | | |
| Unemployment | | 1 | | | | | | 1 | | |
| Inflation | | | | | | | 3 | | | |
| Lack of international competitiveness | | | | 2 | 2 | 3 | | 2.5 | | 2 |
| Lack of skilled labour | | | 3 | | | | 1 | 2.5 | 1 | |
| Public deficits | | 2 | 1 | 3 | | | | | | |
| Capital shortage | | | | | | | | | 3 | 1 |

Source: Ifo World Economic Survey (WES) IV/2015.

Figure 3



cember 2014 and has signalled base rate increases; a first increase is expected to be implemented in the final quarter of 2015 or early next year. Interest rate increases are also expected in the *United Kingdom* in the months ahead. The European Central Bank and the

Bank of Japan, by contrast, have massively expanded their bond buying programmes against a backdrop of far more moderate economic activity and excessively low inflation. Differences in monetary policy orientation appeared to be priced into currency exchange rates earlier in this year. The depreciation of the yen and the euro has ground to a halt since then.

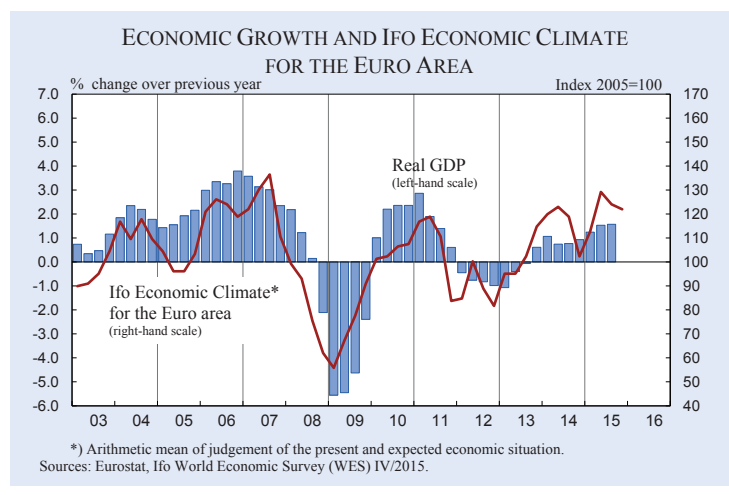
Hardly any changes are expected in the moderate pace of world economic growth in the quarters ahead. In advanced economies the upturn in production will be slightly higher than its long-term rate overall. The significant exchange rate adjustments seen since mid-2014 will continue to influence economic activity for some time. The appreciation of the dollar is expected to further curb *US* exports, while the *euro area* and *Japan* stand to benefit from depreciation of the euro and the yen respectively. The economy in the *US* will nevertheless remain stronger than in the *euro area* and *Japan* in the near future. Economic developments in many parts of the *euro area* will remain constrained by high debt levels. Financing conditions, however, have improved, fiscal policy is no longer a constraining factor and real income is rising. The recovery is expected to continue as a result. Growth in emerging economies will remain weak and is hardly expected to gain any impetus over the quarters ahead, although *Brazil* and *Russia* will gradually pull out of recession. In *China*, however, economic growth is expected to continue to slow down. The unfavourable growth outlook, as well as the expected gradual increase in interest rates in the *USA*, will lead to a drop in foreign capital inflows and a deterioration of financing conditions in some emerging economies.

Box 2

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

The Ifo Economic Climate for the 19 member countries of the euro area is the arithmetic mean of assessments of the general economic situation and the economic expectations for the next six months. The October results are based on responses from 295 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 Index for the economic climate in the *euro area* declined by two index points in the fourth quarter. It dropped to 122.0 points, but still remains significantly above the long-term average. While assessments of the current economic situation brightened slightly, the six-month economic outlook continued to cloud over. The *euro area* economy continued its recovery at a subdued pace. Assessments of the current economic situation improved overall, with the exception of *Austria, Belgium, Spain, Estonia* and *Lithuania*. There are nevertheless significant differences in levels between member countries. In *Slovakia*, where assessments brightened considerably compared to last quarter, and in *Germany* the current economic situation is good. Experts in *Greece* and *Finland*, as well as in *France, Italy, Spain, Austria, Portugal* and *Cyprus*, by contrast, continued to assess the current economic situation negatively. In most other *euro* countries the situation is satisfactory. The six-month economic outlook remains positive in all countries, despite the fact that expectations in several member states were significantly scaled back, especially in *France, Portugal* and *Spain*. Experts in *Ireland, Italy, Lithuania* and *Slovenia*, by contrast, are far more optimistic than they were three months ago. The growth outlook for the next three to five years increased slightly to an annual 1.7 percent from 1.5 percent in the survey at the end of 2014. Experts assess mid-term (2020) inflation expectations for the *euro area* at 1.9 percent.



The worldwide fall in share prices and growing uncertainty on the part of financial market players over future market developments constitute potential risks. Above all, there are fears of a marked downturn in *China*. There is also the danger that the fall in

remain fairly confident for *Slovakia* regarding the months ahead, they are less positive for *Germany*. Many *German* experts stated that coping with the wave of refugees is currently the most important economic issue. Although the economic situation in

commodity prices, combined with the expected increase in *US* base rates, will lead to a major capital exodus from commodity exporting emerging economies. In an extreme case scenario, massive capital outflows could create turbulence in their financial markets, or even currency crises.

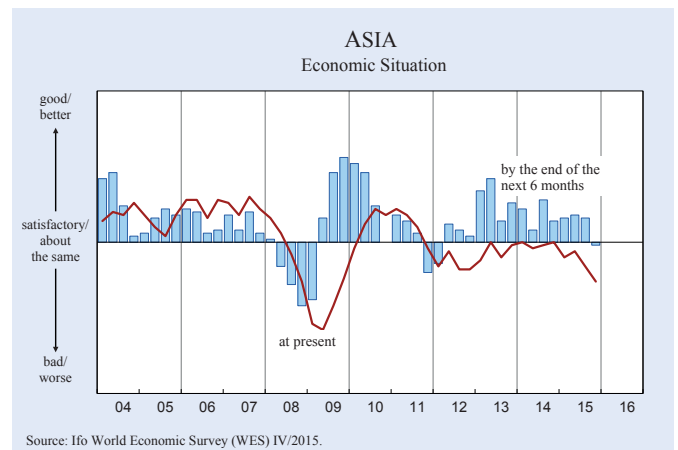
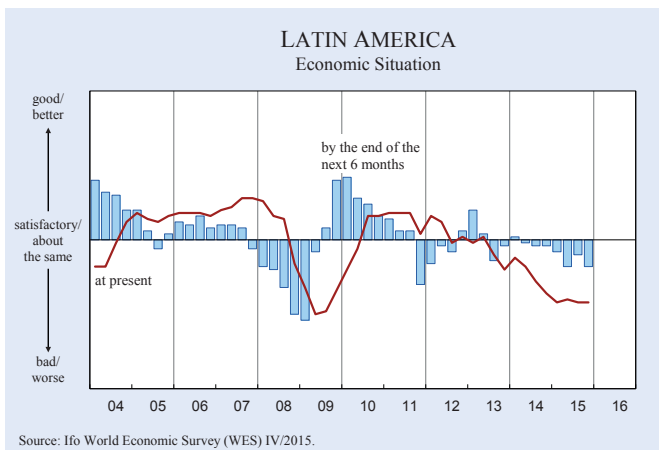
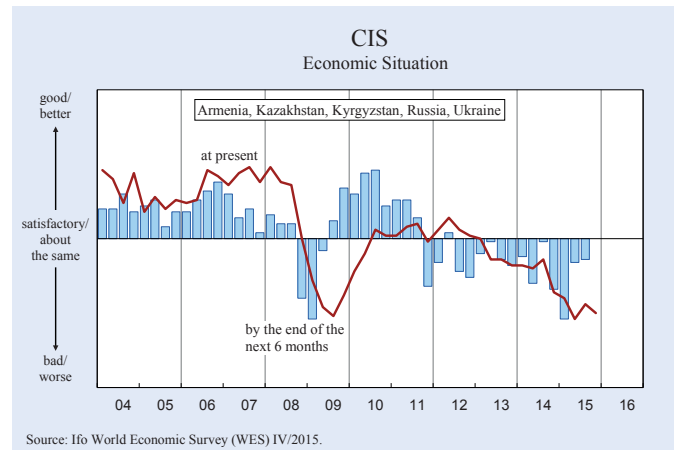
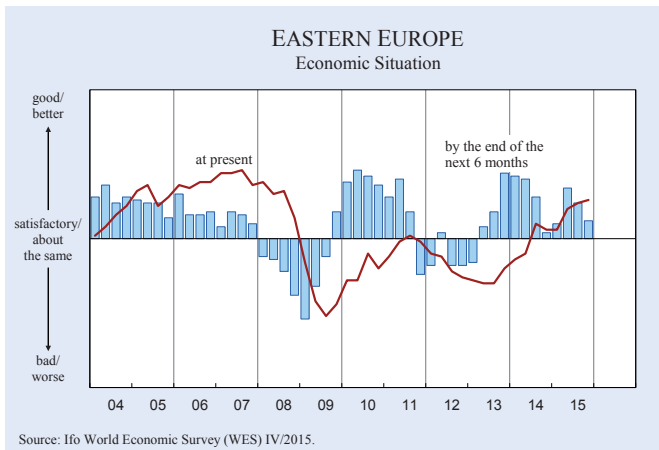
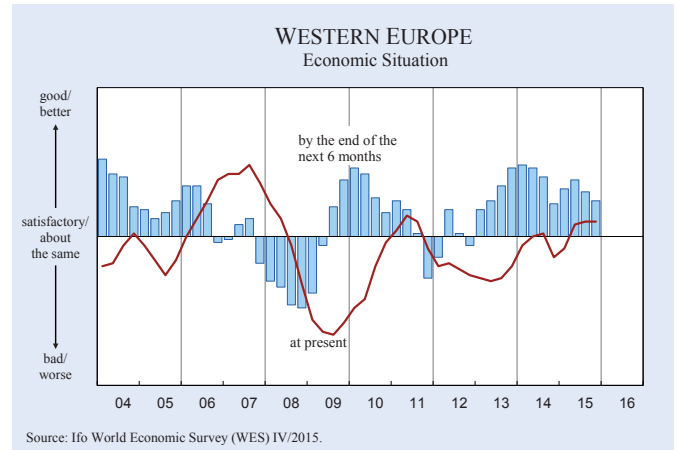
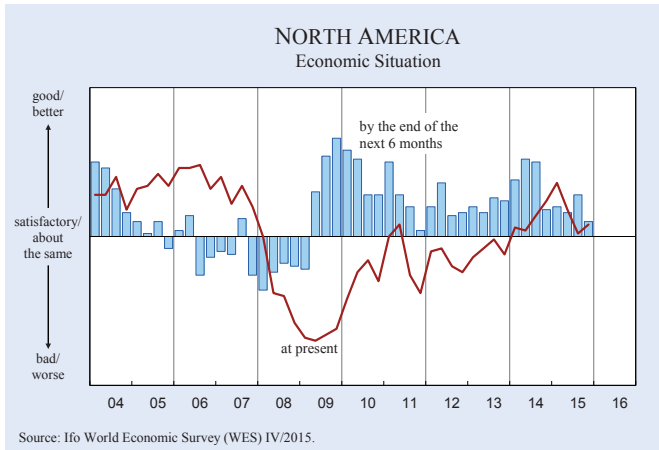
Western Europe: Economic upswing continues to lose momentum

The economic climate index for *Western Europe* continued to decline from 119.1 in July to 116.1 this quarter, but remains above its long-term average of 103.6 (1999–2014, see Figure 3). While the present economic situation continues to be seen as satisfactory, the economic outlook again appears slightly less positive than three months ago (see Figure 4). A similar pattern was seen in the *euro area*, where the downturn in the climate indicator was caused by fading optimism over expectations. In turn, assessments of the present economic situation were slightly more satisfactory than three months ago. The Ifo indicator for the economic climate for the *euro area* decreased by just two index points and at 122.0 points it still stands way above its 16-year average of 106.1. The best economic performance was attributed to *Germany* and *Slovakia*, where the experts surveyed expressed far more satisfaction than three months ago.

However, while WES experts

Figure 4

SELECTED REGIONS



France, Italy and Portugal continued to improve, assessments remain below a satisfactory level (see Figures 5a and 5b). All of these countries still have to cope with a high unemployment rate. Economic expectations were only strongly upwardly revised for *Italy*. For *France* and *Portugal* the economic experts surveyed are far less optimistic than three months ago. After having improved in the third quarter, the current economic situation in *Austria* and *Spain* deteriorated again, according to WES experts. With regard to the next six months, experts surveyed are less positive for *Spain* and expect the economic situation to remain unfavourable. For *Austria*, by contrast, a slight recovery seems likely, as economic expectations once again clearly brightened. In *Cyprus, Greece* and *Finland* the situation remains weak, although some slight easing was visible compared to the survey in July. While no major changes for the better are expected for *Greece*, the situation in *Cyprus* and *Finland* is expected to improve in the months ahead. According to WES experts, the economies of *Belgium, Ireland, Luxembourg* and *Netherlands* continued to perform satisfactorily. The *Eastern European* countries belonging to the euro currency system – *Estonia, Latvia, Lithuania* and *Slovenia* – received similarly satisfactory ratings. As far as the next six months are concerned, economic expectations were only scaled back for *Belgium* and *Netherlands*. Nevertheless, the economies of all of the countries mentioned above are expected to improve further in the months ahead.

