



## DECPG Daily Economics and Financial Market Commentary October 11, 2011

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**Consumer confidence in Japan rises to highest level in six months.** Consumer confidence in Japan rose slightly in September according to a release from the Cabinet Office. After plummeting to 33.1 in April in the aftermath of the Tohoku earthquake, Japan's consumer confidence index rose to 38.6 in September, the highest level recorded in six months. All four sub-components of the index: general livelihoods, income growth, employment conditions and plans to buy new durable goods, rose in September. However, the index still remains below its pre-quake level of 41.2 [see **Chart at <http://gem> or <http://www.worldbank.org/gem>**]. Readings below 50 imply that the number of pessimists outnumber the optimists. Further the business sentiment report released by the Cabinet Office last month, showed business sentiment among major Japanese companies over the July to September period to have risen for the first time in four quarters. However, with heightened uncertainty in the global economy, and a strong yen continuing to hurt Japan's export dependent economy, both consumer and business confidence will continue to face headwinds in the coming months.

**Among Emerging Markets...**In Latin America, Brazil's retail sales fell 0.4% in August relative to the previous month, the largest drop since March 2010, adding to evidence that the economy is slowing.

In South Asia, Pakistan's exports surged 18.68% in the first three months of the current fiscal year, while imports jumped 23.12% causing the trade deficit to widen by 28.78%, according to the Federal Bureau of Statistics.

In Europe and Central Asia, Romania's unemployment rate inched up to 4.89% in September, from 4.87% the previous month, while consumer price inflation decelerated to 3.45% year-on-year down from 4.25% in August. Turkey's current account deficit narrowed to \$4 billion in August, down from \$5.32 billion in July, but it was up 31% relative to a year-ago period. For the year as a whole the current account deficit is projected to widen to 9% of GDP, as the economy rebounds from recession.

In East Asia and Pacific, Indonesia's central bank unexpectedly cut its key interest rate by 25 basis points to 6.5%, the first cut in more than two years, as global recovery slows and inflation eases. Malaysia's industrial output rose 3% year-on-year in August, after contracting by a revised 0.5% in July.

In the Middle East and North Africa, Egypt's urban consumer price inflation eased to 8.2% in the twelve months to September, from 8.5% in August. Jordan's consumer price inflation was 4.8% in September.

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