

ECONOMIC SURVEY INTERNATIONAL

In July/August 2000, more than 750 economic experts in 82 countries were polled by the Ifo Institute's 69th Economic Survey International.

The world economy is showing first signs of a cyclical downswing. The overall economic indicator dipped in July, after having risen continuously since early 1999 and showing stagnation in April of this year. Whereas the current situation was said to have improved further, expectations of future economic activity were less optimistic than before.

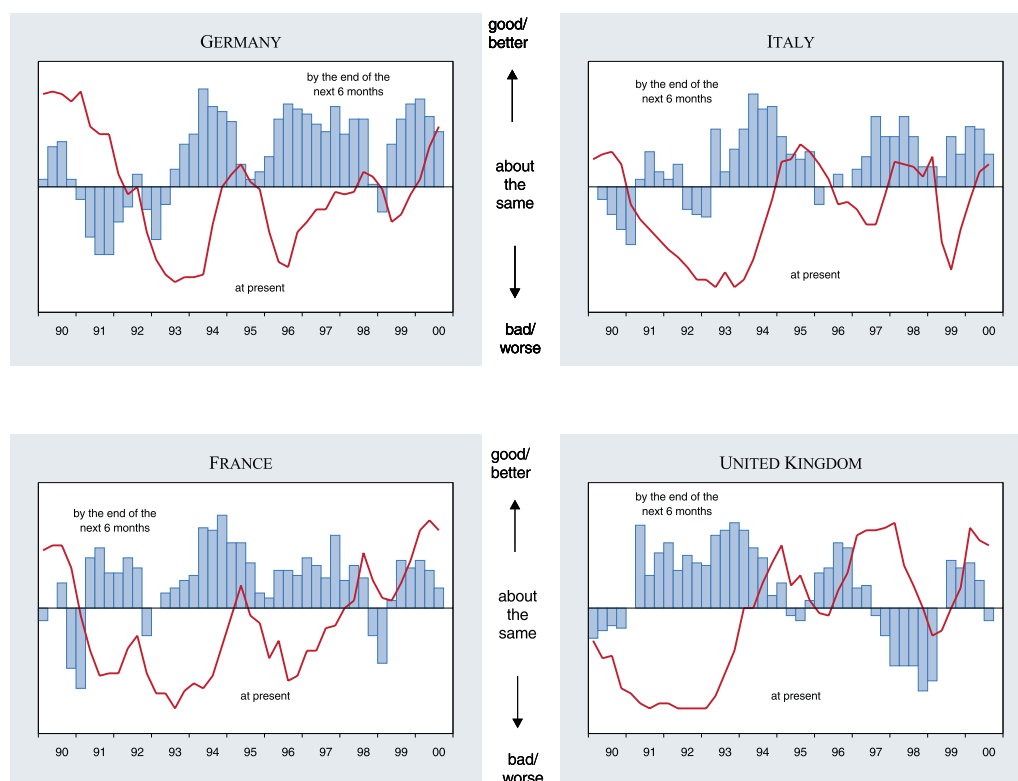
In Western Europe, the upswing will continue, but lose some momentum. The current situation in most Western European countries has further improved. Expectations for the second half of the year are less buoyant, however, than in the previous survey, signalling some slowdown in the pace of the upswing. Whereas government demand will continue to expand and private consumption will remain robust, private investment will slow down as a result of less

favourable expectations regarding sales and profits. Export demand will weaken markedly, and residential construction will lose momentum.

In the United Kingdom the slowdown is more pronounced than in continental Europe, but signs of a lessening momentum are also visible in countries like the Netherlands and Portugal, which have experienced above-average growth in the current cycle. In Germany and Italy the current situation is still improving, while the outlook for the next six months has deteriorated. In France, however, not only have expectations become even more pessimistic, the assessment of the present situation has also dipped.

In Western Europe as a whole and the euro-area as well, inflation is expected to reach 2.2% in 2000, with France (1.6%) at the lower end and Ireland (4.8%) at the top of the scale. As in the previous survey the euro is considered markedly undervalued against practically all currencies.

Present and Expected Economic Situation



Source: ESI 69, 3/2000.