Outside the *euro area* the general economic situation appears friendlier than in the countries of the currency union. In most of the countries the present economic situation was assessed as satisfactory at least, which is the case for *Denmark*. For *Monaco* and *Sweden* the present economic situation improved compared to the survey in July and was rated as good. In all of these three countries, the economic outlook remains positive, even if in the case of *Denmark* some slight downward adjustments were visible. The upturn in the economic climate for *Norway* was only short-lived. After having strongly improved in July, indicators of both the present situation and economic expectations deteriorated again markedly. The economic outlook turned negative on balance. In the *United Kingdom* assessments of the present economic situation were considerably less positive than three months ago. Its economy is facing a lack of skilled labour and high public deficits at present. The six-month economic outlook remains

confident. *Switzerland* is the only country outside the *euro area* where assessments of the present economic situation remain below the satisfactory line. Experts cited a lack of international competitiveness as a result of the strong currency. Lack of skilled labour was also cited as a major important economic problem. Economic expectations for *Switzerland* turned positive again, signalling some potential improvements in economic conditions in the months ahead.

North America: US dampens economic climate

The economic climate indicator for *North America* continued its decline and fell from 96.2 in July to 91.2, which is only slightly above its long-term average of 90.7. The decline in the climate indicator was driven by a less positive economic outlook. In turn, assessments of the present economic situation improved slightly (see Figures 3 and 4). This pattern holds particularly true for the *US*, where the problems of high public deficits and a lack of confidence in the government's economic policy remain the country's most urgent issues at the moment. For *Canada*, in turn, a lack of international competitiveness seems to be the most important economic problem at present. Here, the present economic situation was no longer viewed as unsatisfactory by WES experts. Economic expectations are also more confident than three months ago.

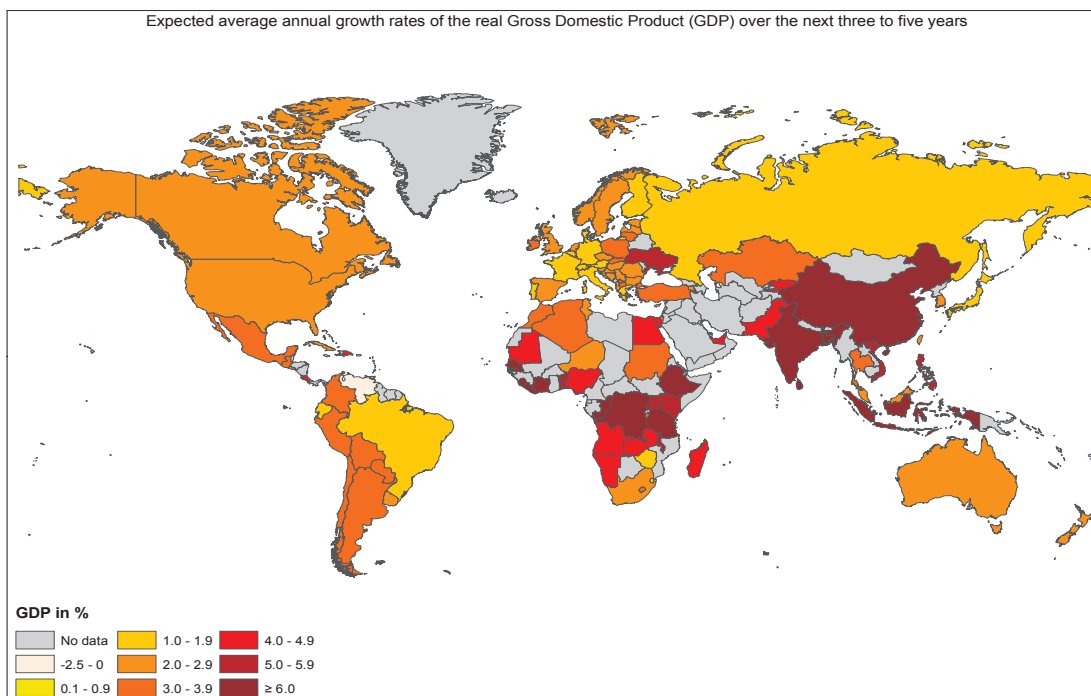
Eastern Europe: Economic climate clouds over slightly

In *Eastern Europe* the economic climate index continued to fall by four index points to 94.6, but nevertheless remains above its long-term average (85.2 in the period 1999–2014). Assessments of the present economic situation remained on a favourable level, while economic expectations are again slightly less positive than three months ago (see Figures 4 and 7). The region's most important economic problems were identified as a lack of skilled labour and a lack of confidence in the government's economic policy. But capital shortages were also cited as major economic obstacles (see Table 1).

The region's best performing economy currently remains the *Czech Republic*, where assessments reached their most positive rating in eight years. In *Romania*, appraisals of the current economic situa-

Box 3

Outlook for economic growth weakens



Source: Ifo World Economic Survey (WES) IV/2015.

In the fourth quarter of each year WES experts are asked to assess mid-term economic growth in the country they are reporting on. On a worldwide scale they downwardly revised expected average annual growth rates¹ over the next 3 to 5 years from 2.7% to 2.5% (see Table 2).

The strongest downward growth revisions came from WES experts in the *Near East* (3.8% versus 4.5% previously), in *Oceania* (from 2.8% to 2.3%) and *Latin America* (2.4% versus 2.9%). In *Africa* the reduction of growth perspectives was restricted to *Sub-Saharan Africa* (from 5.1% to 4.4%), whereas in *Northern Africa* the growth outlook even improved somewhat (from 3.5% to 3.8%), particularly in *Egypt* from 3.6% to 4.7%.

Moderate downward revisions of the medium-term growth outlook were reported from *CIS* countries (from 2.2% to 1.9%), with the exception of the *Ukraine*, where growth rates of 5.2% appear possible in the mid-term, according to WES experts.

Only marginal downward revisions of the medium-term growth outlook were reported from *North America* (from 2.6% to 2.5%). This revision concerned exclusively *Canada*, the *US* outlook remained unchanged at 2.6%.

Also in *Asia* as a whole the overall growth outlook was rather stable (3.6% compared with previously 3.7%). However, pronounced were the downward revisions of growth perspectives in *China* (from 6.4% to 6.0%), as well as in *Hong Kong* (from 3.3% to 2.6%) and *Malaysia* (from 4.2% to 2.5%). On the other hand the growth outlook was lifted up in *India* (from 6.8% to 7.4%), *Vietnam* (from 4.8% to 5.3%) and – from a very low level – also in *Japan* (from 1.0% to 1.2%).

Contrary to the reported downward revisions the medium-term growth outlook improved slightly in *Europe*, both in *Western* and *Eastern Europe* (from 1.6% to 1.7%, respectively from 2.5% to 2.7%). Despite the slight improvement, the growth outlook in *Western Europe* is still lower than in all other big regions of the world (see Table 2) and also compared to historical figures.

¹ The 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, tends to be somewhat lower than the corresponding figures released by the IMF as a rule.

tion strongly improved compared to the survey in July and are now deemed as favourable. The present situation in *Poland*, by contrast, is considered to be slightly less favourable than three months ago. Economic expectations remain positive for all three countries, although some downward revisions compared to the July survey were visible, especially in the case of *Poland*. The *Eastern European* countries that belong to the *euro area* (*Baltic States*, *Slovakia* and *Slovenia*) are performing satisfactorily at present, and also boast a positive economic outlook. Assessments of the current economic situation in *Bulgaria* and *Hungary* fell below the satisfactory line. Economic expectations were further scaled back in both countries. However, while expectations remain positive in the case of *Bulgaria*, they fell deep in negative territory for *Hungary*. In *Croatia* the present economic situation remains weak. However, WES experts revised their economic expectations considerably upwards and expect the situation to improve in the next six months.

Most *Eastern European* countries outside the EU are currently suffering from high unemployment. The current economic situation in *Bosnia and Herzegovina*, *Macedonia* and *Serbia* remains weak, despite some slight improvements in the case of *Bosnia and Herzegovina* compared to three months ago. However, with regard to the next six months, the situation only looks set to improve for *Bosnia and Herzegovina* in the months ahead. The situation is forecast to remain weak in *Serbia* and to deteriorate even further in *Macedonia*, according to WES experts. The present situation in *Kosovo* was far more favourably assessed than in July. In *Albania*, a satisfactory current situation continues to prevail. In both countries current good economic conditions are likely to persist in the months ahead.

CIS: Stabilisation at a low level

The economic climate indicator for the CIS countries covered by WES (*Russia*, *Ukraine*, *Kazakhstan*, *Kyrgyzstan* and *Armenia*) continued to recover from its steep decline at the end of 2014. Nevertheless, at 62.1 points, the indicator still remains far below its long-term average of 88.1 points. Assessments of the present economic situation deteriorated again. Economic expectations, by contrast, continued to recover (see Figure 4). This pattern also reflects the situation for *Russia*. The most important economic

problems faced by the country at present are capital shortage and a “lack of confidence in government’s economic policy”. The present economic situation remains weak. Pessimism continues to dominate the outlook for the next six months, despite some improvements in expectations compared to the survey in July. In the *Ukraine*, no major changes of the present weak economic situation were recorded. However, economic expectations once again turned more optimistic, signalling some potential easing in current difficult economic conditions. In *Armenia* the situation remains weak, according to WES experts. In *Kazakhstan* the situation was once again assessed as unfavourable, while in *Kyrgyzstan* it improved somewhat. Economic expectations for *Armenia* and *Kyrgyzstan* point to no substantial positive changes in the months ahead. For *Kazakhstan* at least the economic outlook improved compared to the survey in July, and experts are now confident about future economic developments. Exports, in particular, are expected to strengthen somewhat.

Asia: Heavyweight China still dragging the region down

The economic climate index for *Asia* continued to decline for the second time in succession. The fall in the indicator was even more pronounced this time, falling to its lowest value since the beginning of 2012 at 75.4 points, which is far below its long-term average of 92.5. The decline in the climate was due to less positive assessments of both the present economic situation and economic expectations (see Figures 3, 4 and 8). Insufficient demand, a skilled labour shortfall and a lack of confidence in the government’s economic policy were cited as the region’s most important economic problems (see Table 1).

In *China*, the economic situation deteriorated further and was once again assessed as unfavourable. Capital expenditure in particular was reported to be weak. As far as the next six months are concerned, WES experts revised their economic expectations markedly downwards and expect the economy to stabilise at best, rather than to expand. After a mild economic recovery at the beginning of this year, the present economic situation turned unfavourable again in *Japan*. Economic expectations were also scaled back and do not signal major improvements in the months ahead. The country’s most important economic problems remained high public deficits

