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## Article

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CESifo World Economic Survey

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# CESifo WORLD ECONOMIC SURVEY

VOLUME 16, No. 1

FEBRUARY 2017

## WORLD ECONOMIC CLIMATE

World Economic Climate continues to brighten

## ADVANCED ECONOMIES

Advanced economies are key drivers of global recovery

## EMERGING AND DEVELOPING ECONOMIES

Emerging and Developing Economies still underperforming

## SPECIAL TOPIC

Free trade – What do WES experts think?

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## 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 *January 2017*, 1,147 economic experts in 118 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 qualitative questions in the World Economic Survey have three possible categories: "good / better / higher" (+) for a positive assessment resp. improvement, "satisfactory / about the same / no change" (=) for a neutral assessment, and "bad / worse / lower" (-) for a negative assessment resp. deterioration; The individual replies are combined for each country without weighting as an arithmetic mean of all survey responses in the respective country. Thus, for the time  $t$  for each qualitative question and for each country the respective percentage shares (+), (=) and (-) are calculated. The balance is the difference between (+)- and (-)-shares. As a result, the balance ranges from -100 points and +100 points. The mid-range lies at 0 points and is reached if the share of positive and negative answers is equal.

The survey results are published as aggregated data. For aggregating the country results to country groups or regions, the weighting factors are calculated using the gross domestic product based on purchasing-power-parity of each country.

*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 CONTINUES TO BRIGHTEN

The Ifo World Economic Climate continued to improve this quarter. The indicator rose to +2.6 balance points from -1.2 points previously. Experts' assessments of the current economic situation were no longer quite as unfavourable as last quarter. Expectations also brightened somewhat, pointing to a moderate recovery in the world economy (see Figures 1, 2 and Box 2). The economic climate primarily improved in advanced economies. The mood in Japan in particular brightened considerably. The economic climate also improved in Britain, although the majority of experts surveyed remains pessimistic. The economic climate for emerging markets and developing economies remained unfavourable. Sentiment in the Middle East and North Africa, Sub-Saharan Africa and CIS countries firmed, but remains weak. In Turkey, by contrast, the indicator plunged. Average short and long-term interest rates worldwide are expected to rise over the next six months. In the USA, even all of the experts surveyed expect the short-term interest rates to rise. The US dollar will continue to strengthen over the next six months.

## Advanced economies are key drivers of global recovery

The global economy continued to recover and economic sentiment turned positive in 2017 for the first time since the end of 2015. The main drivers behind this development are advanced economies, especially in the euro area. The economic climate for Austria, Finland, France and Spain improved considerably and have now turned positive, after having been in negative figures for several quarters (see Figure 7). In these countries assessments of both the present economic situation, as well as economic expectations,

brightened clearly. The export sector is also expected to strengthen over the course of the next six months, not only in these countries, but also in the euro area as a whole. After an inflation rate of just 0.2 percent in 2016, experts expect inflation in the euro area to increase clearly to 1.3 percent this year. The medium-term inflation expectations for 2022 of 2.0 percent almost comply with the central bank target (see Table 1). The economic climate for Greece and Italy deteriorated further and remains fairly unfavourable. In both countries the present economic situation was assessed more negatively than in previous surveys. Experts also continued to report a strongly constrained supply of bank credit to firms (see Table 2). Italy was the only country in which

Figure 1

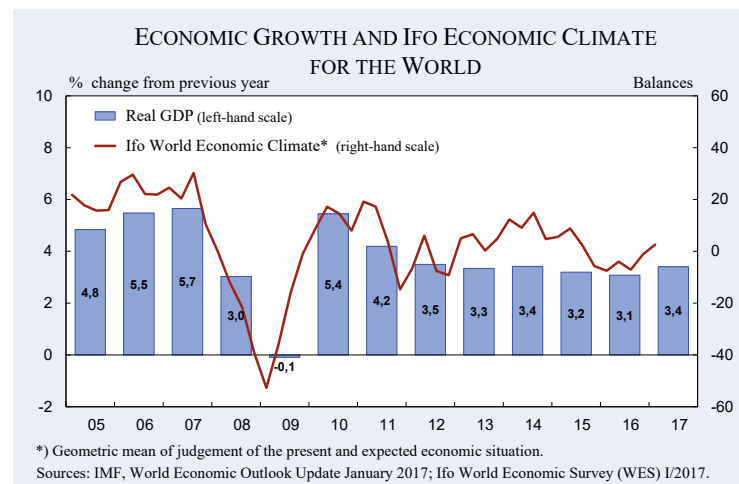
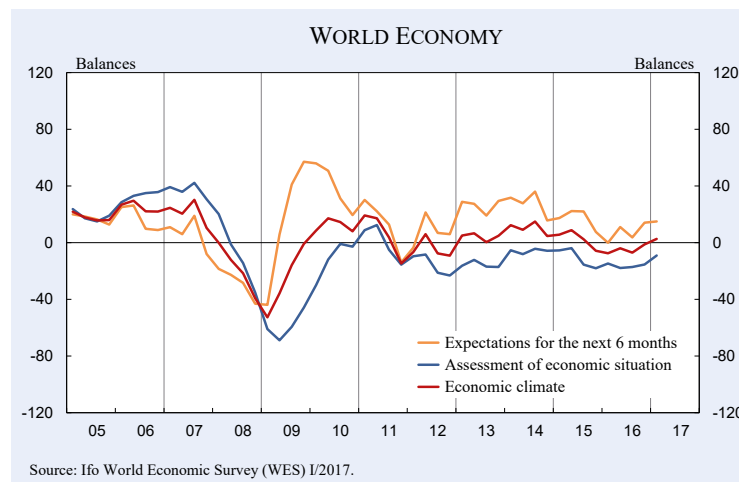


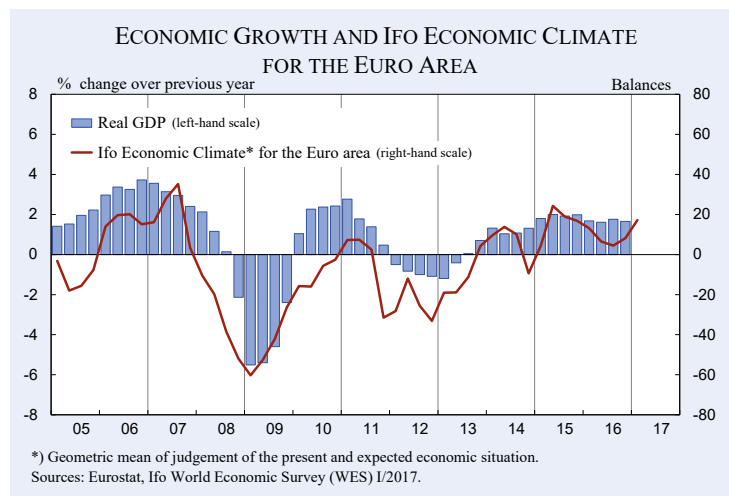
Figure 2



**Box 1****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 geometric mean of assessments of the general economic situation and the economic expectations for the next six months. The January results are based on responses from 340 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).*

Economic sentiment in the euro area continued to firm this quarter. The Ifo Economic Climate for the Euro Area improved to 17.2 balance points in the first quarter from 8.2 balance points previously. Expectations are far more positive than last quarter. The experts surveyed also assessed their current economic situation more favourably and the economic recovery is gathering impetus. The best economic climate currently prevails in Lithuania, Ireland, The Netherlands, Slovenia and Germany. In Austria, Finland and Spain climate balances improved markedly and turned positive; in France and Latvia improvements were also positive, but to a lesser extent. Greece, Italy and Portugal are the only euro area countries in which the economic climate remains unfavourable. After an inflation rate of just 0.2 percent in 2016, experts expect this figure to increase clearly to 1.3 percent this year. The medium-term inflation expectations for 2022 of 2.0 percent almost comply with the central bank target. A clear majority of the experts surveyed expects long-term interest rates to rise over the next six months



economic expectations improved. WES experts in Greece, by contrast, are less positive about future economic developments than at the end of last year. The best economic climate in the euro currently prevails in **Lithuania, Ireland, The Netherlands, Slovenia and Germany**. The majority of experts see the single currency as overvalued in relation to the British pound, but undervalued in relation to the US dollar. Nevertheless, the US dollar is expected to strengthen further against the euro over the course of the next six months.

Out of the **G7 states** the recovery was mainly concentrated in **Japan** and the **United Kingdom**. The present economic situation in both countries turned positive again, after having been in negative figures – in Japan

since mid-2014 and in the United Kingdom since the Brexit referendum in mid-2016. While experts remain optimistic about Japan's six-month outlook, they turned more pessimistic for the United Kingdom. Experts continue to see the British pound as undervalued vis à vis the US dollar, euro and yen, but not as pronounced as in the previous survey. The British currency slightly recovered from its depreciation observed at the end of 2016. According to WES experts' opinion, however, the US dollar will rise over the next six months. As opposed to the survey in October, the majority of experts believe that short-term interest rates in the UK will rise. The expected inflation rate for 2017 of 2.3% is considerably higher than the estimated 1.0% for 2016 (see Table 1). In the **United States** the economic climate continued to improve, with assessments of both the present economic situation and economic expectations more positive than six months ago. Fewer US experts than in the previous two surveys see their own currency as overvalued against the euro. By contrast, experts in the United States unanimously expect short-term interest rates to rise. At the same time, inflationary pressures are likely to increase from an estimated 1.6% in 2016 to 2.3% in 2017 on average. Experts also stated that it is most unclear how the policies of the new president Trump will unfold.

The economic climate in **other advanced economies** barely changed and is as satisfactory as last quarter. The current best economic climate in this aggregate again prevails for the **Czech Republic**, but experts in **Denmark** also reported that the climate is outstanding. Assessments of both the present economic situation and expectations were more positively assessed than in the past two surveys. The economic climate also improved considerably in **Hong Kong** and **Taiwan**, albeit at a low level; and the climate remains negative on balance.

## Emerging and developing economies still underperforming

Although emerging markets showed some economic recovery, they are still underperforming (see Figures 6 and 8). The main emerging markets, **Brazil**, **Russia**, **India** and **China** together showed the most positive economic climate since seven quarters. This improvement is mainly due to an improved climate in **Russia**, where the indicator soared by 20.9 points to a marginal negative balance of -2.0, marking a significant improvement, although the indicator nevertheless remains at a low level. Both capital expenditure and domestic spending are currently assessed as negative on balance. However, experts' expectations indicate that both will slightly improve by the end of the next six months. This will be accompanied by an expansive monetary policy, as interest rates are expected to drop. For 2017, Russian experts expect an inflation rate of 5.9%, which is the lowest inflation rate expectation in Russia since the launch of the WES survey. In **China** the economic climate indicator also improved by 15 points, but remained negative on balance at -10.9. For 2017 they expect an inflation rate of 2.4%, which is slightly higher than the rate expected at the end of 2016 (1.9%). Monetary policy is set to tighten, with experts forecasting an increase in short- and long-term interest rates. According to experts, the supply of bank credit to firms also remains heavily constrained (see Table 2). By contrast, **India's** economic climate indicator dropped considerably by 36.2 points to a barely positive balance of 3.1. The current economic situation was assessed as unfavourable, with a big drop in domestic consumption. This is not surprising, given that 86% of India's paper currency was taken out of circulation.<sup>1</sup> Experts nevertheless take a more positive view of economic developments by the end of the next six months. With inflation rates for 2017 not expected to exceed 5% and inflation rates over the next five years forecast to drop further to 4.4%, a decrease in short- and long term interest rates is also in the cards. Nearly all of the experts surveyed in **Brazil** also anticipate shrinking short- and long-term interest rates over the next six months. Inflation pressure in this country has been easing continuously since the beginning of 2016 and this trend is expected to continue over the first half of this year. On average for 2017, inflation is expected to be limited to 5.2%, following a price increase of 8.7% in 2016. Overall, the economic climate remains unfavourable, with economic expectations less confident than last quarter's. Firms also currently have limited access to bank credit, with around 74% of Brazilian experts re-

<sup>1</sup> <http://www.economist.com/news/asia/21716059-results-could-hobble-or-exalt-national-government-indias-biggest-state-goes-polls>

porting the credit supply as moderately or heavily constrained (see Table 2). The experts surveyed for Brazil fear that the rising unemployment may lead to social unrest.

