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Financial Markets... Italy’s borrowing costs increased in its first bond auction since a credit rating cut by Fitch Rating last week, underlining investor concerns over the country’s current political uncertainty. The Italian Treasury sold €3.32 billion of 3-year note at an average yield of 2.48%, up from 2.3% in the February auction, and €2 billion of 15-year bonds at 4.9% compared with 4.805% at the January sale. The Treasury also auctioned €1.67 billion of 4- and 5-year floating rate bonds.

Ireland is set to issue its first benchmark 10-year bonds today since the country’s 2010 bailout, reportedly attracting at least €12 billion of investor bids at the moment. The country plans to sell as much as €3 billion of a new syndicated debt. Ireland is poised to become the first Euro-zone country to leave a bailout program since the region’s debt crisis started in 2010.

Chinese stocks extended their losses on Wednesday, with the Shanghai Composite Index sliding 1% to post a five-day loss of 3.6%, as property and construction shares tumbled on speculation the government will introduce further measures to curb property prices. Concerns over tighter monetary policy by the central bank also weighed on the nation's shares.

High-income Economies... Euro Area industrial production contracted at a slower pace in January, falling by 5.9% (3m/3m saar) compared to declines of nearly 8% in each of the previous 2 months suggesting that output has bottomed out. In Germany, the Euro Area’s largest economy, industrial output fell by 5.6% (3m/3m saar) in January after a 9.1% drop in December. German manufacturing output contracted by 4.8%, a significant improvement from the 9.1% decline registered at the end of last year.

US retail sales growth accelerated slightly in February, rising by 5.0% (3m/3m saar) compared to a 4.19% increase in January. Higher growth reflected rising outlays on cars and gasoline (in turn reflecting higher prices at the pump) but broader gains were also visible in retail sales. Separately, import prices rose 1.1% (m/m) in February after increasing 0.6% the previous month, driven by higher fuel prices. Export prices grew 0.8% in February following a 0.3% increase in January.

Consumer confidence in Australia improved further in March. The Melbourne Institute and Westpac Bank index of consumer sentiment rose by 2% to a 27-month high of 110.5 on top of last month’s 7.7% jump. The increase mainly reflected growing optimism about personal finances and the economic outlook.

Japanese consumer sentiment improved for the 2nd month in a row, with the consumer confidence index for February rising to its highest level in 27-months to 44.3 from 43.3
in January. Still, index levels below 50 indicated that pessimists outnumbered optimists. The February survey also showed that 69.5% of respondents thought prices would climb over 12 months, the highest since October 2011 and up from 65.3% the previous month.

**Developing Economies…Europe and Central Asia:** Romania’s industrial production rebounded in January to 3.4% (y/y) up from a contraction of 0.7% in December and breaking the trend of five months of negative y/y growth. Manufacturing and mining contributed positively to the rebound in IP.

**Latin America and the Caribbean:** Brazil announced the elimination of the 9.25% PIS/Cofins taxes on staple foods. The measure, which will reduce tax revenue by $3.7 billion (0.2% of GDP) annually, is intended to limit the rise in inflation while helping to boost consumption.

**Middle East and North Africa:** Egypt’s net international reserves continued their decline in February (-14.4% y/y) ending the month at USD13.5 billion, the lowest level in a decade. Reserves look set to remain under pressure as approval of the long-discussed USD4.8 billion IMF loan looks uncertain.

**South Asia:** India’s inflation (combined urban and rural) inched up to 10.9% (y/y) in February, up from 10.8% (y/y) in January, driven by food price (13.4% y/y) and fuel price increases (8.7% y/y). The new overall CPI, with base year 2010, released in 2012, is a combined index, encompassing rural and urban trends as well as services and manufacturing.

**Sub-Saharan Africa:** South Africa’s retail sales growth slowed in January, to 1.9% (y/y), following the previous month’s 2.2% (y/y) growth. Driving the deceleration were the sales of consumer durables which eased sharply to 0.2% (y/y) from 1.8% in December.

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