Figure 5a

EUROPEAN UNION

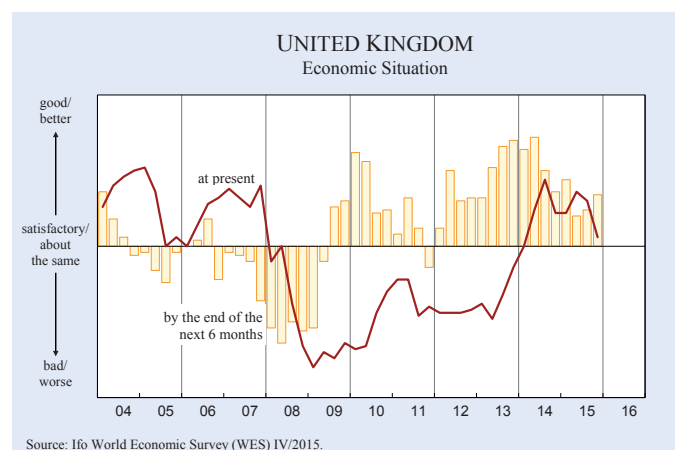
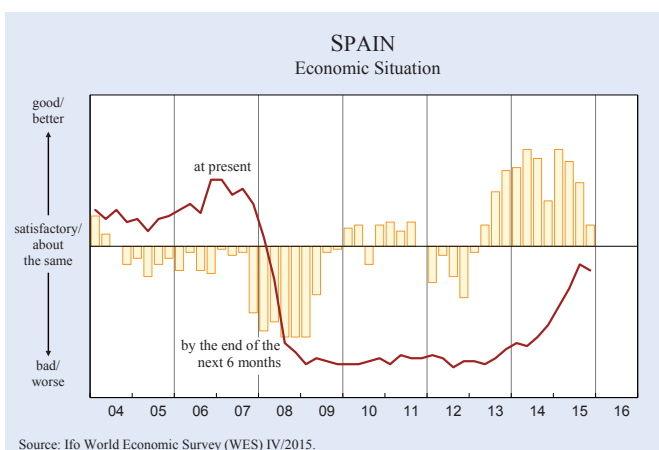
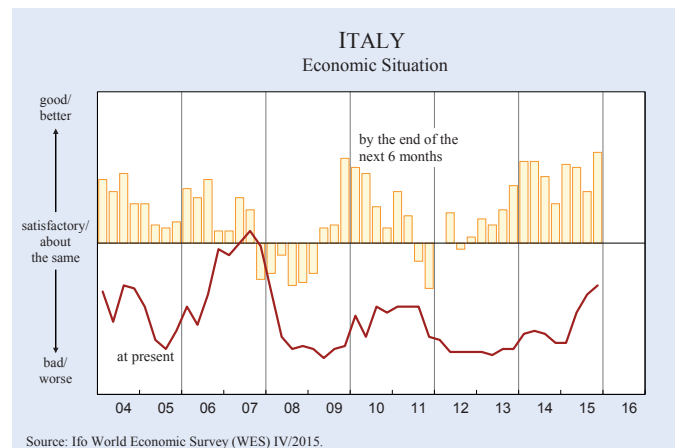
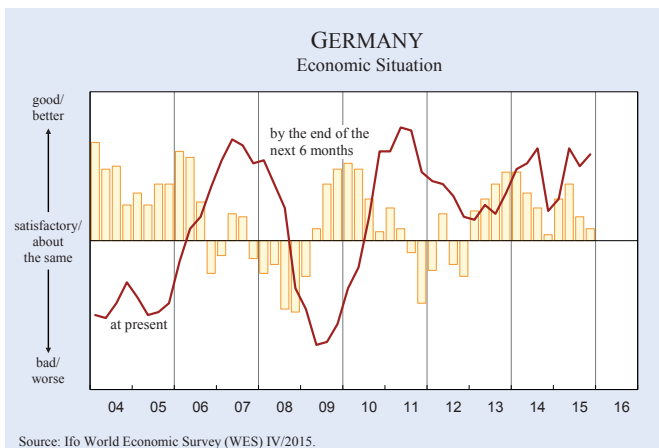
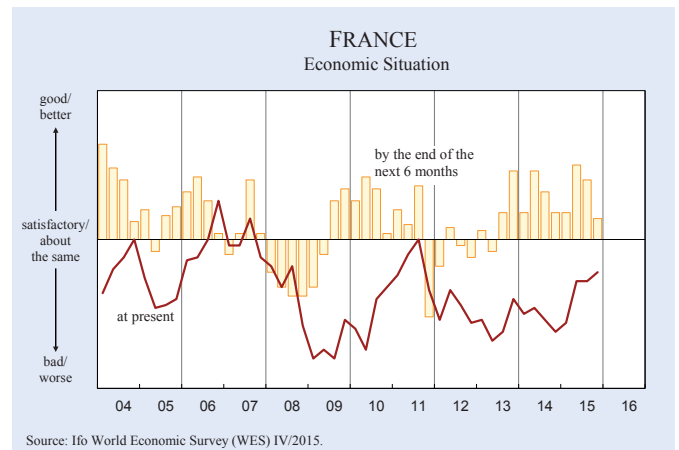
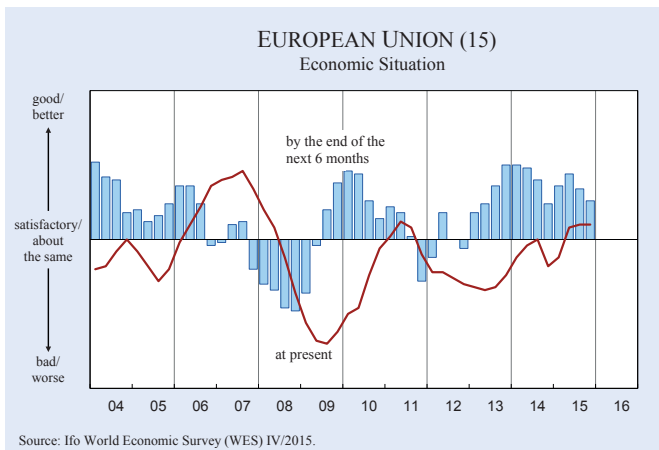


Figure 5b

EUROPEAN UNION

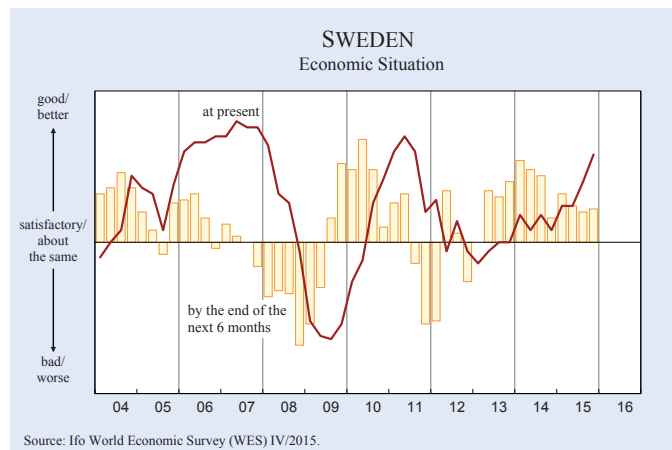
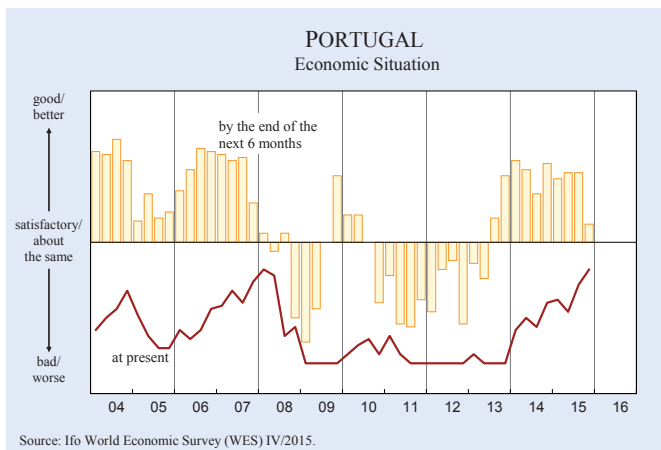
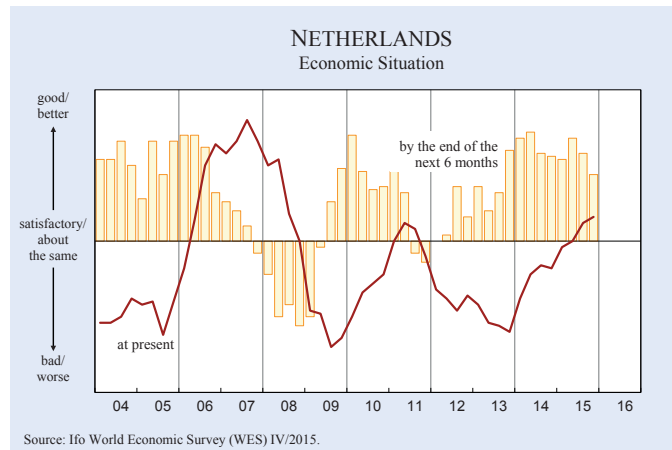
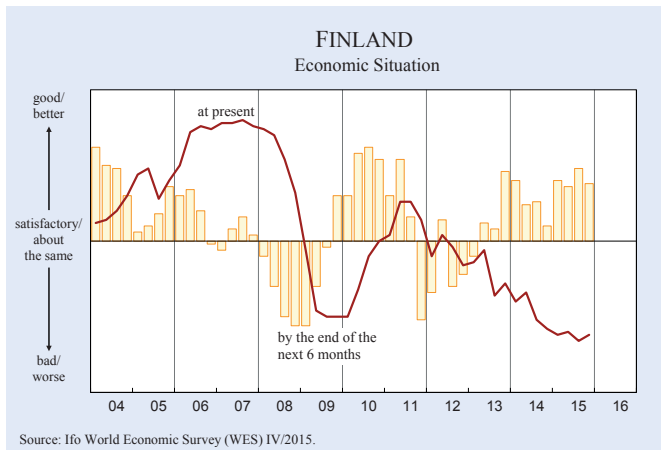
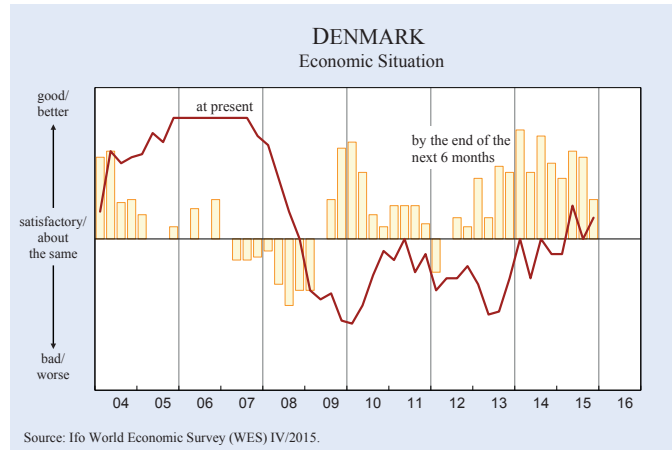
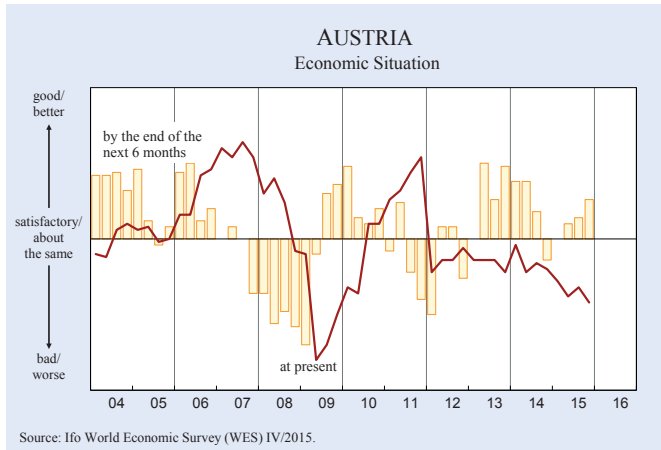


Figure 6

NORTH AMERICA, OCEANIA AND CIS

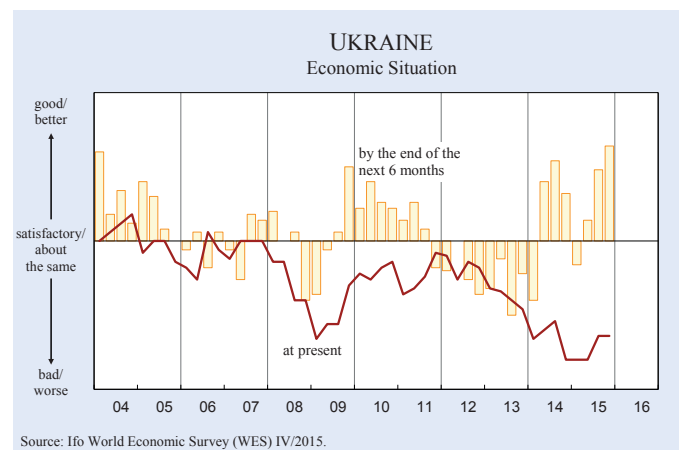
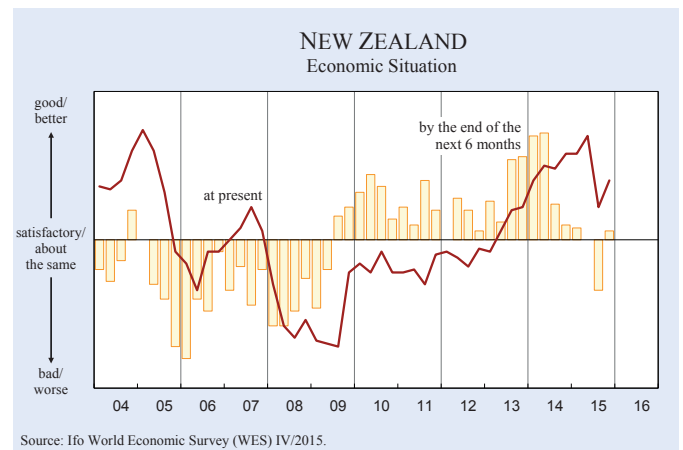
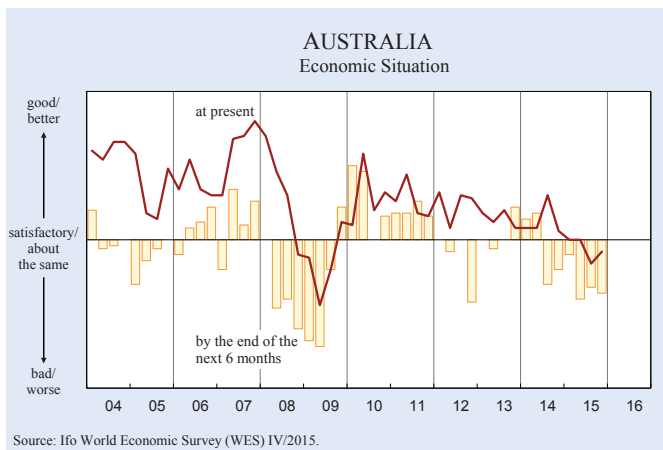
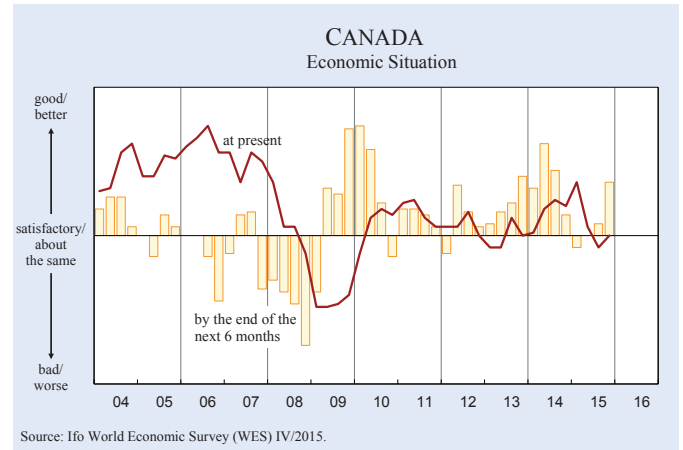
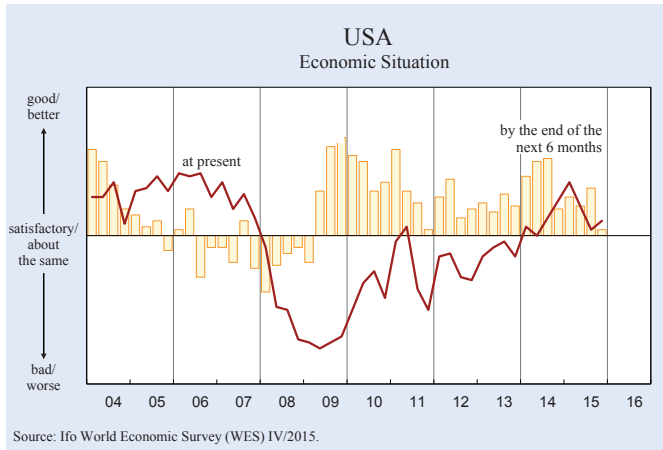