**Other emerging markets** show a similarly diversified picture, with an unfavourable economic climate for Asian and European emerging countries (see Figure 6). The economic climate for Latin America shows no change and remains at a low level. Improvements at a low level, on the other hand, are visible in the economic climate indicators for the Middle East and North Africa, Sub-Saharan Africa and for CIS.

The **ASEAN-5**<sup>2</sup> countries experienced their most unfavourable economic climate since 2009. **Malaysian** experts reported no change in the economic climate indicator, which remained for second time in a row at -30.3. This means that experts have assessed economic developments in Malaysia as unfavourable for twelve consecutive quarters. All major currencies are reported to be undervalued against the Malaysian Ringgit, which explains the expected decrease in Malaysian exports. In addition, the country's inflation rate is expected to increase. In **Thailand** the economic climate recovered slightly and the indicator now points to +4.7. This is accompanied by the continuing expectation that exports will rise. According to the experts, both the euro and the British pound are nevertheless undervalued against Thailand's baht. **Pakistan's** economic climate indicator also improved considerably, rising by 19.7 balance points to 35.7 points. This optimism was also reflected in the expected rise in domestic share prices.

The climate indicator for **emerging and developing Europe** sank to -2.7 points, representing a decline of 14.1 points since the last quarter and dropping to its lowest level since December 2015. Political unrest in **Turkey** seems to be impacting the region, as the main drop in the aggregate's climate came from Turkey. With a decrease of 41.4 points, its economic climate indicator now sits at -29.7 on the balance scale. Inflation concerns have also gained impetus, with experts expecting the inflation rate to increase sharply by the end of the next six months. The economic outlook for Turkey remains pessimistic in the short-term, with experts' expectations for the next six months turning double negative. A further problem is the overvaluation of the four main currencies vis à vis the Turkish Lira. The US dollar in particular may pose a serious problem, as Turkey's debt is financed by foreign currency and experts are of the opinion that

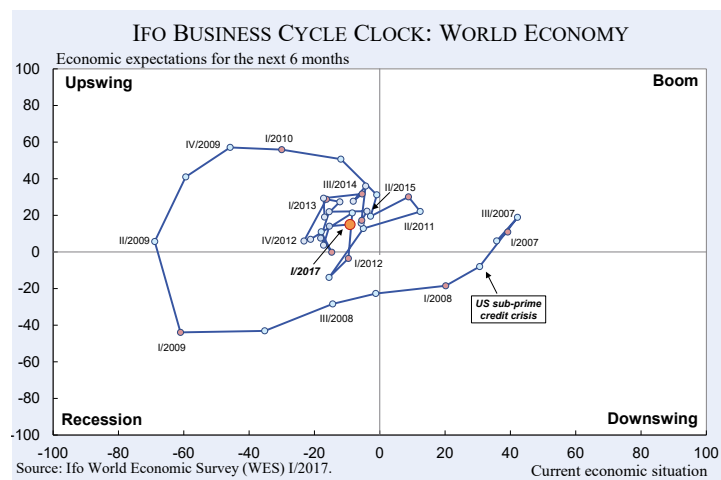
<sup>2</sup> Indonesia, Malaysia, Philippines, Thailand, Vietnam



**Box****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 January survey, the Ifo indicator for the world economy continued to improve this quarter. While assessments of the current economic situation are less unfavourable than three months ago, expectations remain as positive as in October. As a result, the indicator showed a rightwards movement in the upswing quadrant. The world economy still seems on track towards a moderate recovery, despite the absence of strong drivers.



The Ifo World Economic Climate is the geometric 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 on balance be negative, but the expectations became positive, the world business cycle is in an upswing phase (top left quadrant).

the value of the dollar will increase further by the end of the next six months.<sup>3</sup> By contrast, experts are more optimistic for **Hungary** and **Croatia**; where an improvement in both countries' respective economic climates continue to follow the positive trend that started last quarter. Although experts' assessment of the present situation in Hungary is close to zero, and for Croatia even -11.1, the six-month economic outlook is optimistic in both countries. Figures for **Poland** also turned positive again, after a short-lived negative economic climate in the fourth quarter of 2016. **Bulgaria** and **Romania** are still experiencing a favourable economic climate on balance.

<sup>3</sup> <https://www.economist.com/news/finance-and-economics/21716049-turkeys-policy-makers-have-not-learned-lessons-past-emerging-market>

The economic climate indicator for **Latin America** sank slightly from -29.9 points in the fourth quarter to -30.7 points at the beginning of 2017. While assessments of the present economic situation were less negative than in the previous quarter, economic expectations, in turn, were less positive than at the end of 2016. The downturn was led by **Mexico**, where the economic climate plunged to its most negative value since the world financial crisis in 2009. More experts than in the previous survey expect the inflation rate to increase in the next six months. For 2017 they expect an average inflation rate of 4.9% (see Table 1). In line with the inflation pressure, more WES experts than in preceding surveys foresee short-term interest rate increases in the next half of this year. There was no positive news for **Venezuela** either, where the economic climate remains as negative as in the last survey. Economic expectations point to a further deepening of the current recession. In the short-term, currency depreciation is likely to continue, accompanied by a rising and stubborn inflation rate. As in the previous survey, experts even expressed fears of hyperinflation (see Table 1). The best economic

climate in the region currently prevails in **Peru**, despite the fact that experts are less optimistic about the next six months compared to the previous two surveys. In **Uruguay** the economic climate brightened considerably and finally turned positive for the first time in three years, due to more positive assessments of both the present economic situation and economic expectations.

In the **Middle East and North Africa** the economic climate indicator improved by 8.6 points, but remains on balance at a negative level of -27.6. In **Egypt** an unfavourable economic climate continued to prevail, as experts consider the present economic situation to be very subdued and are not expecting any change in the months ahead. Assessments of private consumption, in particu-

**Table 1 Inflation rate expectations for 2017 and in 5 years (2022)**

Aggregate*/country	2017	2022	Country	2017	2022
<b>Average of countries</b>	<b>9.0</b>	<b>3.5</b>	Bulgaria	1.2	2.9
EU 28 countries	1.5	2.1	Cabo Verde	1.4	2.8
Euro area <sup>a)</sup>	1.3	2.0	Chile	2.9	3.1
			China	2.4	3.5
<b>Advanced Economies</b>	<b>1.8</b>	<b>2.3</b>	Colombia	4.7	3.5
Australia	2.0	3.2	Croatia	1.2	2.1
Austria	1.7	2.2	Dem. Rep. of the Congo	18.3	7.3
Belgium	1.8	2.0	Ecuador	1.8	3.0
Canada	2.0	2.5	Egypt	15.8	10.0
Czech Republic	2.0	2.4	El Salvador	2.9	2.3
Denmark	1.1	1.8	Georgia	4.5	4.3
Estonia	2.0	2.7	Guatemala	4.3	4.5
Finland	1.2	1.8	Hungary	2.1	2.9
France	1.2	2.1	India	5.0	4.4
Germany	1.5	2.0	Kazakhstan	7.9	5.4
Greece	0.4	2.3	Kenya	7.8	7.3
Hong Kong	2.6	2.9	Kosovo	2.3	2.1
Ireland	0.8	1.8	Lesotho	6.0	5.2
Israel	1.4	2.2	Malaysia	3.5	4.4
Italy	0.9	2.1	Mexico	4.9	3.9
Japan	0.6	1.4	Morocco	2.4	2.6
Latvia	1.6	2.4	Namibia	6.8	8.3
Lithuania	2.1	2.3	Nigeria	15.6	12.6
Netherlands	1.2	1.9	Pakistan	6.4	7.5
New Zealand	1.9	2.3	Paraguay	4.4	4.2
Norway	2.5	2.6	Peru	3.1	2.8
Portugal	1.3	2.0	Philippines	2.5	3.8
Republic of Korea	1.9	2.4	Poland	1.5	2.5
Slovakia	0.8	2.5	Romania	1.8	2.0
Slovenia	1.0	2.5	Russian Federation	5.9	6.6
Spain	1.6	2.0	South Africa	6.1	5.2
Sweden	1.5	2.4	Sri Lanka	6.6	5.3
Switzerland	0.3	1.1	Sudan	20.3	11.8
Taiwan	1.5	1.7	Thailand	1.7	2.6
United Kingdom	2.3	2.3	Togo	2.2	2.6
United States	2.3	2.7	Tunisia	4.4	4.5
			Turkey	9.2	6.9
<b>Emerging market and developing economies</b>	<b>15.0</b>	<b>4.6</b>	Ukraine	8.8	6.7
Argentina	22.8	7.3	Uruguay	8.4	7.7
Bangladesh	5.5	5.0	Venezuela	1162.5	---
Bolivia	5.9	6.3	Zambia	8.2	7.4
Bosnia and Herzegovina	1.5	3.6	Zimbabwe	2.4	3.4
Brazil	5.2	4.3			

\* To calculate aggregates, country weights are based on gross domestic product based on purchasing-power-parity (PPP) in international dollars (database IMF's World Economic Outlook). – <sup>a)</sup> 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) I/2017.

lar, were negative and there are fears that they will deteriorate even further over the next six months. **Morocco's** economic climate indicator, on the other hand, jumped from -23.2 in the previous quarter to a positive balance of 19.4 points. This is mainly due to economic expectations, which are predominantly positive. In **Sub-Saharan Africa** the economic climate also improved

slightly, but its indicator stayed negative on balance at -27.0. Most African countries are currently experiencing an unfavourable economic climate, with the exception of **Cabo Verde** and **Zambia**. The economic climate indicator for Cabo Verde of 26.5 points reached its highest level in eleven quarters (or since 2014). Although the present economic situation was assessed as slightly un-

favourable, economic expectations are very positive. The story in **Zambia** is very similar, with the country enjoying its best economic climate since 2015. Although the present economic situation is assessed at -20.0, Zambian experts are optimistic about the future both in terms of capital expenditure and domestic consumption. The economic climate for **South Africa** continued its upward trend, due to a positive upgrade in economic expectations, which reached their most optimistic value since 2012. The climate nevertheless remains negative on balance, due to predominantly negative assessments of the present economic situation. Experts in **Nigeria** are, in turn, slightly less negative about the economic climate. It is, however, the ninth quarter in a row that the Nigerian economic climate has been negative on balance. On a brighter note, the indicator increased by 13.5 points to -45.1 compared to last quarter's survey. All of the major currencies are assessed as overvalued against the Nigerian currency and the value of the US dollar is set to increase in the months ahead.

The economic climate indicator for the **Commonwealth of Independent States** also improved from -18.1 to -6.2 points, climbing to its highest level since 2013. This improvement, as mentioned above, was mainly due to a more favourable climate in Russia. The economic climate indicator in the **Ukraine** dipped slightly into negative figures in the first quarter of 2017. Economic expectations, although marginally more pessimistic than the last survey, are still relatively positive as domestic spending is expected to increase, while inflation and interest rates are expected to fall. For 2017, Ukrainian experts expect an inflation rate of 8.8%. This is considerably lower than the expectations since 2014. With the Ukrainian hryvnia slightly undervalued against the main currencies, Ukrainian exports are also expected to increase.