Figure 7

EASTERN EUROPE

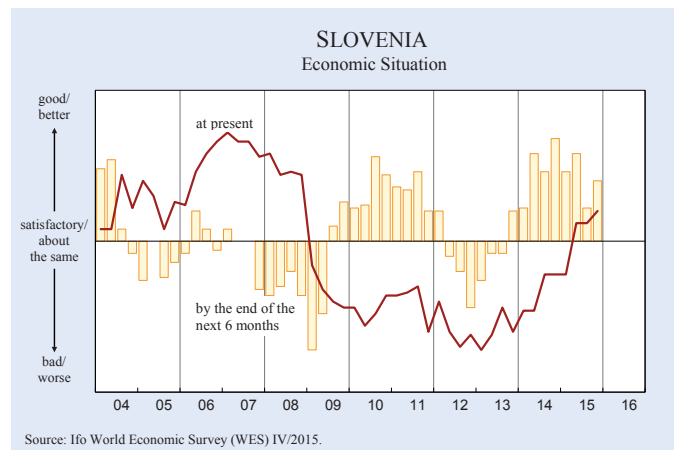
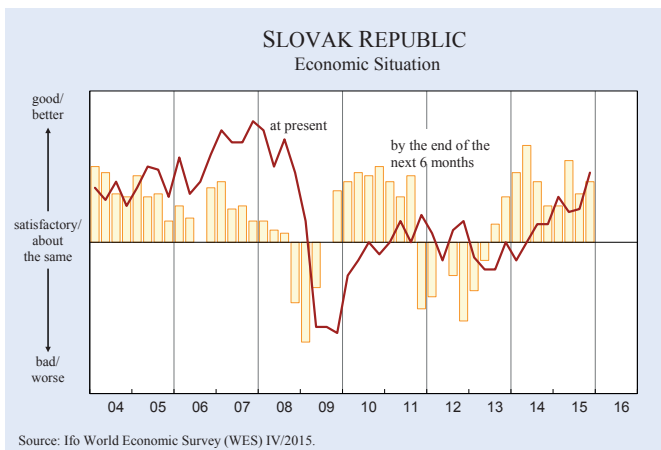
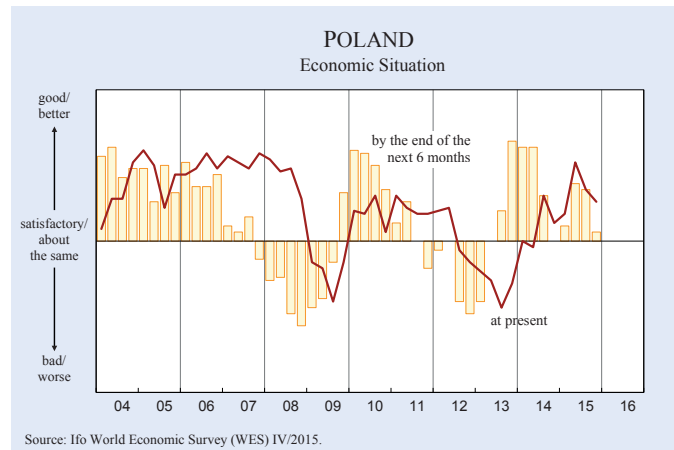
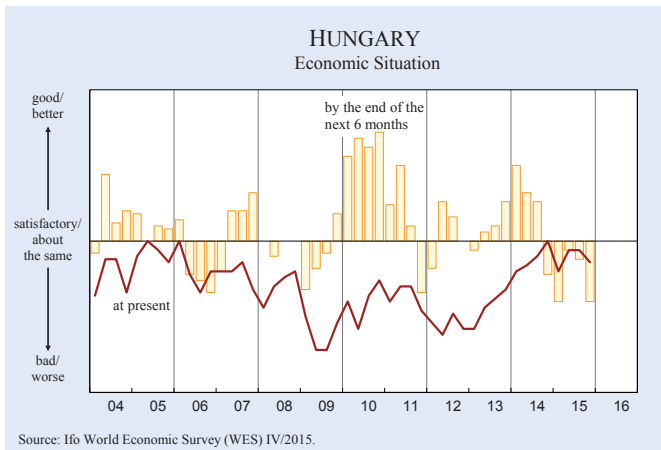
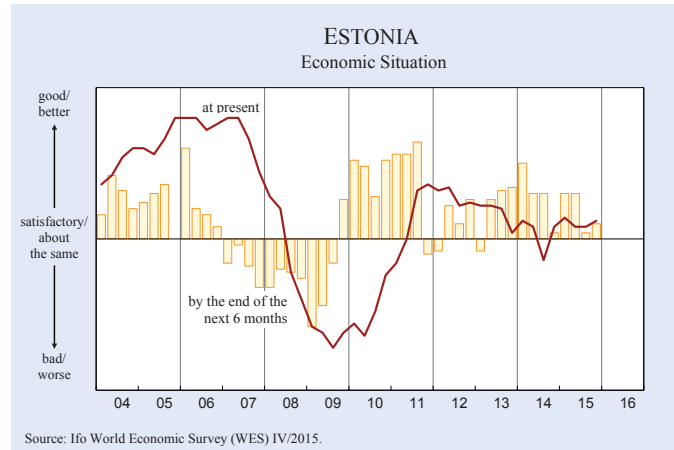
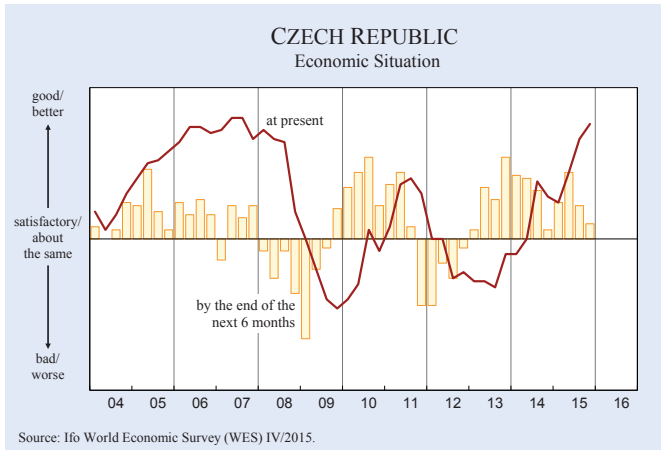


Figure 8

ASIA

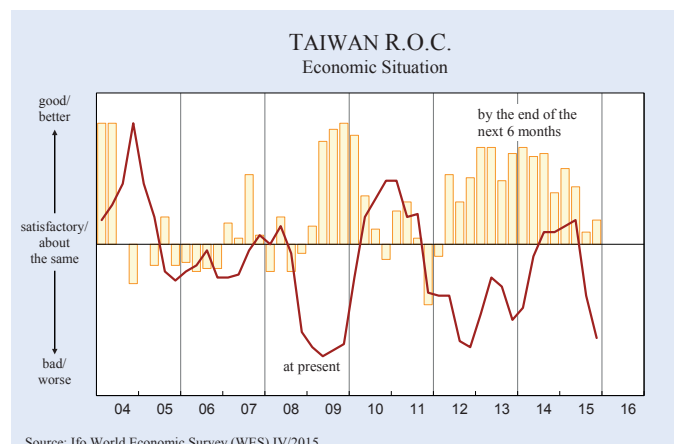
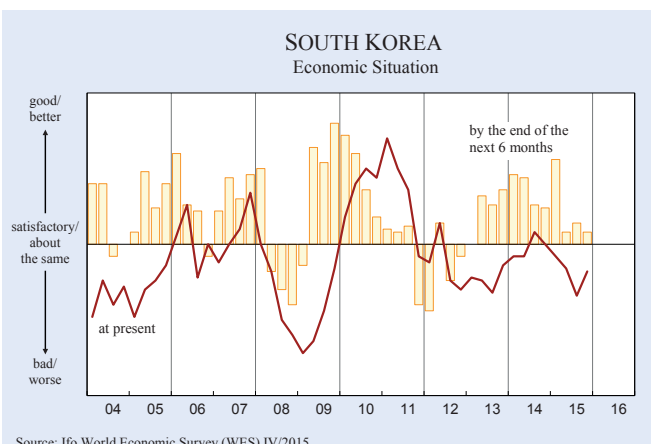
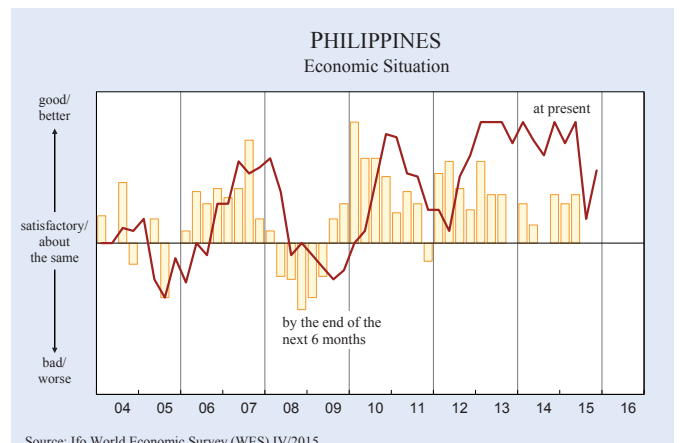
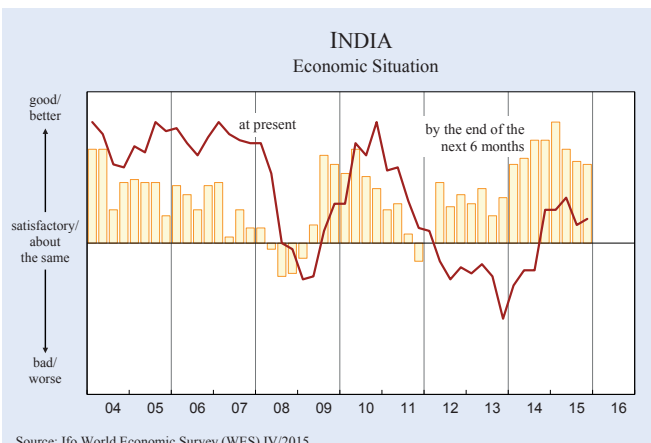
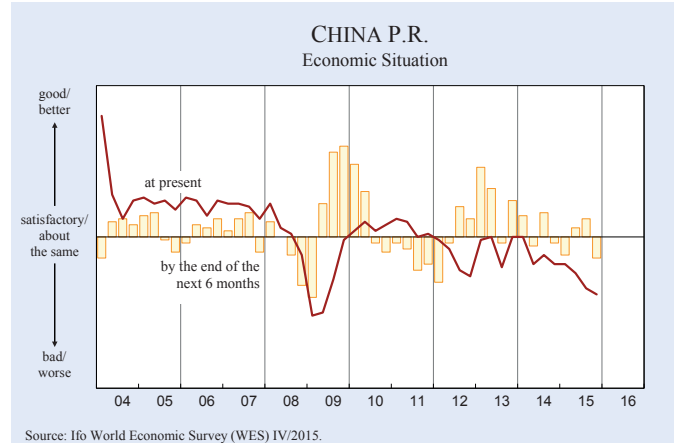
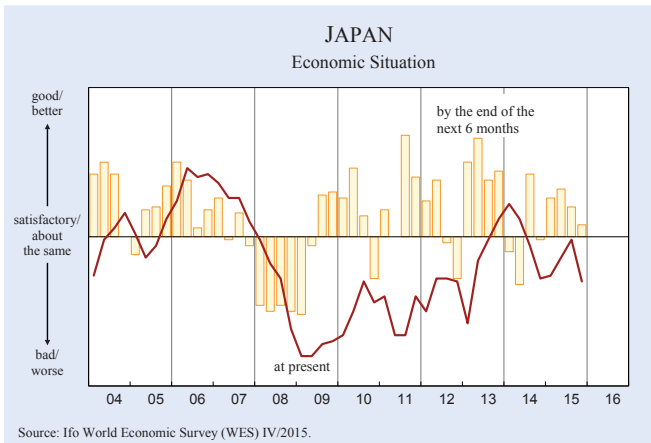


Figure 9

LATIN AMERICA

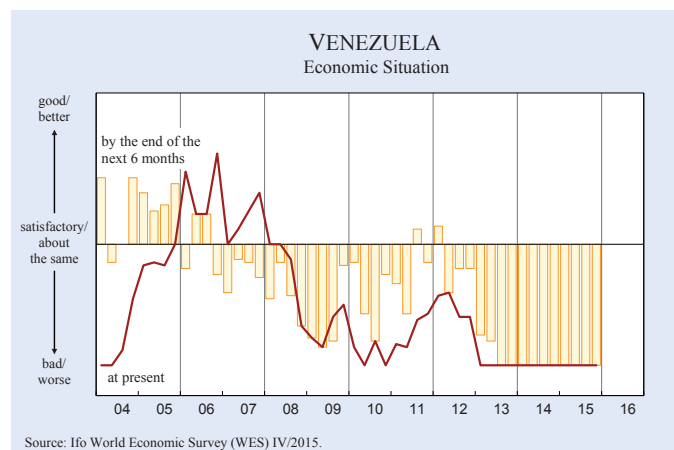
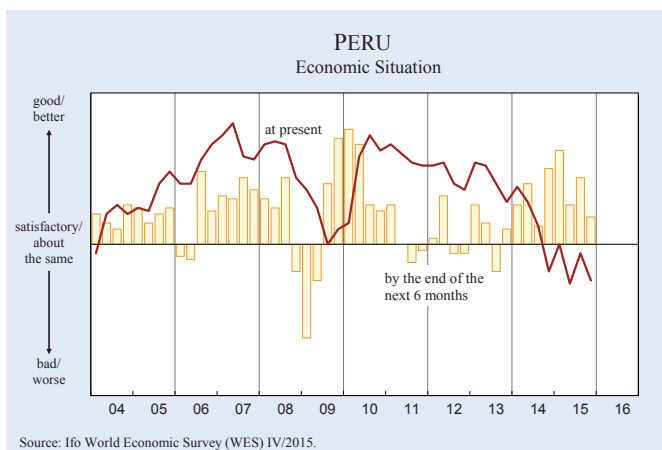
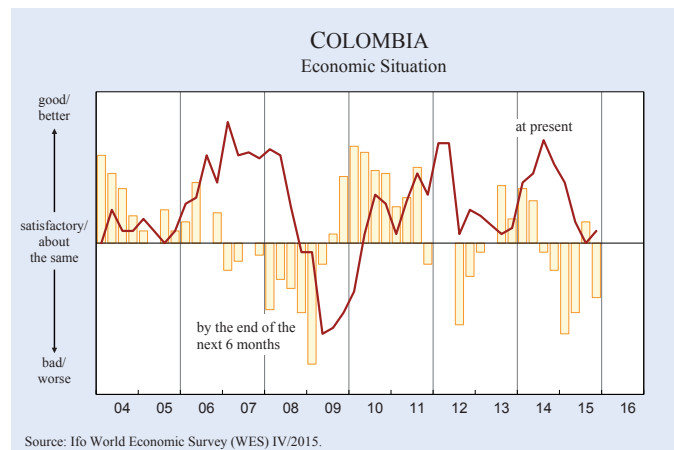
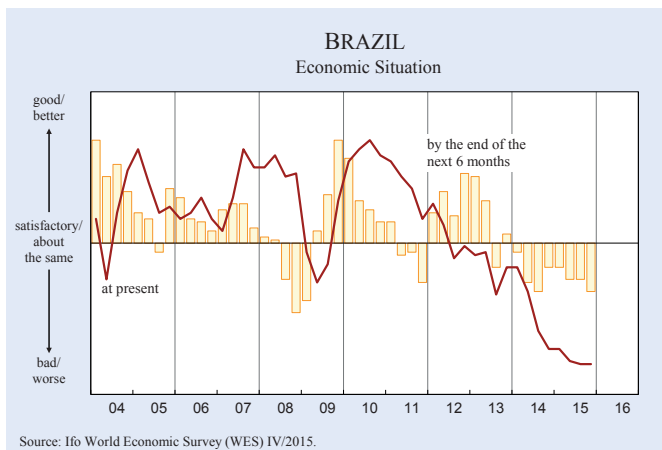
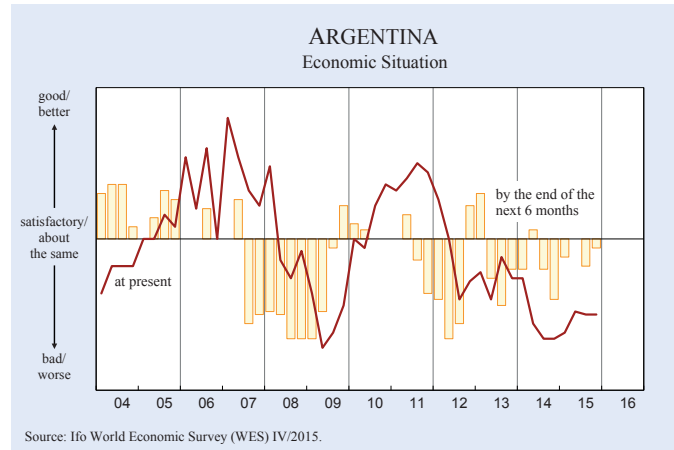
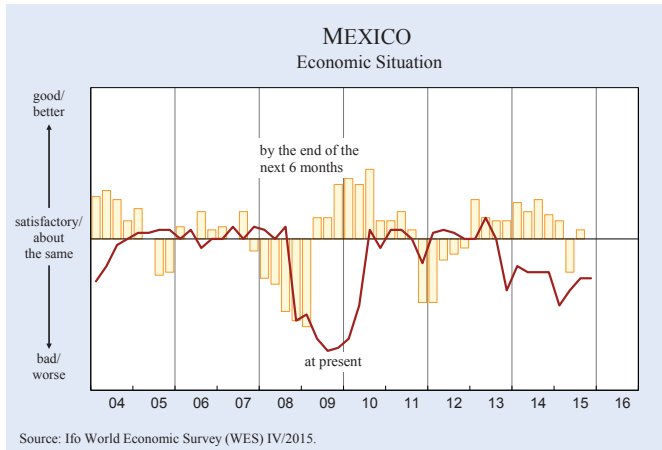
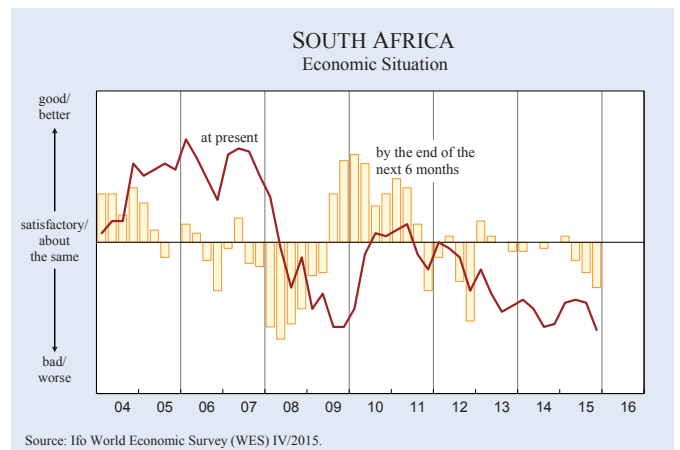
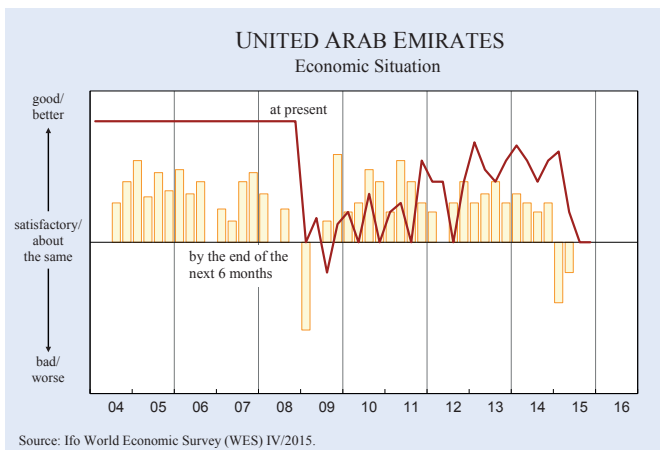
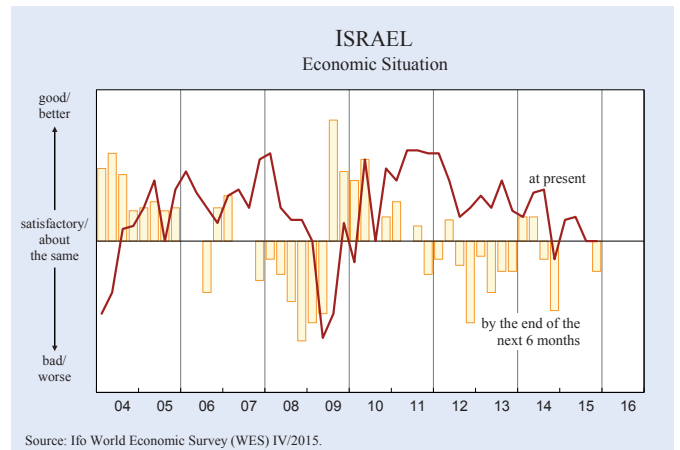
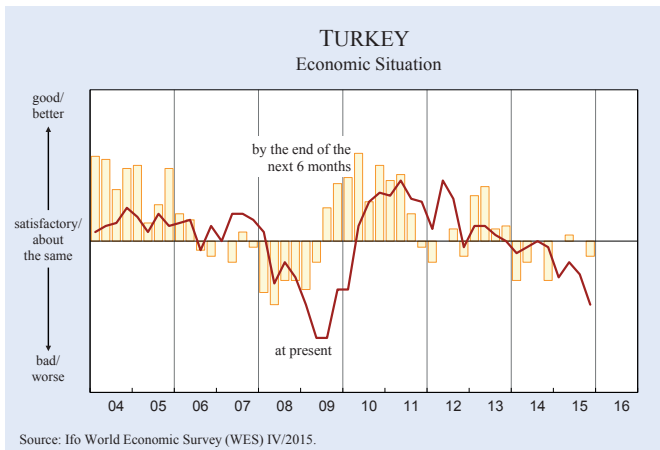
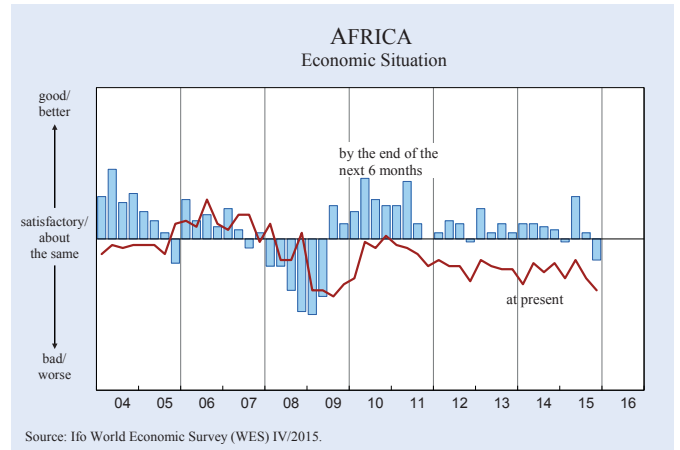
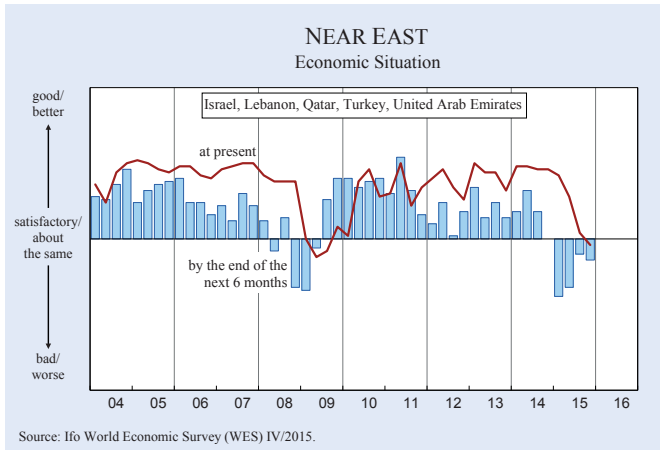