#### Free trade – What do WES experts think?

The debate over the implications of international trade is one of the oldest and most controversial of its kind in economics. Until recently, it seemed that the vast majority of economists had settled the issue in favour of free trade. In recent years, both the public and politicians have turned sceptical about the benefits of trade and trade agreements. In advanced economies popular political rhetoric argues that only large multinational enterprises tend to prosper; and that the common people are worse off due to free trade. In developing countries people are prone to blame a lack of workers' rights and environmental damages on free trade. Against this

Table 2

Supply of bank credit to firms	
Percentage of experts who report moderately or strongly constraints	
Egypt	100.0
Greece	100.0
Italy	100.0
Kazakhstan	100.0
Nigeria	100.0
Ukraine	100.0
Zimbabwe	100.0
Russian Federation	92.9
China	90.9
Romania	88.9
Portugal	88.2
Cabo Verde	87.5
Togo	87.5
India	85.7
Kenya	85.7
Paraguay	85.7
Thailand	85.7
Spain	83.8
Slovenia	83.3
Poland	81.0
Ireland	80.0
Malaysia	80.0
Bulgaria	76.9
Austria	76.5
Latvia	75.0
Netherlands	75.0
New Zealand	75.0
Brazil	74.1
Bolivia	71.4
South Africa	70.8
Hungary	69.2
Turkey	68.8
Argentina	66.7
Lesotho	66.7
Norway	66.7
Hong Kong	60.0
United Kingdom	60.0
Belgium	58.8
Australia	58.3
Pakistan	58.3
Republic of Korea	58.3
Uruguay	55.6
Georgia	54.5
Slovakia	53.3
Czech Republic	52.9
France	52.2
Mexico	50.0
Philippines	50.0
Japan	44.8
Taiwan	43.8
Germany	43.5
Chile	42.9
Finland	42.9
United States	42.1
Lithuania	40.0
Namibia	40.0
Croatia	37.5
Switzerland	36.8
Israel	33.3
Canada	30.0
Sweden	30.0
Peru	26.7
Colombia	18.2

Only countries with more than four responses were included in the analysis.

Source: Ifo World Economic Survey (WES) I/2017.

background, we asked our WES experts whether economists still agree on the benefits of free trade.

The experts were asked two special questions: firstly: “How do you assess the effects of free trade on the economy of your country?” The optional responses were “positive”, “absent” or “negative”. We obtained 1001 answers from 118 different countries, which we classified into four income groups and have summarised in Table 3. Across all income categories, 75% of the experts surveyed believe that free trade positively impacts the country’s economy, while less than 15% fear its negative consequences. However, this figure differs across income levels. Respondents from high-income countries assess the effects of free trade as more positive, while respondents from low income countries exhibit relatively higher disapproval rates.

Visualising the answers on a world map illustrates some regional patterns. Figure 3 shows the percentage of positive answers to the same question. At a first glance, countries most in favour to trade are in Northern Europe and North America. A closer look reveals that experts from East Asia and Oceania also indicate that their countries tend to benefit from free trade. In Southern Europe and Central Asia the views are still positive, but more tempered. Finally some Latin American, African and Middle-East countries stand out for the low percentage of respondent stating that free trade favours their economy. Given that a neutral answer was also available to the respondents, an approval rate lower than 50 percent does not automatically imply opposition to free trade. Indeed in only 10 states the balance statistic between the positive and negative answers is lower than zero. These nations are: Comoros, Morocco, Malawi, Nigeria, Pakistan, Sudan, Sierra Leone, Turkey, Trinidad and Tobago, and Venezuela. However, as the number of respondents is very small in some of these countries, these results are to be interpreted with caution.

Secondly, experts were asked what kind of effects free trade has had on their countries. Trade is related to op-

portunities and risks. We asked the respondents to choose the three most important consequences of free trade out of eleven possibilities. Figure 4 summarises their answers. The results support the clear positive answer in question one on free trade in general. Two thirds of all possible choices are concentrated in the section of positive answers. In particular, almost every second expert responded that free trade causes higher net exports for his/her country and that it creates jobs. Only eleven percent report lower net exports. This is interesting in that not all countries can run higher trade surpluses simultaneously. We would actually expect the responses of those experts who expect higher and those who expect lower net exports to be more symmetrical. On the other hand, the main sources of discontent cited include: “loss of jobs” (16%) and “lower consumer protection” (14%). To see if these answers differ across regions, we plot the top three answers for each region in Table 4. Again, most responses are concentrated in the “positive” answers. Interestingly, experts in the two regions, with the most negative outcome to question one, the Middle East and Africa, indicate in question two that job creation is one of the main effects of free trade. In South Asia free trade is mainly regarded as improving production efficiency, while in North America it is perceived to lower price levels. Finally, the view that free trade increases net exports is predominant in three regions Europe/ Central Asia, in the Middle East/ North Africa and in East Asia and Pacific region.

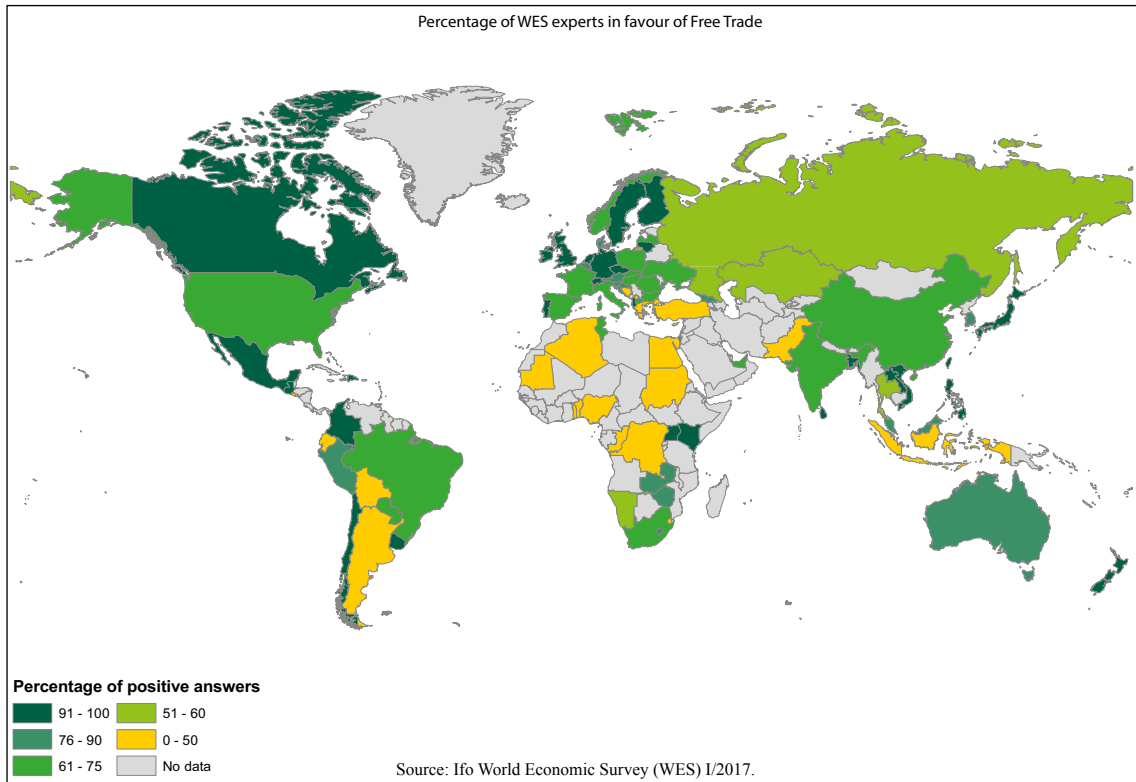
In short, the majority of experts believe that free trade positively affects their own country’s economy. They tend to highlight six beneficial impacts of free trade. All regions mentioned in their top three list positive effects of free trade (see Table 4). The only exception is South Asia, where job loss ranks high.

**Table 3** Distribution of experts' assessment on the effects of free trade

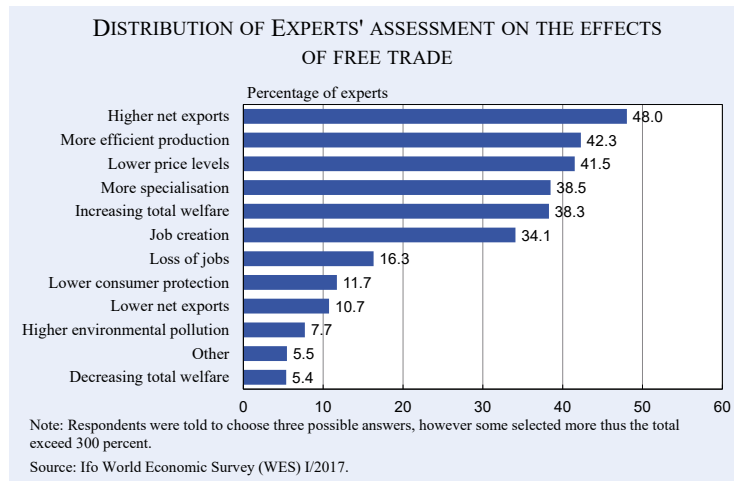
Income:	Positive	Absent	Negative	N
High	83.6	5.6	10.8	42
Upper middle	66.0	15.7	18.3	32
Lower middle	63.3	15.6	21.1	29
Low	54.5	18.2	27.3	15
Total	75.3	10.0	14.7	
N	754	100	147	

Source: Ifo World Economic Survey (WES) I/2017.

**Figure 3**



**Figure 4**



**Table 4**

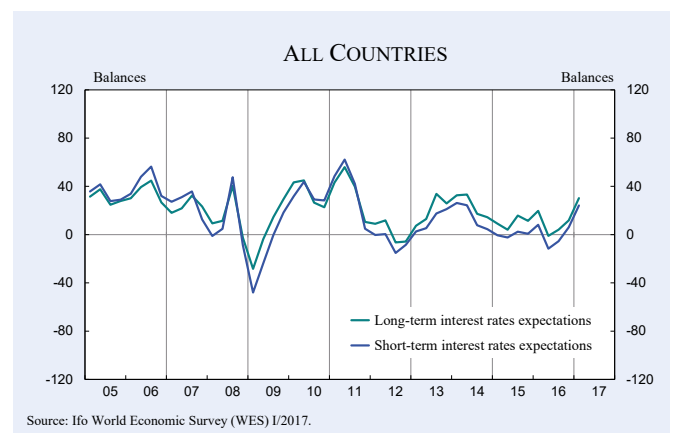
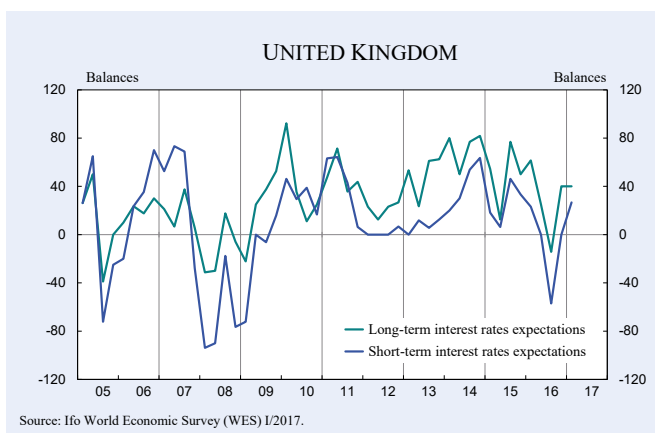
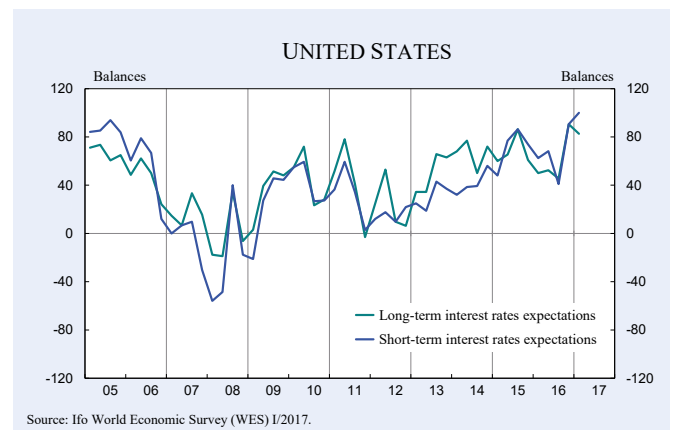
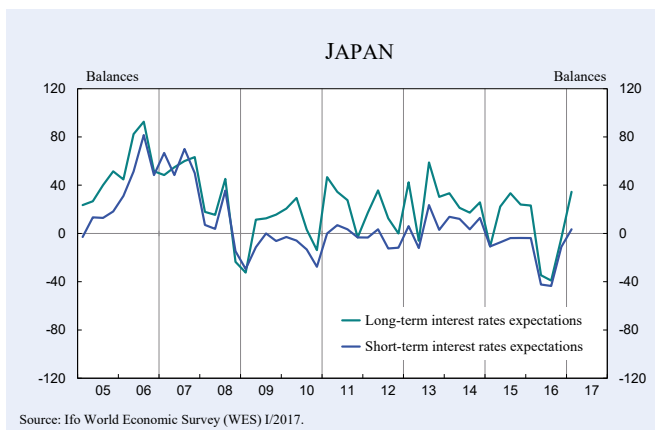
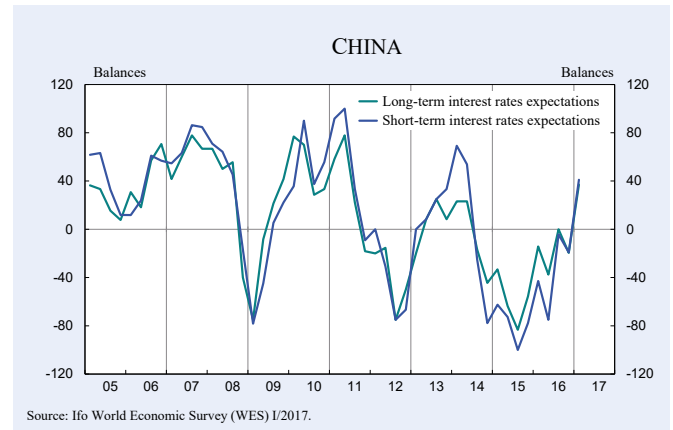
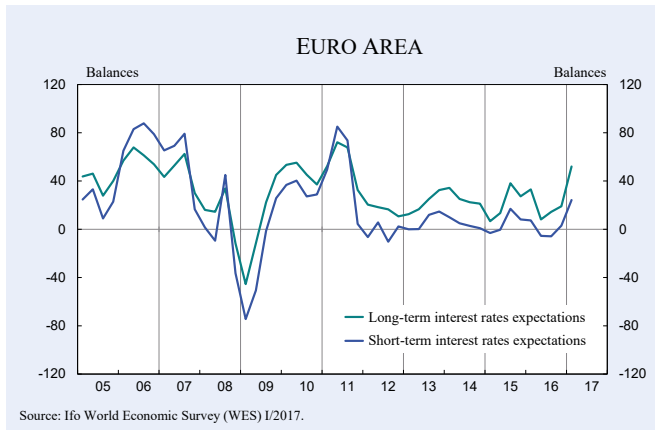
**The effects of free trade across regions**

	East Asia & Pacific	Europe and Central Asia	Latin America	Middle East & North Africa	North America	South Asia	Sub-Saharan Africa
More specialisation		3	2	1	3	2	
Higher net export	1	1	1	2		2	3
Increasing total welfare	3						
Lower price levels				3	1		1
More efficient production	2	2	3		2	1	
Job creation				3			2
Job loss						2	

Source: Ifo World Economic Survey (WES) I/2017.

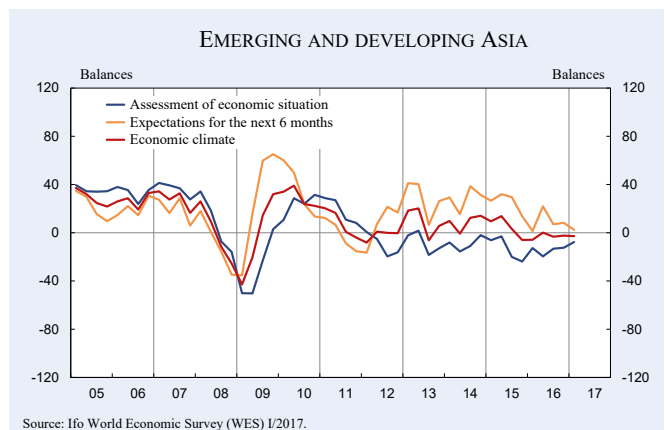
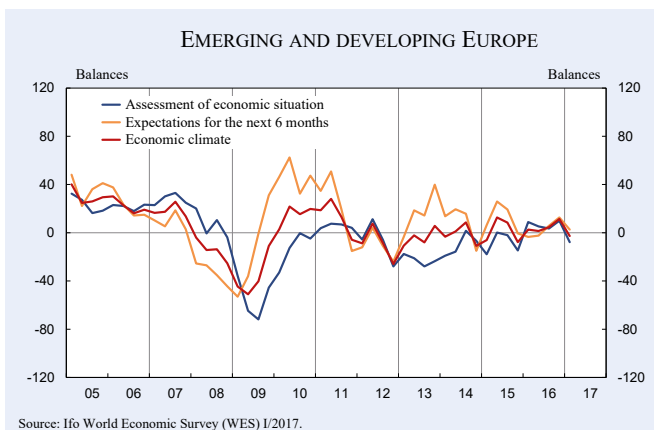
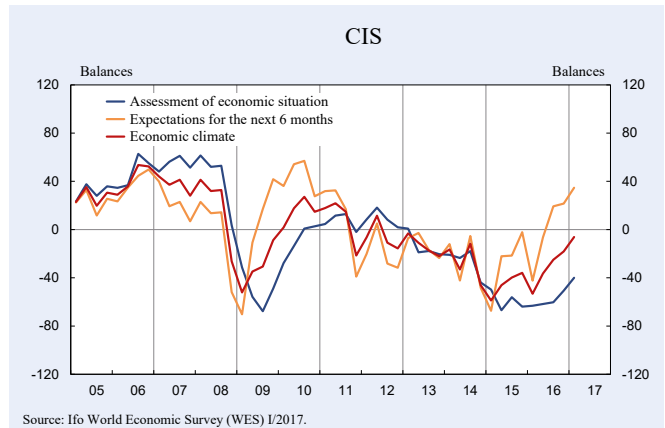
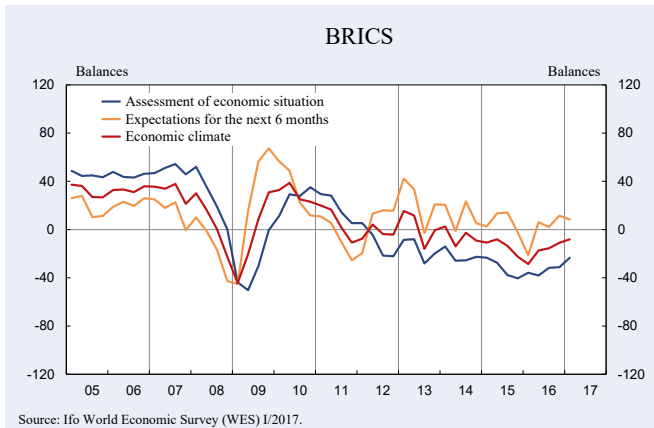
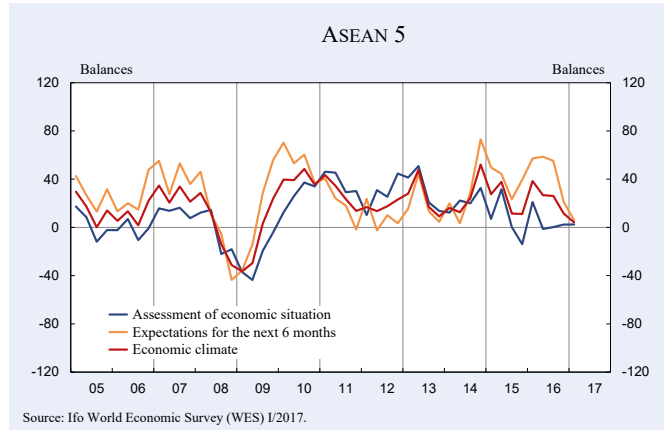
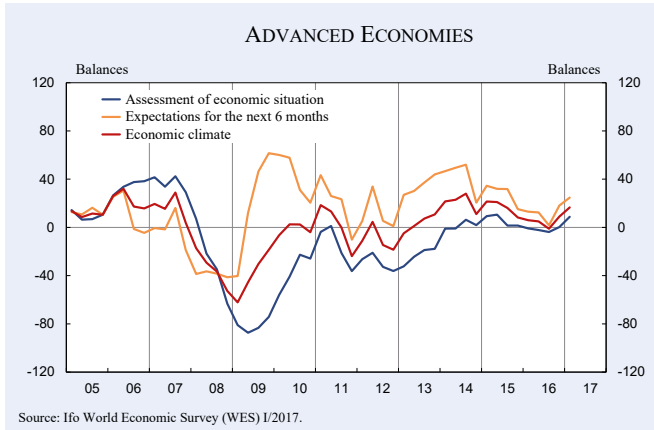
Figure 5