Figure 10

NEAR EAST AND AFRICA



and insufficient demand. In *Taiwan* the downturn in assessments of the present economic situation gained impetus. The experts surveyed considered the situation as weak and do not expect any substantial improvements in the next six months. In *Bangladesh*, *Hong Kong* and *Indonesia* the present economic situation remained satisfactory, despite some downward correction. In most of these countries, the situation is also expected to remain at its present good levels in the months ahead. An exception to this rule is *Hong Kong*, where WES experts turned clearly pessimistic in their six-month economic outlook. In *India* and *Vietnam* the present economic situation remained satisfactory. While WES experts are still fairly confident with regard to the six-month outlook for *India*, they expressed less optimism about *Vietnam*. The most marked deterioration in the economic climate occurred in *Malaysia*, where experts described the present economic situation as no longer satisfactory and expect the situation to deteriorate further in the months ahead. Low confidence in the government's economic policy, followed by high public deficits were cited as the most urgent economic problems in this country. Although assessments of the present economic situation were slightly upgraded in *Pakistan*, *South Korea* and *Thailand* compared to the July survey, they remain subdued on the whole. Economic expectations were downgraded in all these countries, but nevertheless remain in positive territory. The most pronounced upward revisions in assessments of the present economic situation took place in the *Philippines* and *Sri Lanka*. In both countries, WES experts rated the situation as favourable. They expressed greater confidence about future economic developments in *Sri Lanka* and were positive about the *Philippines*.

Oceania: Economic climate improves, but remains at a low level

Together with the *CIS* states, *Oceania* is the only region, where the economic climate index rose, albeit only slightly. This, however, only means an improvement at a low level, with the indicator at 76.9 remaining way below its long-term average of 101.6. In *Australia*, assessments of the present economic situation improved slightly, but still remain below the satisfactory-level. Capital expenditure is mainly considered to be weak at present. The economic outlook is still dominated by pessimism (see Figure 6). Insufficient demand and a lack of international com-

petitiveness are the country's most important economic problems. By contrast, *New Zealand* is suffering from trade barriers to exports. Nevertheless, WES results for this country are dominated by renewed optimism: the present economic situation was assessed more favourably and economic expectations are no longer negative.

Latin America: Another setback in the economic climate

As feared, *Latin America* has not bottomed out yet. The climate indicator started to fall again, dropping to 63.3 points, or its lowest level since early 2009 and far below its long-term average (1999–2014: 91.0). Assessments of the present economic situation remained weak and expectations indicate no substantial improvements in the months ahead. The most important economic problem at present, cited by WES experts in this region, is a lack of confidence in the government's economic policy (see Figures 4 and 9).

In *Brazil*, no major changes for the better were observed compared to the July survey. The present economic situation remains fairly weak and the economic outlook is still bleak. Corruption scandals and political turmoil are constraining economic activity. The present economic situation in *Mexico* and *Argentina* also remains unfavourable and is likely to stay subdued in the months ahead, according to WES experts. In *Chile*, *Ecuador* and *El Salvador* the current situation was once again assessed as unfavourable. These countries were joined by *Peru* and *Uruguay*, where appraisals deteriorated visibly compared to three months ago. In all of these five countries, economic expectations were downgraded considerably and current economic weakness is expected to last over the next six months, or even to deteriorate further. There was no positive news from *Venezuela* either, and WES experts continued to unanimously give the present economic situation and economic expectations the lowest rating on the WES scale. The country is facing a steep recession, and struggling with lower revenues from the oil sector due to low oil prices. Currency depreciation is likely to continue in the months ahead, accompanied by a rising and stubborn inflation rate. As in the previous survey, experts even expressed fear of hyperinflation (see Table 3). The economic situation in *Guatemala* and *Trinidad and Tobago* improved and reached satisfactory territory again, after a slight

downturn in July. However, while experts in *Guatemala* retain their positive view on future economic developments, they remained sceptical about *Trinidad and Tobago*. The economies of *Bolivia*, *Colombia*, *Dominican Republic* and *Paraguay* are currently proving largely robust compared to the region as a whole. In all these countries the experts surveyed attested to a satisfactory present economic situation. However, as far as the six-month economic outlook is concerned, WES experts scaled back their expectations for *Bolivia*, *Colombia* and *Paraguay* considerably and fear deterioration in economic activity in these countries. By contrast, the economy of the *Dominican Republic* is expected to prove resilient to current weakness in the region in the course of the next six months, according to WES experts.

Near East: Economic climate indicator falls further

After levelling off in the third quarter, the descent of the economic climate indicator for the *Near East* continued from 69.2 to 64.9, which is far below its long-term average 87.8. As in *Asia* and *Africa*, both climate components – economic situation and outlook – were responsible for the deterioration in this region (see Figure 10). In *Israel*, *Qatar* and the *United Arab Emirates* no major changes compared to the previous survey were recorded. In all of these countries WES experts continue to assess the present economic situation as satisfactory. However, with regard to economic developments in the next six months, experts only remain positive about the *United Arab Emirates*. Experts in *Israel* turned sceptical and the situation in *Qatar* is also likely to worsen in the months ahead. The economic situation in *Lebanon* and *Turkey* deteriorated visibly compared to the survey in July. In both countries, experts rated the economic situation as unfavourable and don't expect any improvement in economic conditions in the near future.

Africa: Economic climate continues to cloud over

The economic climate indicator for *Africa* plunged even further below its long-term average. Assessments of both components of the economic climate were far less positive than in the previous two surveys. The present economic situation was rated as unfavourable. The six-month economic outlook continued to cloud over, reflecting developments in both

parts of the continent – *Northern* and *Sub-Saharan Africa*. “Unemployment”, “shortage of skilled labour” and “lack of international competitiveness” were cited as the most frequently mentioned economic problems in both parts of *Africa*.

In *Morocco*, the present economic situation was once again assessed as satisfactory. The six-month economic outlook also remains positive. By contrast, in the remaining countries of *Northern Africa* – *Algeria*, *Egypt* and *Tunisia* – WES experts assessed the present economic situation as unfavourable. The economic outlook in all of these countries clouded over and the experts surveyed expect the situation to deteriorate further in the short term.

The economic climate indicator for *South Africa* continued to deteriorate due to more negative assessments of both the present situation and economic expectations (see Figure 10). The economic climate is deeply undercooled and reached a historically low level. The country is suffering from a high unemployment rate (about 25–30%), crime, corruption and low commodity prices. In *Ethiopia*, *Gambia*, *Kenya*, *Mauritius*, *Senegal*, *Tanzania* and *Uganda* the current economic situation remained satisfactory, despite some slight downward correction in the case of *Kenya*, *Mauritius* and *Uganda*. In all of these countries, current economic performance is expected to remain as good as it is at present, except for in *Kenya*, where WES experts turned sceptical about the six-month economic outlook. In *Congo-Brazzaville*, *Ivory Coast* and *Namibia* a favourable economic situation continued to prevail. However, the economic outlook only remained positive for *Congo-Brazzaville* and *Ivory Coast*. In turn, WES experts in *Namibia* revised their economic expectations considerably downwards and expressed pessimism regarding developments in the next six months. Major positive changes were recorded for *Benin*, *Cabo Verde*, *Lesotho* and *Mauritania*. In the opinion of WES experts, the current economic situation in *Benin* and *Mauritania* returned to a satisfactory level and is expected to stabilise at current good levels in the months ahead. In *Cabo Verde* and *Lesotho* assessments remain slightly below the satisfactory level, but the situation is expected to continuously improve in the short term. The respective current economic situations of *Congo Democratic Republic*, *Madagascar*, *Nigeria*, *Sudan*, *Swaziland*, *Sierra Leone*, *Togo* and *Zambia* deteriorated and were rated as negative on balance in all cases. Only

WES experts in *Sierra Leone* expect the situation there to improve within the next six months. In all other countries the unfavourable economic conditions are likely to last, or even to deteriorate further in the next six months (*Democratic Republic of the Congo, Sudan, Swaziland and Zambia*). In *Angola, Burundi, Comoros, Liberia, Niger, Sudan and Zimbabwe* the situation was once again assessed as weak. This time *Malawi* also joined the group of countries with current weak economic conditions. WES experts only forecast an improvement for *Liberia* in the short term. In the other countries the situation is likely to remain subdued, or even to deteriorate further.

Low inflation expectations, particularly in Europe

On a worldwide average, WES experts' inflation forecast for the year 2015 remained unchanged from the preceding survey 3.0% (see Table 3).

For the *euro area* the inflation rate in 2015 is estimated at 0.6%, after an expected 0.8% according to the preceding survey. It appears very likely that the 2015 inflation rate will be revised further downwards before the year-end. Thus, the discrepancy between the ECB inflation target rate (lower, but close to 2.0%) and the actual rate is increasing further. However, as in the previous survey, WES experts don't expect that the current inflation rate will remain extremely low for long. The medium-term inflation expectations (year 2020) stand at 1.9% and are thus only slightly lower than in the preceding survey (2.0%). Within the *euro area* the lowest inflation rates in 2015

are again expected in the two "crisis countries" *Cyprus* (−0.4%) and *Greece* (−0.8%) as well as in *Lithuania* (−0.2%). Below the overall average are inflation expectations in *Slovenia* (0.0%), *Estonia* (0.1%), *Finland* and *Spain* (0.2% each), as well as in *Italy* and *Slovakia* (0.4% each). Inflation expectations slightly above the overall average mainly prevail in *Luxembourg* (1.4%) and *Austria* (1.2%).

In *Western Europe outside the euro area* the span of inflation expectations for 2015 ranges from −0.9% in *Switzerland* to 0.3% in the *United Kingdom* and to 1.8% in *Norway* (see Table 3).

A low-inflation trend will also continue in *Eastern Europe*. The expected 2015 inflation rate stands at 0.6% and is thus slightly lower than forecast in the preceding survey (0.7%). Like in *Western Europe*, the currently very low inflation rate is seen as a transitory phenomenon; in the next five years inflation is expected to return to more "normal" levels (2020: 2.2%).

In *North America*, the latest inflation forecast for 2015 of 1.3% is significantly lower than according to the preceding survey in July (1.6%). The medium-term inflation outlook (2020) remained somewhat above 2% (2.4%).

In *Asia* inflation expectations for 2015 picked up only marginally (from 2.5% to 2.6%). The medium-term inflation rate stood unchanged at 3.1%. *Malaysia* and *South Korea* were the only countries in which inflation expectations increased (from 4.3% to 5.3% and 1.6% to 1.8%, respectively). In all countries in the region the expected inflation rate for 2015 remained stable or even declined.