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



**Figure 6**

**SELECTED AGGREGATES**



## SELECTED AGGREGATES

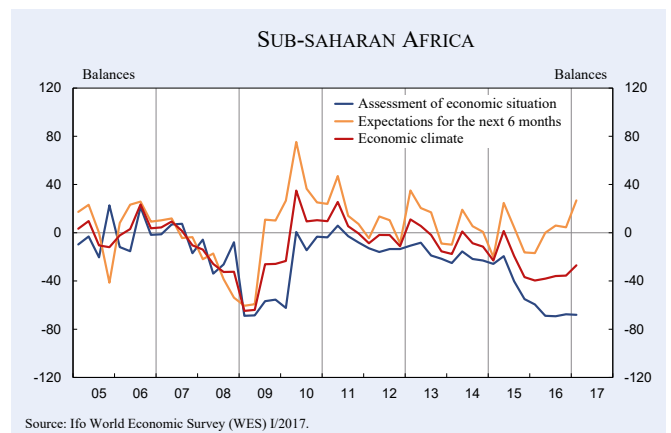
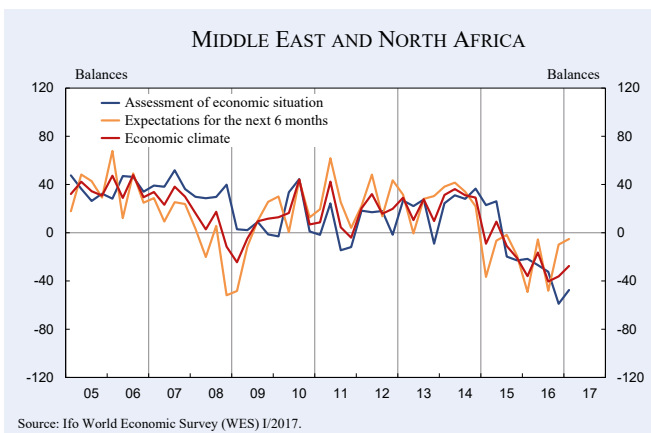
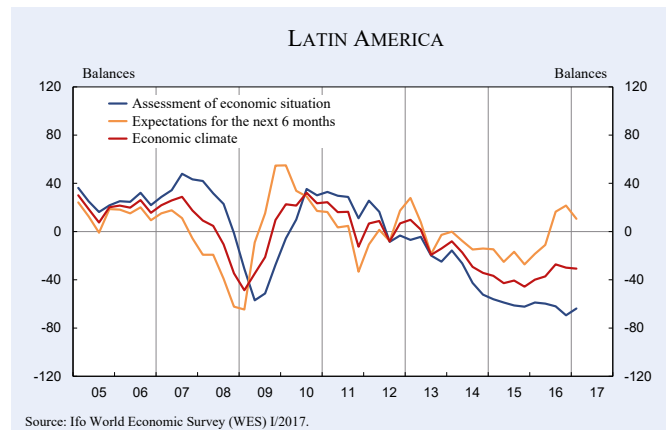
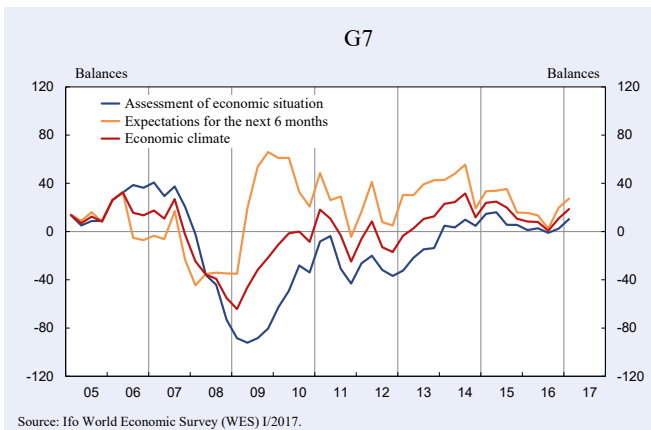
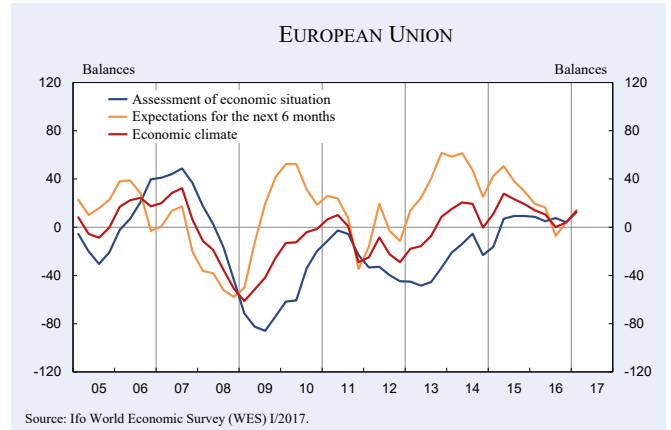
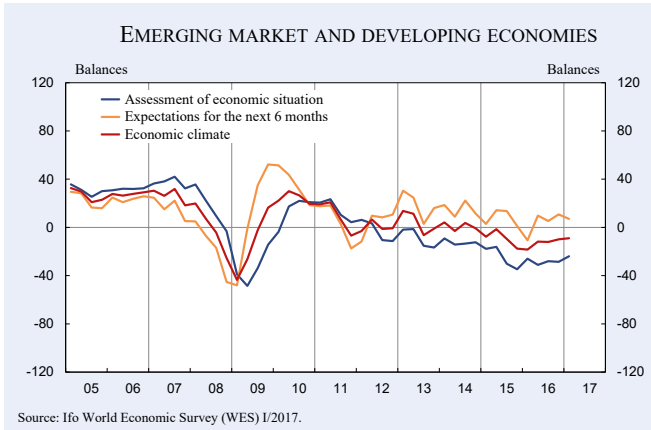
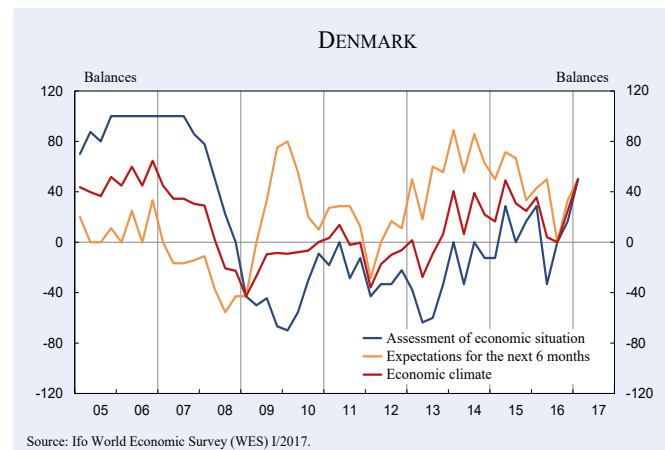
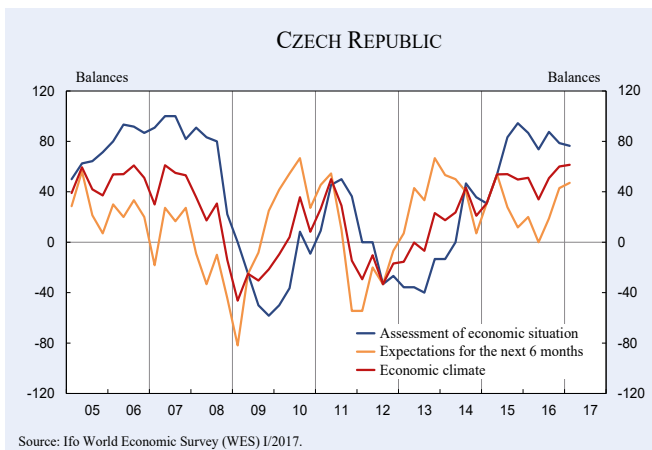
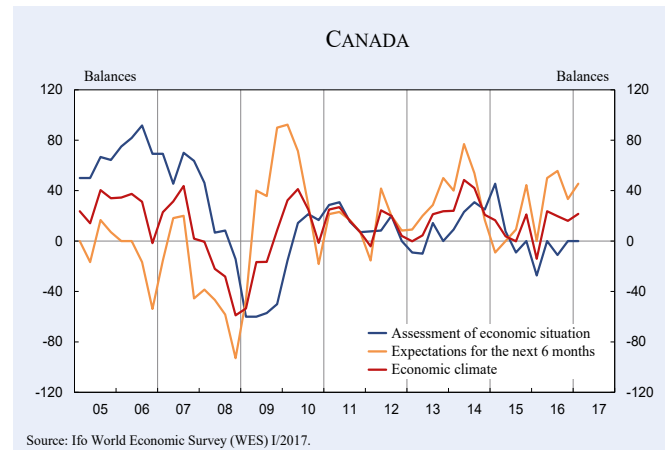
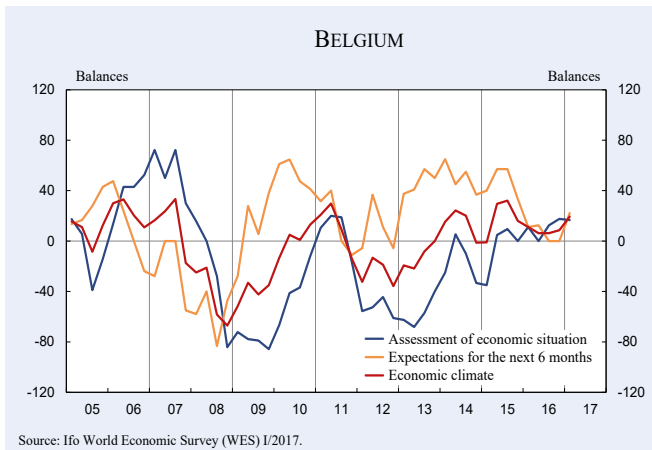
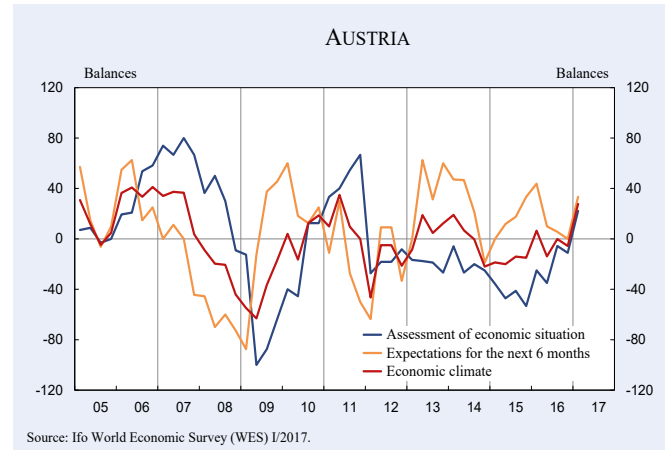
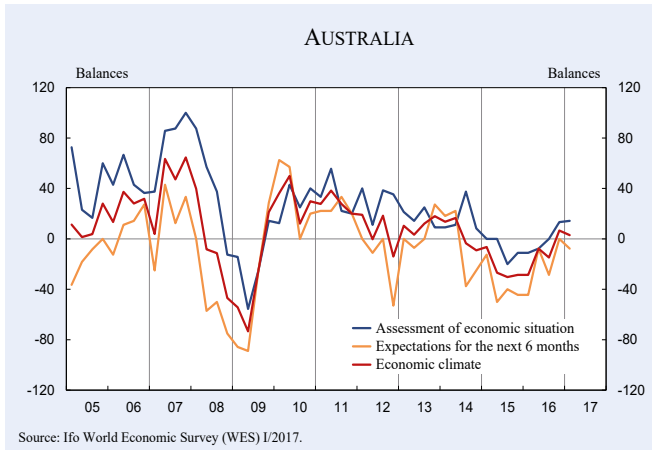




Figure 7

## ADVANCED ECONOMIES



# ADVANCED ECONOMIES

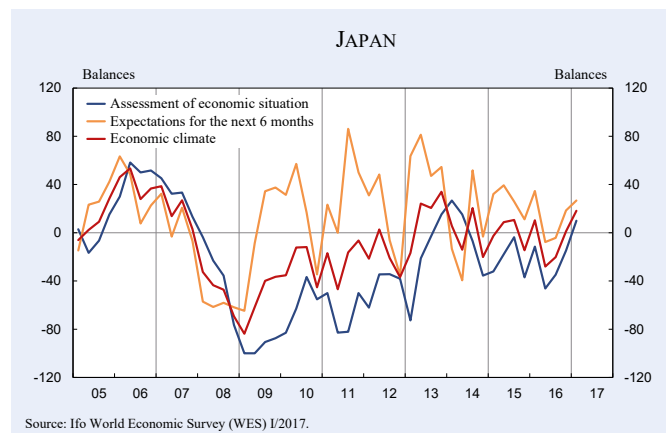
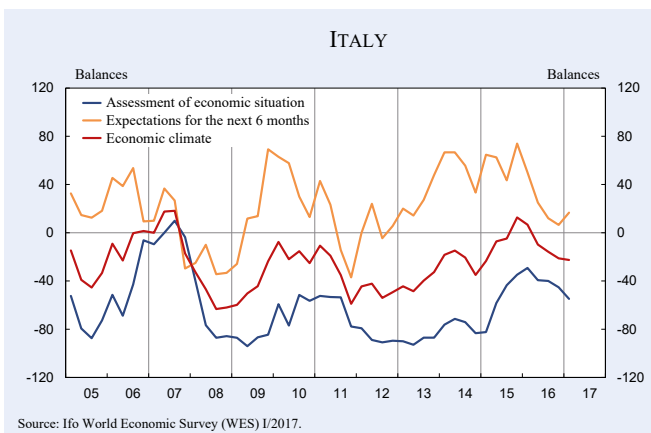
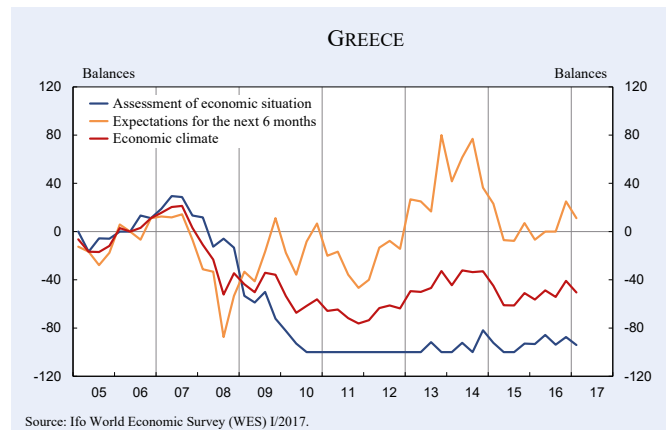
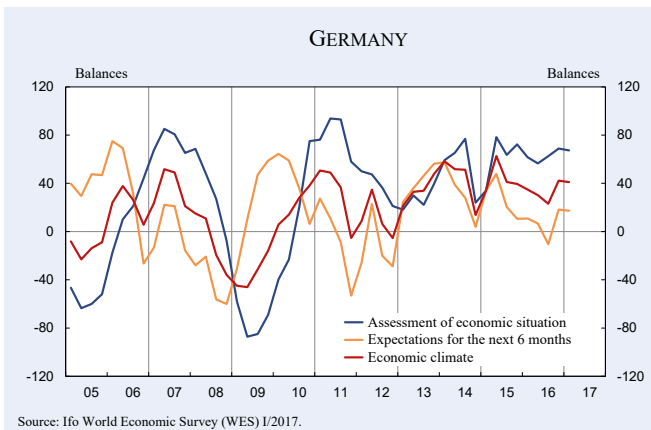
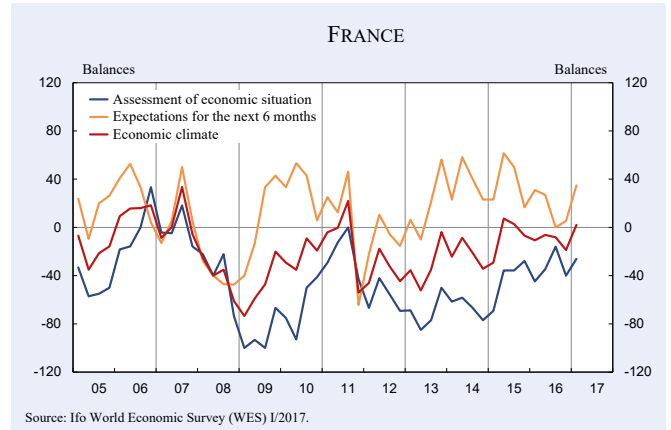
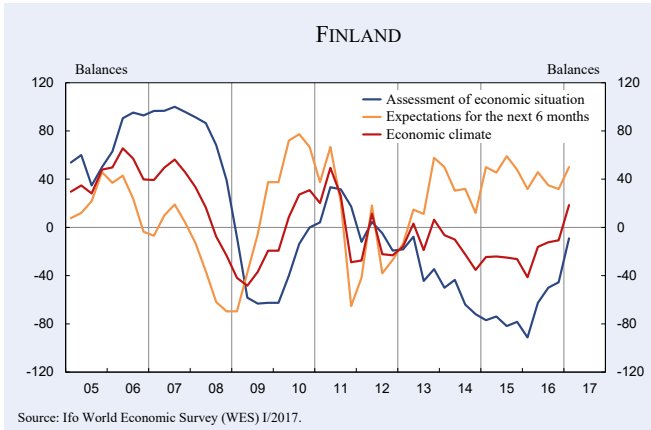
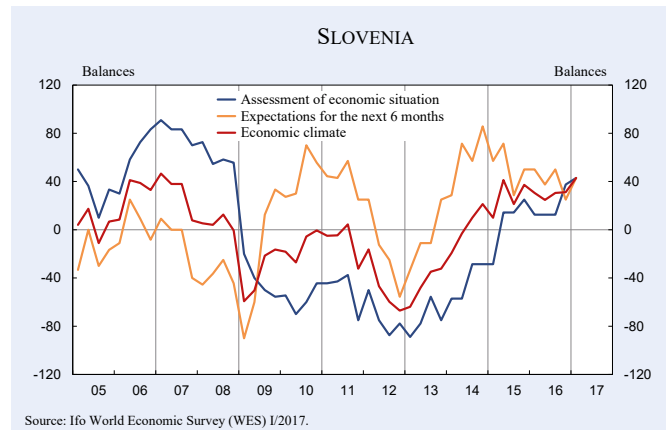
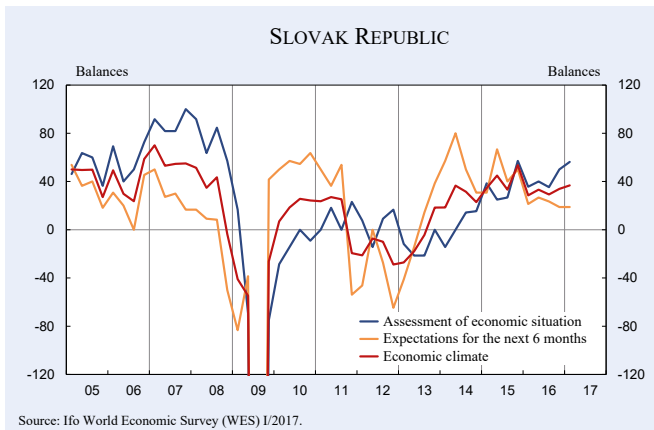
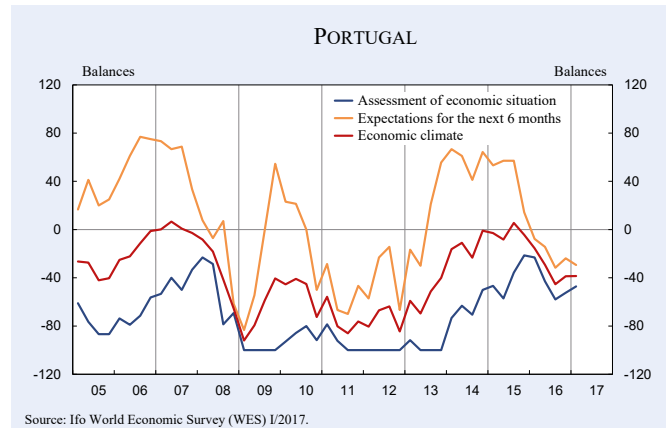
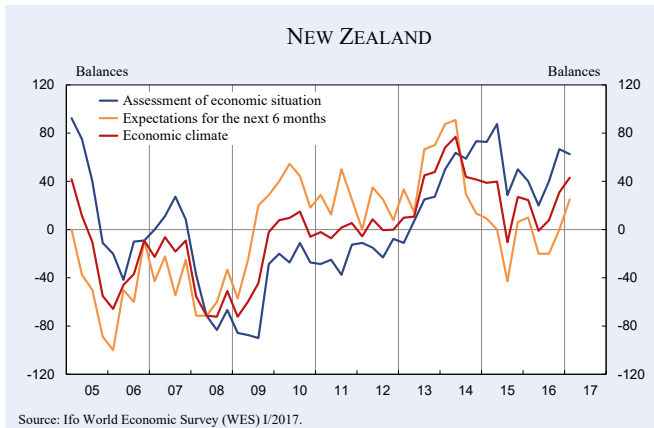
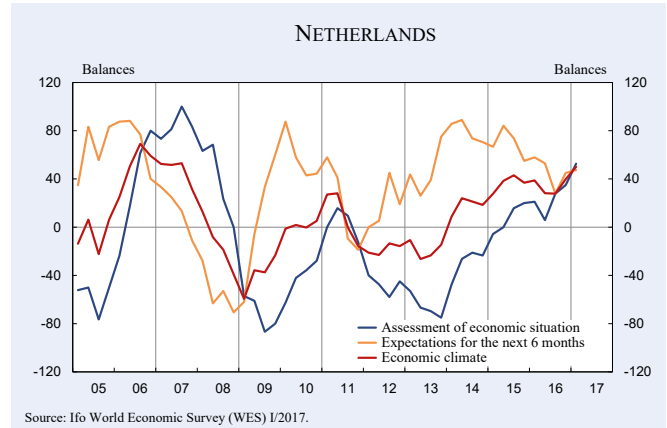
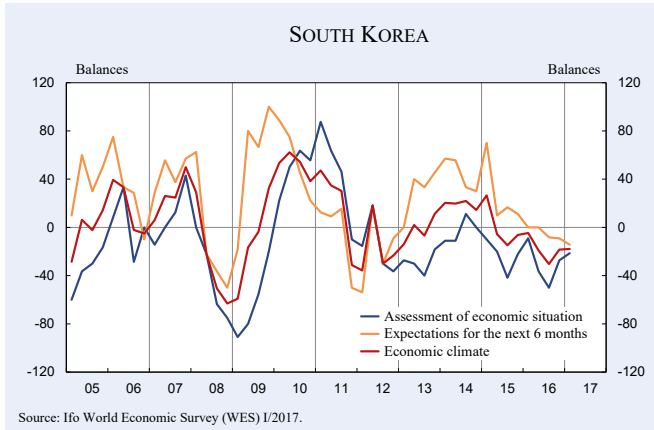
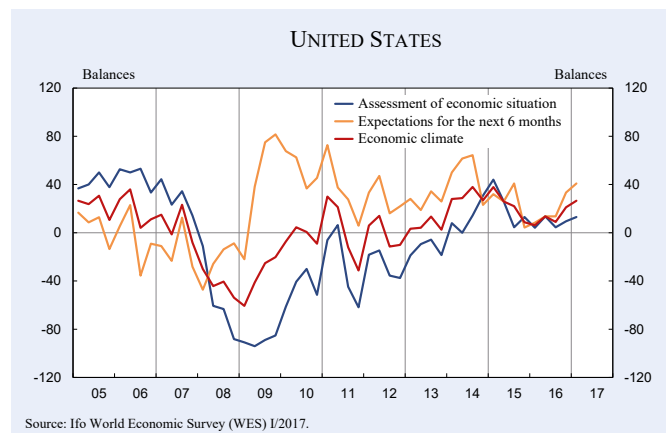
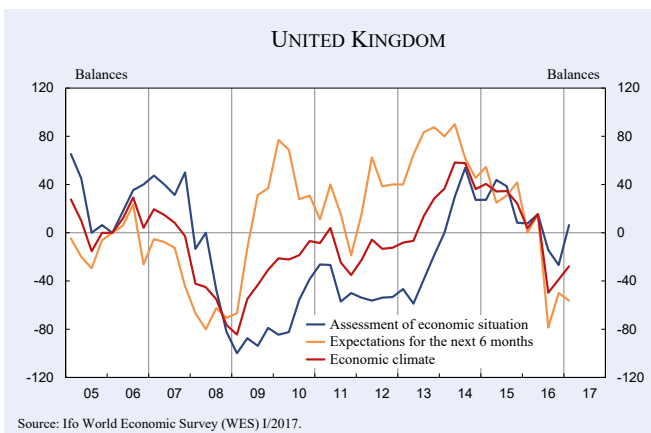
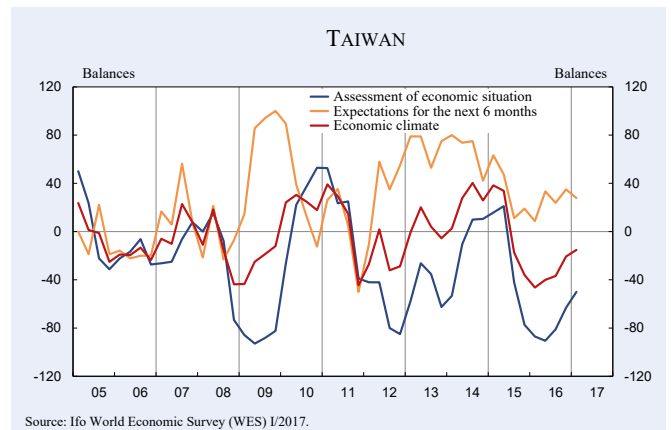
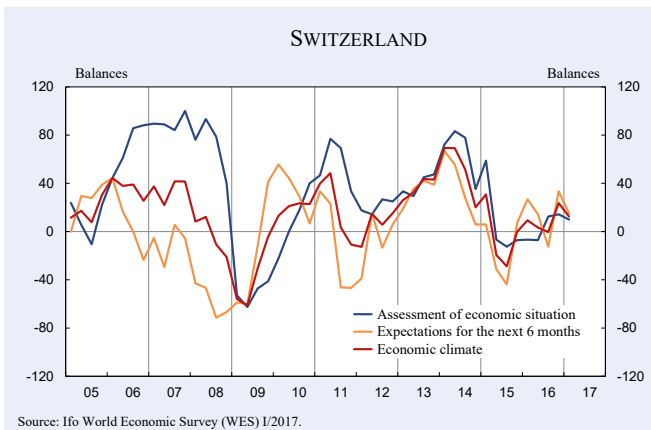
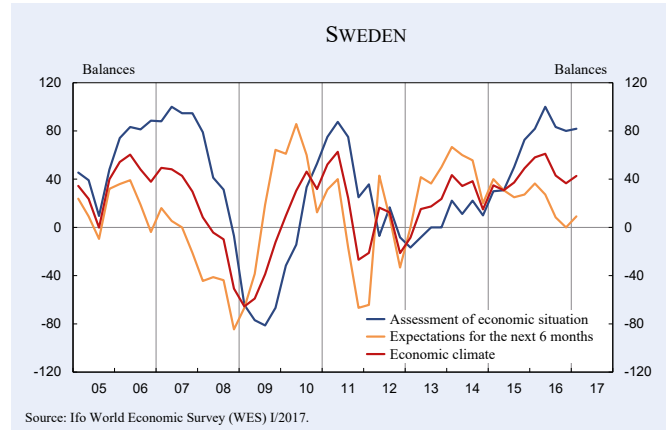
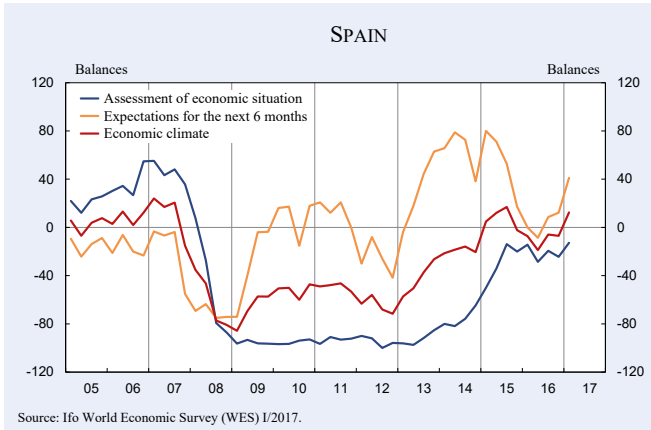


Figure 7 cont.