In *China*, the largest country of the region, inflation expectations for 2015 declined to a low level (2.3%), leaving room for further monetary easing. The price increase expected in *India* in 2015 is also somewhat weaker than according to the preceding survey (5.1% compared to 5.6%). In *Japan* inflation expectations for 2015 stand at 0.5%, after 0.8% in the preceding survey, and thus remain well below the 2% increase targeted by the Bank of Japan. This target-level will not be reached in the medium-term either, according to

Figure 11

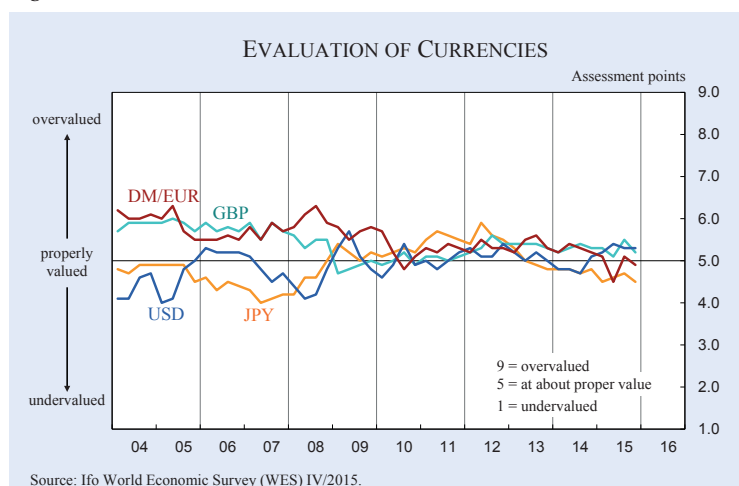


Figure 12

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

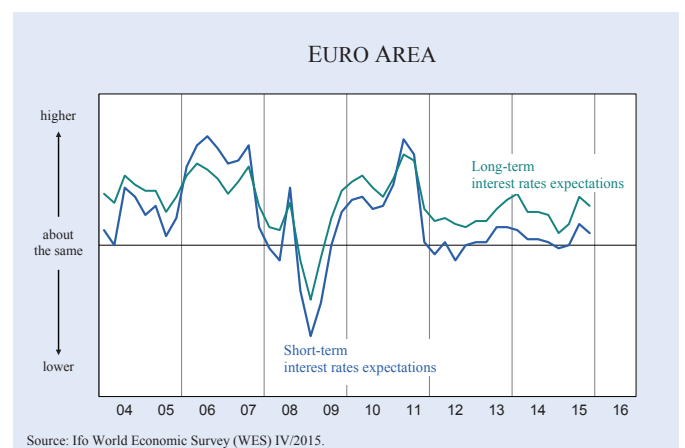
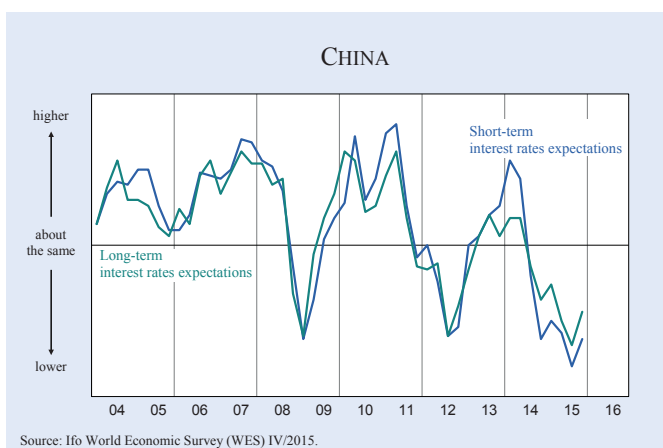
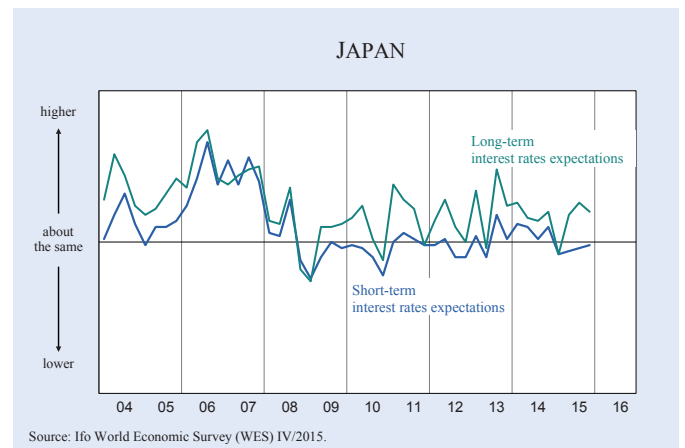
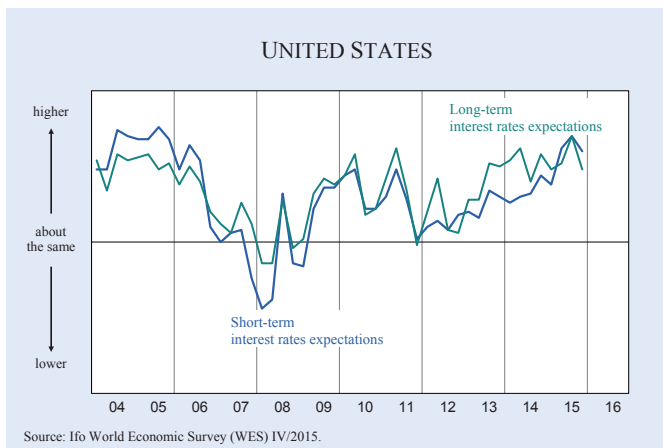
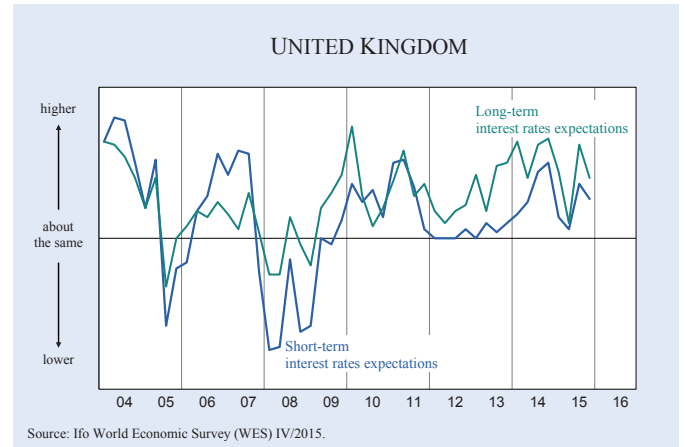
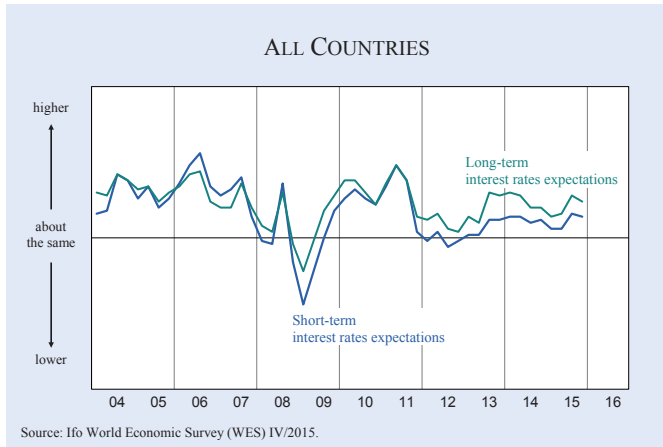


Table 2

**Expected average annual growth rates of real Gross Domestic Product (GDP)
over the next 3 to 5 years (based on WES QIV/2015 and QIV/2014)**

| Region | QIV/2015 | QIV/2014 | Region | QIV/2015 | QIV/2014 |
|--|------------|------------|---------------------------|------------|------------|
| Average of countries * | 2.5 | 2.7 | North America | 2.5 | 2.6 |
| High-income countries | 2.0 | 2.2 | Canada | 2.0 | 2.3 |
| Middle-income countries | 4.4 | 4.3 | United States | 2.6 | 2.6 |
| Upper-middle | 3.3 | 3.5 | | | |
| Lower-middle | 6.0 | 5.8 | Oceania | 2.3 | 2.8 |
| Low-income countries | 6.4 | 6.4 | Australia | 2.4 | 2.8 |
| EU 28 countries | 1.9 | 1.7 | New Zealand | 2.3 | 2.4 |
| EU countries (old members) ^{a)} | 1.7 | 1.6 | | | |
| EU countries (new members) ^{b)} | 2.7 | 2.5 | Latin America | 2.4 | 2.9 |
| Euro area ^{c)} | 1.7 | 1.5 | Argentina | 3.0 | 2.5 |
| | | | Bolivia | 3.8 | 4.8 |
| Western Europe | 1.7 | 1.6 | Brazil | 1.7 | 2.2 |
| Austria | 1.3 | 1.2 | Chile | 3.0 | 3.3 |
| Belgium | 1.7 | 1.2 | Colombia | 3.7 | 4.4 |
| Cyprus | 2.0 | 1.3 | Costa Rica | (4.0) | (4.2) |
| Denmark | 1.6 | 1.7 | Dominican Republic | (4.0) | 4.8 |
| Finland | 1.2 | 1.5 | Ecuador | 1.8 | 3.8 |
| France | 1.5 | 1.4 | El Salvador | 2.3 | 1.7 |
| Germany | 1.6 | 1.6 | Guatemala | 3.8 | 3.6 |
| Greece | 1.7 | 2.0 | Mexico | 3.1 | 3.1 |
| Ireland | 3.7 | 3.6 | Paraguay | 3.8 | 4.5 |
| Italy | 1.3 | 0.9 | Peru | 3.6 | 4.7 |
| Luxembourg | 3.3 | 2.1 | Trinidad and Tobago | 1.3 | (3.0) |
| Monaco | 3.8 | 1.7 | Uruguay | 2.5 | 3.1 |
| Netherlands | 2.0 | 1.7 | Venezuela | -2.4 | -0.1 |
| Norway | 2.1 | 2.5 | | | |
| Portugal | 1.7 | 1.5 | Near East | 3.8 | 4.5 |
| Spain | 2.4 | 1.9 | Israel | 2.5 | 3.0 |
| Sweden | 2.2 | 2.1 | Lebanon | (0.8) | 1.8 |
| Switzerland | 1.6 | 1.7 | Turkey | 3.9 | 4.3 |
| United Kingdom | 2.1 | 2.2 | United Arab Emirates | 4.3 | 5.5 |
| | | | | | |
| Eastern Europe | 2.7 | 2.5 | Africa | 4.1 | 4.5 |
| Albania | (2.5) | 3.0 | Northern Africa | 3.8 | 3.5 |
| Bosnia and Herzegovina | 2.5 | 2.8 | Algeria | 3.5 | 3.3 |
| Bulgaria | 2.0 | 2.1 | Egypt | 4.7 | 3.6 |
| Croatia | 2.5 | 1.6 | Morocco | 3.8 | 3.8 |
| Czech Republic | 2.4 | 2.2 | Tunisia | 2.3 | 3.5 |
| Estonia | 2.7 | 2.9 | Sub-Saharan Africa | 4.4 | 5.1 |
| Hungary | 2.1 | 2.1 | Angola | (4.0) | (5.5) |
| Kosovo | 3.7 | 3.3 | Benin | 5.8 | 5.5 |
| Latvia | 2.3 | 3.0 | Burundi | (3.0) | (8.0) |
| Lithuania | 3.1 | 3.5 | Cabo Verde | 3.3 | 2.2 |
| Macedonia | 3.0 | 3.8 | Comoros | (3.0) | (2.0) |
| Poland | 3.2 | 3.0 | Congo Dem. Rep. | 9.0 | 8.9 |
| Romania | 2.2 | 2.2 | Congo-Brazzaville Rep. | 6.9 | 7.3 |
| Serbia | (2.0) | 1.7 | Ethiopia | (9.0) | (10.0) |
| Slovakia | 3.0 | 2.5 | Gambia | (6.0) | --- |
| Slovenia | 2.4 | 1.7 | Ivory Coast | 8.2 | 7.6 |
| | | | Kenya | 5.4 | 5.3 |
| CIS | 1.9 | 2.2 | Lesotho | 3.7 | 3.1 |
| Armenia | (2.3) | 4.0 | Liberia | (6.0) | 4.0 |
| Kazakhstan | 3.2 | 4.4 | Madagascar | 4.4 | 5.3 |
| Kyrgyzstan | (4.0) | 3.5 | Malawi | (5.0) | (5.0) |
| Russia | 1.1 | 1.5 | Mauritania | 4.5 | 4.5 |
| Ukraine | 5.2 | 4.2 | Mauritius | 4.5 | 4.3 |
| | | | Namibia | 4.8 | 4.8 |
| Asia | 3.6 | 3.7 | Niger | (2.0) | 5.0 |
| Bangladesh | 6.4 | 6.8 | Nigeria | 4.9 | 7.0 |
| China | 6.0 | 6.4 | Senegal | (6.5) | (6.0) |
| Hong Kong | 2.6 | 3.3 | Sierra Leone | 11.5 | 7.3 |
| India | 7.4 | 6.8 | South Africa | 2.2 | 2.7 |
| Indonesia | (6.0) | 6.0 | Sudan | 3.3 | 3.3 |
| Japan | 1.2 | 1.0 | Swaziland | (1.4) | 1.9 |
| Malaysia | 2.5 | 4.2 | Tanzania | 8.0 | 7.5 |
| Pakistan | 4.7 | 4.1 | Togo | 5.7 | 5.8 |
| Philippines | 5.6 | 6.1 | Uganda | (5.5) | 5.9 |
| South Korea | 2.7 | 3.0 | Zambia | 4.5 | 6.4 |
| Sri Lanka | 6.0 | 6.1 | Zimbabwe | 1.3 | 2.7 |
| Taiwan | 2.6 | 3.2 | | | |
| Thailand | 3.7 | 3.9 | | | |
| Vietnam | 5.3 | 4.8 | | | |

Source: Ifo World Economic Survey (WES) IV/2015 and IV/2014.

WES experts (2020: 1.3%). The highest inflation rates in the region will prevail this year in *Pakistan* (6.7%), according to WES experts, while lowest rate is expected in *Taiwan* (0.1%).

In *Oceania* inflation expectations for 2015 stand unchanged from the previous survey at 1.8%. The medium-term inflation outlook for 2020 declined somewhat (from 2.8% to 2.5%).

In *Latin America* inflation expectations for this year were revised up from 12.3% to 14.3%. This trend was widespread in the region, but most pronounced in *Venezuela* (152.2% after 116.2%). In *Brazil*, the largest economy in the region, inflation expectations for 2015 increased to 9.4%. Whereas the short-term inflation expectations were upwardly revised in almost all countries of this region, the medium term inflation outlook through 2020 weakened somewhat (5.5% compared with 6.7%).