## ADVANCED ECONOMIES

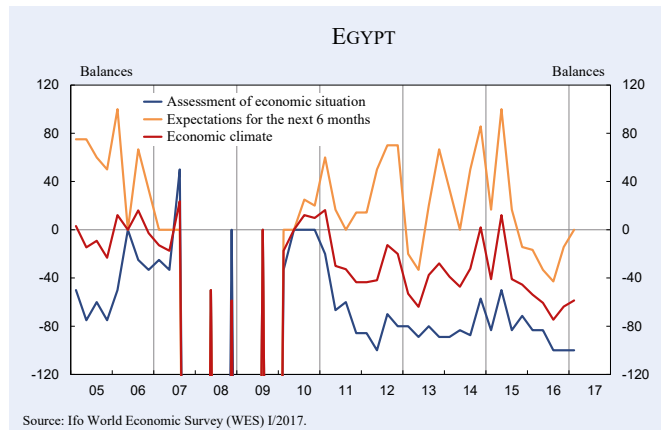
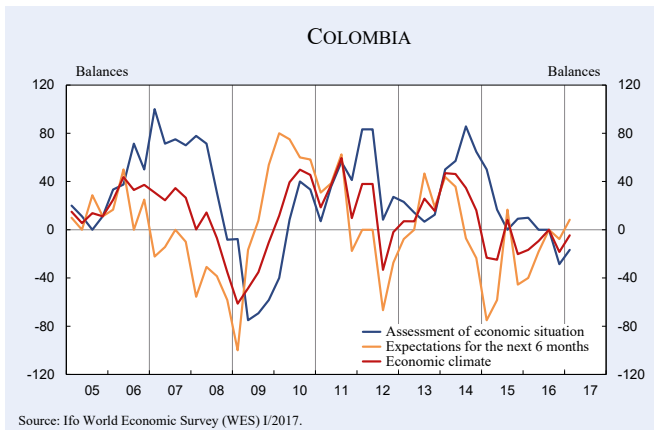
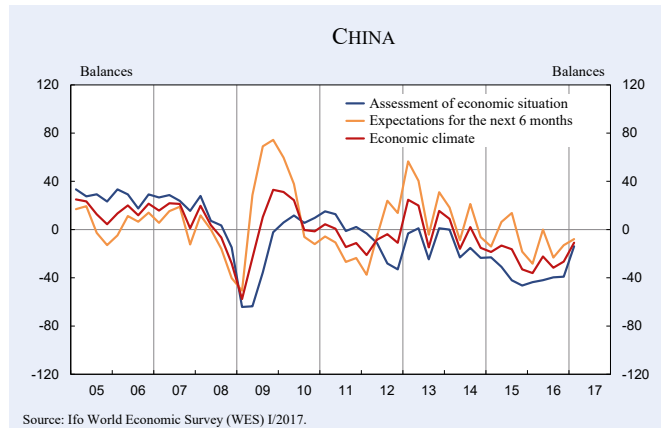
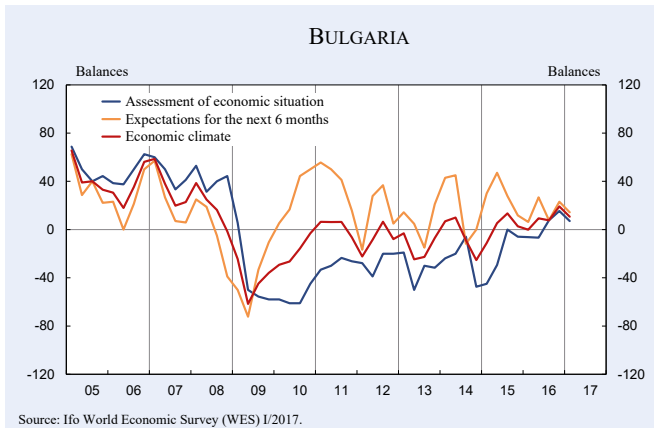
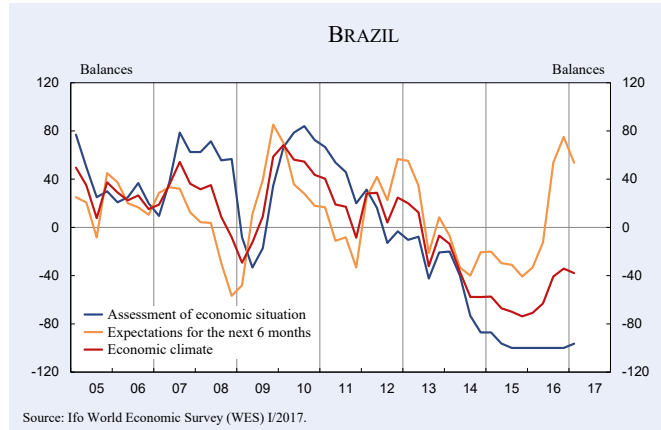
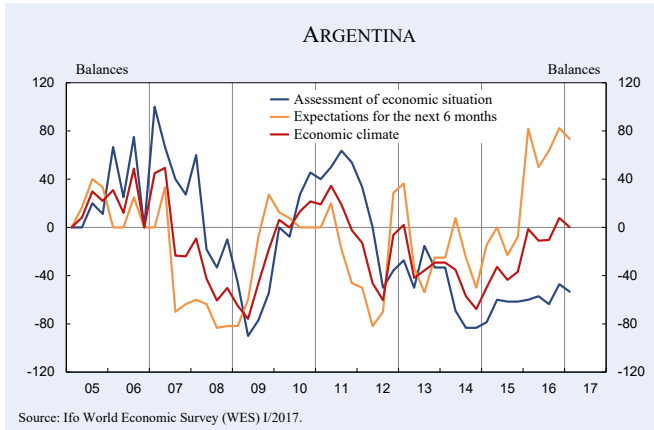