In *CIS* countries inflation expectations continued to climb both for 2015 (from 15.2% to 15.5%) and for the medium-term outlook (2020) from 8.5% to 10.6%. The highest rate of inflation in the region is again expected in the *Ukraine* (38.4%). Mainly due to the sharp depreciation of the rouble as well as due to import restrictions, the expected inflation rate in *Russia* will stay at 13.6%, a figure that is significantly higher than the average price increase over the past five years (8.1%).

In the *Near East* inflation expectations for 2015 were revised up from 4.4% to 5.1%. This was mainly due to a poorer inflation outlook in the *United Arab Emirates* (4.3% in 2015 and 3.8% in 2020). The highest rate of inflation in the region is still expected in *Turkey* (8.2% in 2015 and 6.3% in 2020) and the lowest rate in *Israel* (1.8% in 2015 and 2.7% in 2020).

In *Africa*, the expected inflation for 2015 slowed down slightly (from 7.2% to 6.8%). The mid-term inflation outlook remained unchanged (6.5%). However, as in previous surveys, the country-by-country picture remains very heterogeneous. The expected 2015 inflation rate in *South Africa* ranks well below the overall average at 5.3%. Apart from *Zimbabwe*, where a decline in the consumer price level is expected in 2015 (-0.6%), the lowest inflation rates in 2015 will prevail in *Congo Democratic Republic* (1.7%), *Cabo Verde* and *Benin* (1.7% respectively 2.0%), *Togo* (1.8%) and *Morocco* (2.8%). The highest inflation ex-

pectations in the region are again reported from WES experts in *Sudan* (33.0%).

US Dollar still seen as slightly overvalued, but expected to rise further

The *US dollar*, and to a lesser degree the *British pound*, continue to be seen by WES experts as somewhat overvalued, while the *Japanese yen*, by contrast, is perceived as undervalued. The course of the *euro* continues – according to WES experts – to be largely in line with fundamental considerations (see Figure 11).

Major national differences in currency evaluation remain: in *Switzerland*, *Russia*, *Lithuania*, *Pakistan*, *Egypt*, *Lesotho*, *Zambia*, *Argentina*, *Uruguay* and *Venezuela* and, to a lesser degree, in *China* and *South Africa* too WES experts assessed their own currency as generally overvalued. On the other hand, WES experts in *Japan*, the *Czech Republic* and *Turkey* assessed their own currency as generally undervalued vis-à-vis the world's four leading currencies: the *US dollar*, *euro*, *British pound* and *yen*.

The answers to the supplementary survey question on likely trends in the *US dollar* over the next six months, regardless of how currencies are assessed from a fundamental point of view, signal again that the value of the *US dollar* is expected to rise on worldwide average. Some of the few exceptions that buck this trend are *Kenya*, *Zimbabwe* and *Bolivia*, where the *US dollar* is expected to weaken in the near future.

Fewer WES experts expect interest rates to rise

On a worldwide scale, short-term and long-term interest rates are expected to increase somewhat in the course of the next six months. However, the share of WES experts expecting an interest rate increase declined slightly overall. This is also the case in the *USA*, where, however, the majority of experts still expect a rate hike in the months ahead. In *Australia*, *New Zealand*, *Russia*, as well as in some important *Asian* countries (*China*, *India*, *Indonesia*, *Korea Republic*, *Taiwan* and *Thailand*), on the other hand, short-term interest rates are expected to shrink in the next six months. In *Brazil* stubbornly high inflation will – according to WES experts – prevent the

Table 3

Inflation rate expectations for 2015 and in 5 years (2020)

| Region | 2015 | 2020 | Region | 2015 | 2020 |
|--|-------------|-------------|---------------------------|-------------|------------|
| Average of countries * | 3.0 | 3.1 | Latin America | 14.3 | 5.5 |
| High-income countries | 2.4 | 2.6 | Argentina | 27.3 | 8.2 |
| Middle-income countries | 5.5 | 4.7 | Bolivia | 5.8 | 7.9 |
| Upper-middle | 4.5 | 4.3 | Brazil | 9.4 | 5.2 |
| Lower-middle | 7.1 | 5.5 | Chile | 4.4 | 3.1 |
| Low-income countries | 5.2 | 5.6 | Colombia | 4.8 | 3.7 |
| EU 28 countries | 0.6 | 2.0 | Costa Rica | (2.0) | (4.0) |
| EU countries (old members) ^{a)} | 0.6 | 1.9 | Dominican Republic | (0.7) | (4.0) |
| EU countries (new members) ^{b)} | 0.5 | 2.2 | Ecuador | 3.9 | 4.0 |
| Euro area ^{c)} | 0.6 | 1.9 | El Salvador | 0.8 | 1.6 |
| Western Europe | 0.5 | 1.9 | Guatemala | 3.0 | 4.5 |
| Austria | 1.2 | 2.2 | Mexico | 3.5 | 4.0 |
| Belgium | 0.7 | 2.0 | Paraguay | 4.6 | 4.6 |
| Cyprus | -0.4 | 1.8 | Peru | 3.5 | 2.8 |
| Denmark | 0.9 | 1.8 | Trinidad and Tobago | (9.0) | (12.0) |
| Finland | 0.2 | 1.6 | Uruguay | 9.2 | 7.9 |
| France | 0.7 | 2.0 | Venezuela | 152.2 | 27.0 |
| Germany | 0.6 | 1.8 | North America | 1.3 | 2.4 |
| Greece | -0.8 | 2.0 | Canada | 1.5 | 2.2 |
| Ireland | 0.6 | 1.9 | United States | 1.3 | 2.5 |
| Italy | 0.4 | 1.9 | Oceania | 1.8 | 2.5 |
| Luxembourg | 1.4 | 2.1 | Australia | 2.0 | 2.6 |
| Monaco | 1.0 | 2.5 | New Zealand | 1.0 | 1.9 |
| Netherlands | 0.8 | 1.8 | Near East | 5.1 | 4.2 |
| Norway | 1.8 | 2.3 | Israel | 1.8 | 2.7 |
| Portugal | 0.6 | 1.5 | Lebanon | (3.0) | (4.5) |
| Spain | 0.2 | 2.0 | Qatar | (3.5) | (2.8) |
| Sweden | 0.5 | 2.0 | Turkey | 8.2 | 6.3 |
| Switzerland | -0.9 | 1.1 | United Arab Emirates | 4.3 | 3.8 |
| United Kingdom | 0.3 | 2.2 | Africa | 6.8 | 6.5 |
| Eastern Europe | 0.6 | 2.2 | Northern Africa | 6.0 | 6.1 |
| Albania | (2.2) | (3.0) | Algeria | 4.8 | 5.8 |
| Bosnia and Herzegovina | 1.3 | 3.0 | Egypt | 10.9 | 9.0 |
| Bulgaria | 0.6 | 2.6 | Morocco | 2.8 | 3.5 |
| Croatia | 0.2 | 2.3 | Tunisia | 5.0 | 4.5 |
| Czech Republic | 0.9 | 2.2 | Sub-Saharan Africa | 7.2 | 6.7 |
| Estonia | 0.1 | 2.5 | Angola | (14.0) | (10.0) |
| Hungary | 0.8 | 2.8 | Benin | 2.0 | 2.3 |
| Kosovo | 1.2 | 1.8 | Burundi | (40.0) | (6.5) |
| Latvia | 1.0 | 2.6 | Cabo Verde | 1.7 | 3.3 |
| Lithuania | -0.2 | 2.2 | Comoros | (2.0) | (5.0) |
| Macedonia | 0.1 | 2.3 | Congo Dem. Rep. | 1.7 | 7.5 |
| Poland | 0.1 | 1.9 | Congo-Brazzaville Rep. | 2.0 | 1.8 |
| Romania | 1.4 | 2.2 | Ethiopia | (11.0) | --- |
| Serbia | 4.0 | (3.0) | Gambia | (4.7) | (4.8) |
| Slovakia | 0.4 | 2.2 | Ivory Coast | 2.4 | 2.8 |
| Slovenia | 0.0 | 1.9 | Kenya | 6.0 | 6.0 |
| CIS | 15.5 | 10.6 | Lesotho | 4.8 | 5.6 |
| Kazakhstan | 7.6 | 5.5 | Liberia | (8.0) | (5.0) |
| Kyrgyzstan | 7.5 | 6.5 | Madagascar | 7.6 | 7.9 |
| Russia | 13.6 | 11.8 | Malawi | (22.0) | (15.0) |
| Ukraine | 38.4 | 7.0 | Mauritania | 5.9 | 7.5 |
| Asia | 2.6 | 3.1 | Mauritius | 2.3 | 4.5 |
| Bangladesh | 5.2 | 5.6 | Namibia | 4.5 | (3.5) |
| China | 2.3 | 3.3 | Niger | (2.0) | (2.5) |
| Hong Kong | 3.7 | 2.9 | Nigeria | 10.1 | 8.6 |
| India | 5.1 | 4.3 | Senegal | (0.1) | (1.8) |
| Indonesia | (6.0) | (5.0) | Sierra Leone | 8.6 | 5.0 |
| Japan | 0.5 | 1.3 | South Africa | 5.3 | 5.6 |
| Malaysia | 5.3 | 4.8 | Sudan | 33.0 | 25.3 |
| Pakistan | 6.7 | 8.2 | Swaziland | 5.7 | 6.3 |
| Philippines | 1.7 | 3.8 | Tanzania | 8.5 | 7.5 |
| Singapore | | | Togo | 1.8 | 2.4 |
| South Korea | 1.8 | 2.6 | Uganda | (10.0) | (5.0) |
| Sri Lanka | 5.0 | 3.5 | Zambia | 9.7 | 7.7 |
| Taiwan | 0.1 | 1.5 | Zimbabwe | -0.6 | 3.3 |
| Thailand | 0.5 | 2.6 | | | |
| Vietnam | 4.0 | 6.0 | | | |

* 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. - () The data in brackets result from few responses. -^{a)} Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom. -^{b)} Czech Rep., Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia, Slovakia, Bulgaria, Romania, Croatia. -^{c)} Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Spain, Slovenia, Slovakia.

Source: Ifo World Economic Survey (WES) IV/2015.

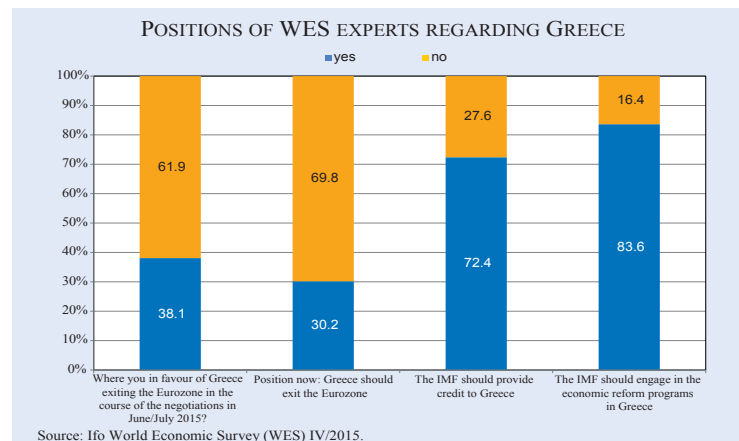
central bank from cutting interest rates in the next six months.

Should Greece exit the European Monetary Union?

During the negotiations over a new rescue programme for Greece in June and July 2015 commentators disagreed on whether Greece should stay in the Eurozone or leave. In this quarter's special question, economic experts in 113 countries were first asked for their opinion on the Greek crisis. More specifically, experts were firstly asked to give their opinion on Greece exiting the Eurozone in the course of the negotiations in June/July 2015, and secondly, to state their position on this issue after the new rescue programme had been decided on. The majority of experts surveyed (61.9%) was not in favour of Greece leaving the Eurozone in the course of the negotiations in June and July 2015. Splitting responses according to the euro area and all other countries made no difference to the approval share for Greece staying in the Eurozone. When asked about their position after the negotiations had ended, the share of WES experts favouring Greece staying in the Eurozone increased to 69.8% (see Figure 13). Interestingly, this share is even higher for those experts belonging to euro area countries (72.3%).

The IMF has provided substantial credit to Greece and, as a member of the "Troika", it has participated in economic reform programmes. These topics were also covered in the special question and experts were asked for their opinion on the role of the IMF. 72.4% of the experts surveyed advocated that the IMF should provide credit to Greece; while 83.6% said that the IMF should engage in economic reform programmes. When these shares are compared with corresponding subsamples of experts reporting either in or outside the euro area, several differences once again emerge. The share of experts inside the euro area who agree with the statement that the IMF should provide credit is only marginally higher (by 0.7 percentage points). By contrast, the difference in opinions regarding the IMF's involvement in the economic reform programme is nearly 3 percentage

Figure 13



points higher in the subsample of experts from the euro area.

A working paper, to be published in the near future, will provide more detailed information on how experts in individual countries responded.

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