# ADVANCED ECONOMIES



**Figure 8**

## EMERGING MARKETS AND DEVELOPING ECONOMIES



## EMERGING MARKETS AND DEVELOPING ECONOMIES

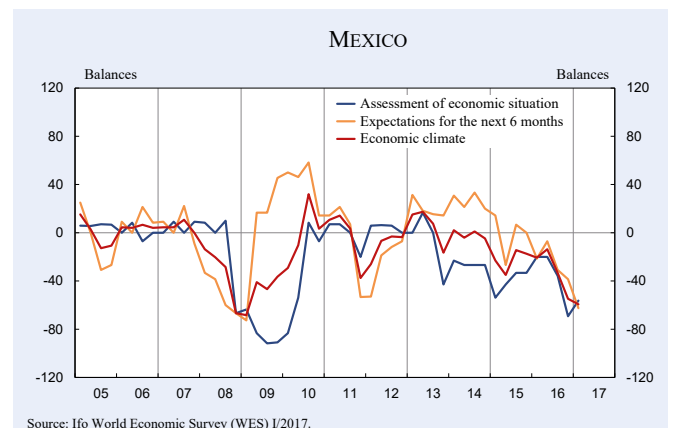
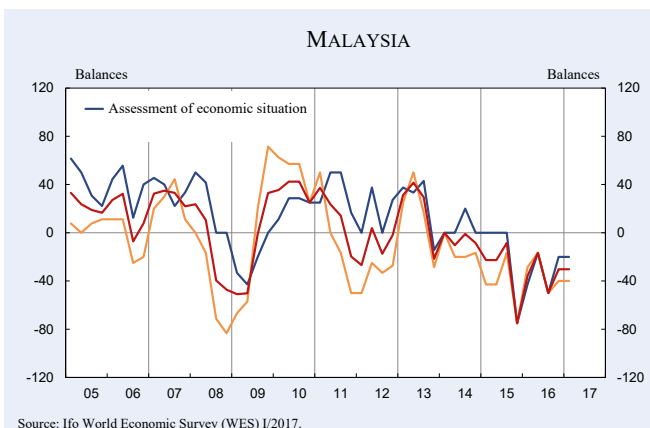
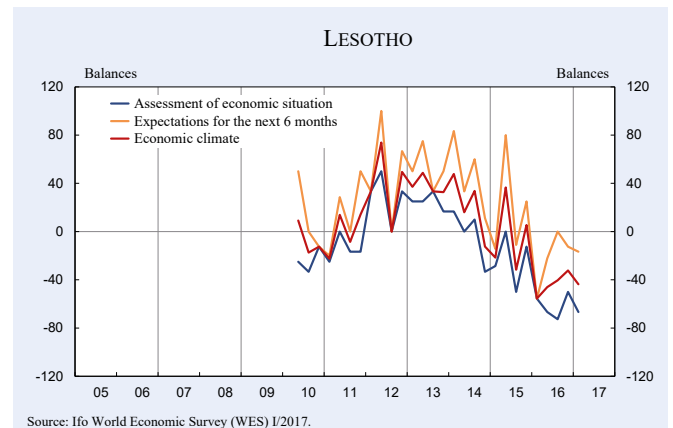
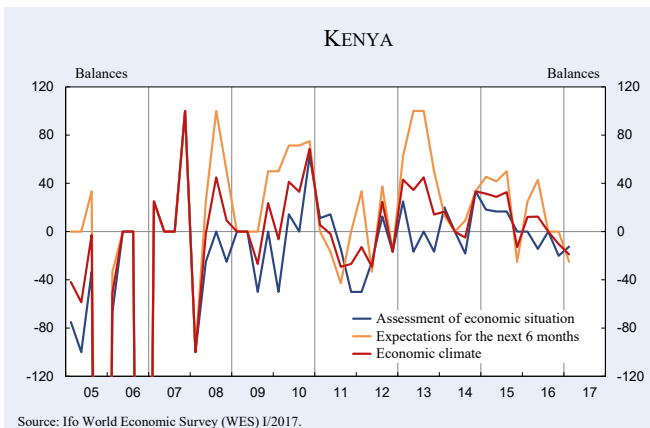
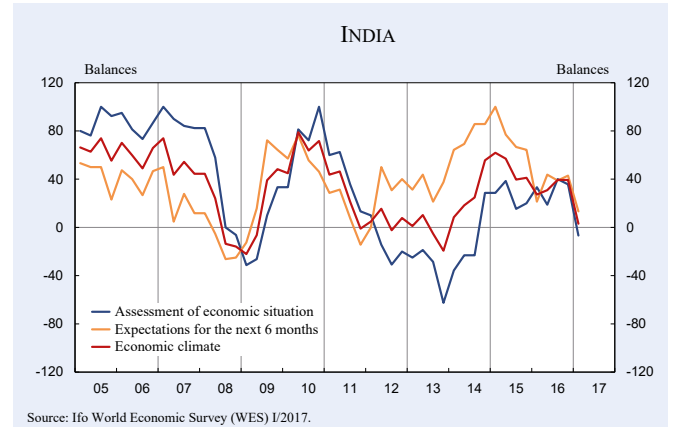
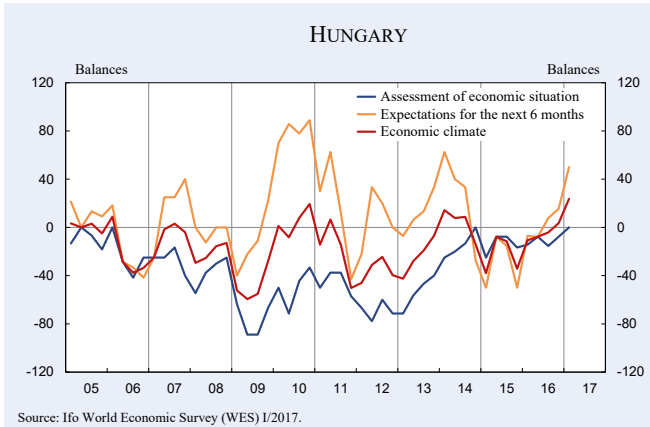
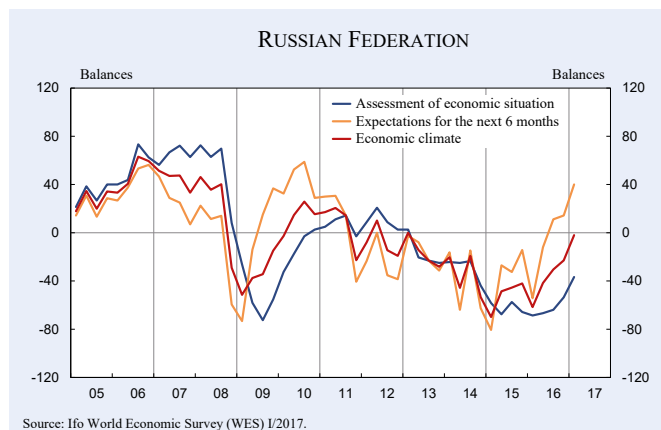
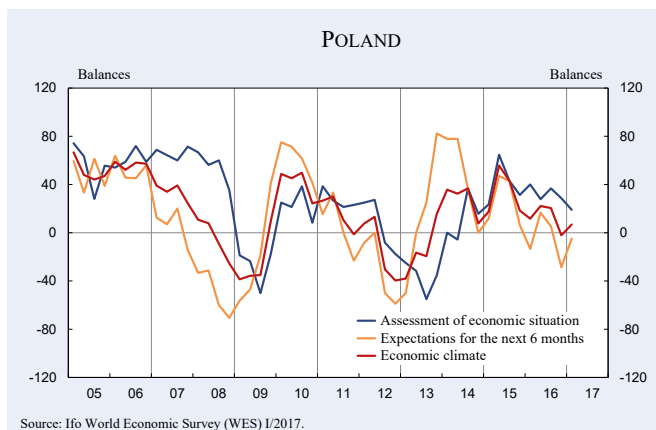
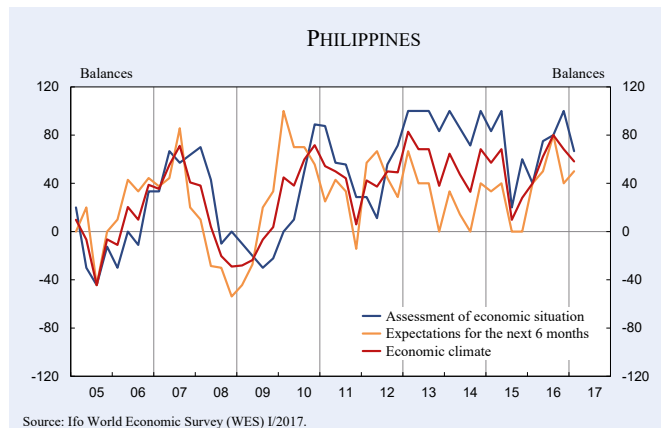
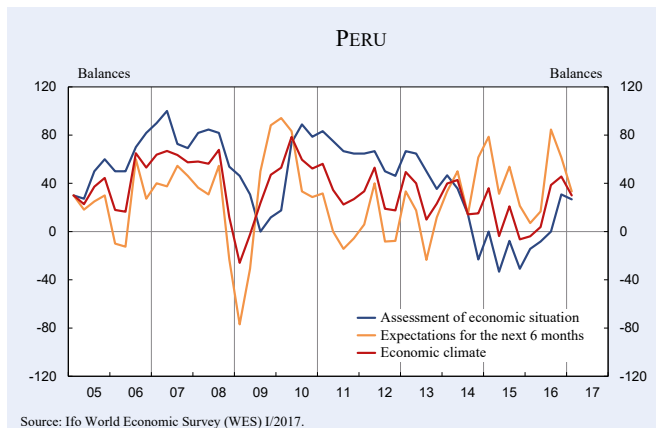
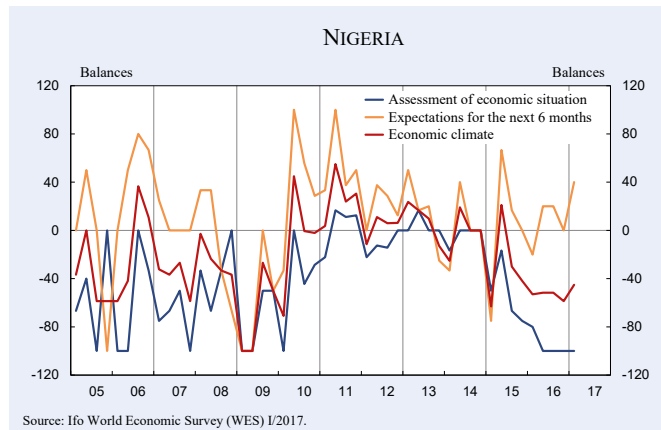
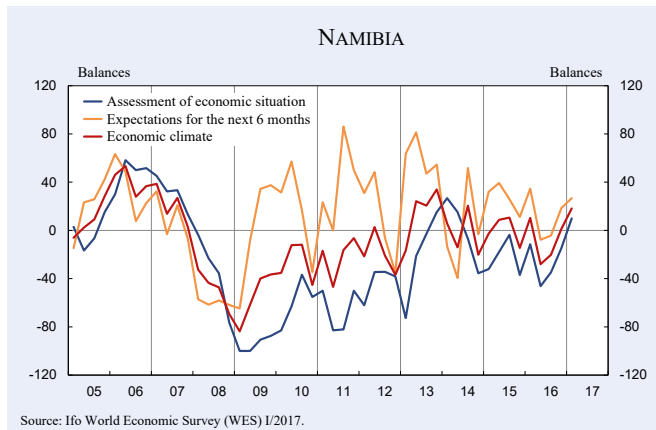
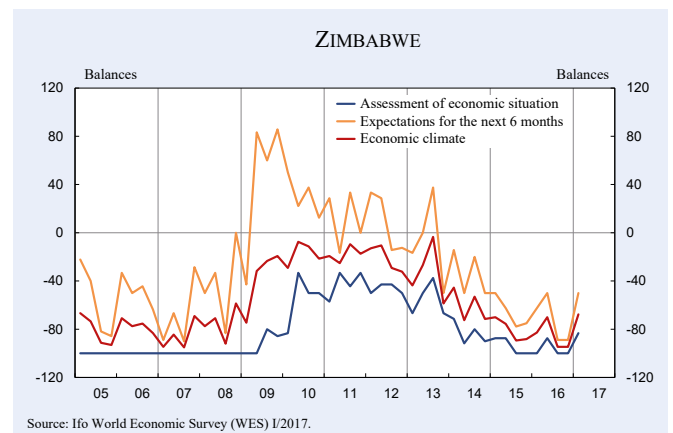
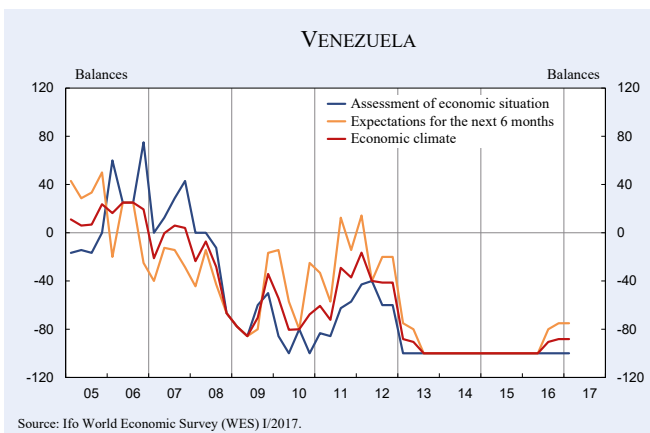
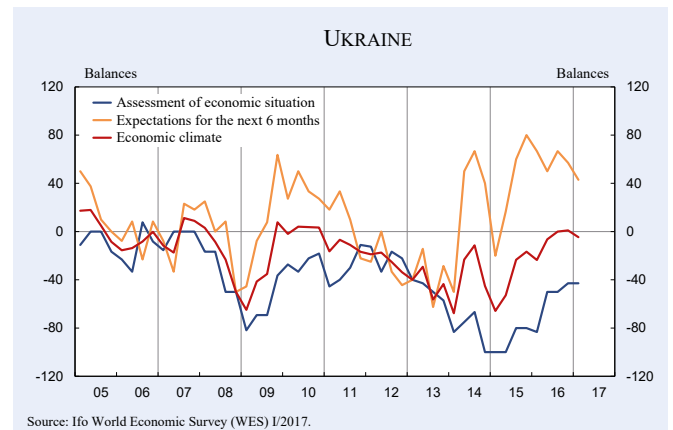
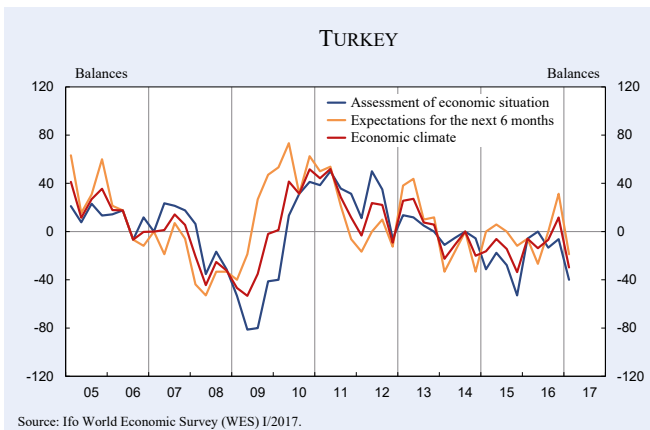
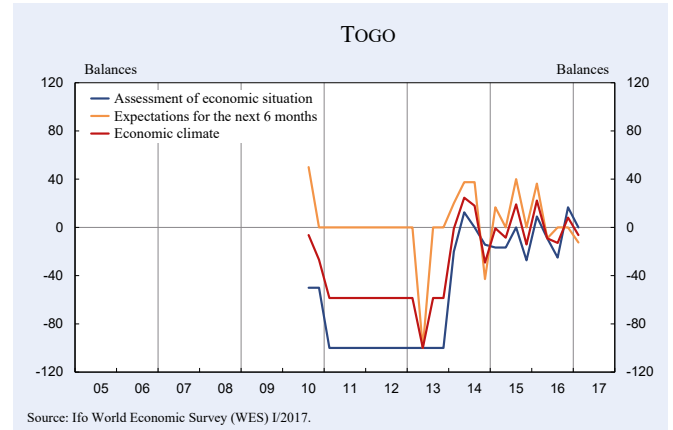
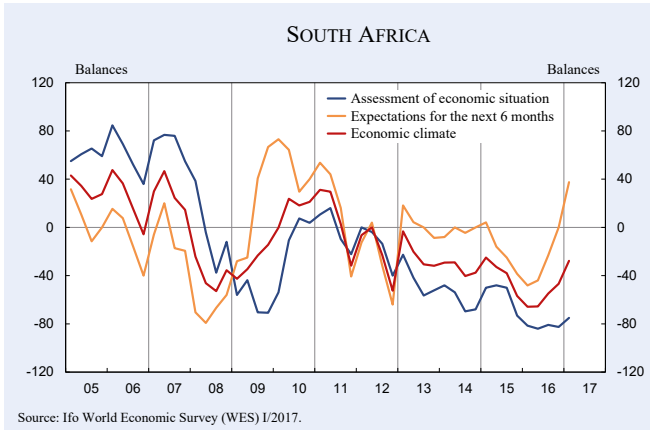


Figure 8 cont.

## EMERGING MARKETS AND DEVELOPING ECONOMIES



## EMERGING MARKETS AND DEVELOPING ECONOMIES





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