



**Daily Brief**  
**Economics and Financial Market Commentary**  
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**German consumer confidence increases to 6-month high.** German consumer confidence for July rose sharply for a second consecutive month, suggesting consumer spending may increasingly contribute to economic expansion as investor and executive optimism softens. The GfK AG's confidence index for July rose to 8.4 from a revised 7.4 in June, following a jump from 5.7 in May. A sub-index measuring consumers' propensity to spend increased a massive 13.2 points to 9.1, following a series of negative readings this year. However, an index of households' income expectations declined to 28.7 from a 6-year high of 33.6.

**U.S. existing home sales decline.** Sales of previously owned homes slipped 0.3% in May to an annual rate of 5.99 million—the lowest since June 2003—from a revised 6.01 million in April. Sales were down 10.3% from a year earlier. Last year, existing home sales averaged 6.51 million, down from 7.07 million in 2005. Re-sales of single-family homes fell 0.8% in May to an annual rate of 5.2 million, while sales of condos and co-ops rose 2.6% to a 790,000 rate.

The supply of homes for sale leapt 5% to 4.43 million, which represented an 8.9-months' supply at the current sales pace—up from 8.4 months' in April and the highest level since June 1992. The median home price fell 2.1% (y/y) to \$223,700, the 10<sup>th</sup> consecutive month of y/y declines.

**Among emerging markets...** In East Asia, *Taiwan's* export orders increased 11.9% (y/y) in May, on stronger demand from China and Europe, adding to signs that economic growth is picking up. Stronger external demand pushed industrial output growth to 6.4% from 3.3% the previous month, as manufacturing growth accelerated to 6.7% from 3.9%, and as construction activity expanded 11.9%, after a 12.1% contraction in April. *Singapore's* consumer price inflation accelerated to 1.0% (y/y) in May, the highest in ten months, on higher growth in food and transport prices. In *South Korea*, consumer sentiment improved in the second quarter rising to 108, the highest in 15 months, as all consumer

confidence sub-indices rose, adding to signs that economic growth is picking up. *Vietnam's* consumer price inflation accelerated to 7.8% in the year through June, the highest since February 2006, as food and construction material prices increased.

**In Eastern and Central Europe,** *Hungary's* central bank cut its benchmark interest rate to 7.75%, the first reduction since October, as core inflation is slowing. Wages continue to rise strongly in part due to the "whitening effect" (new laws forcing employers to declare previously hidden wages) but are not necessarily translating into higher prices.

**In Latin America,** *Mexico's* central bank kept its key interest rate unchanged at 7.25% on Friday, as consumer price inflation decelerated to 3.95% in May, falling within the central bank target of 3.0% plus/minus 1 percent. The central bank added that it maintains its "restrictive bias" on concerns that higher grain prices will fuel inflationary pressures. *Argentina's* current account surplus narrowed to \$861 million in the first quarter of 2007, from \$1.1 billion a year earlier, as imports jumped 24% on higher purchases of capital goods, such as machinery and supplies for manufacturing. Meanwhile export growth lagged behind at 11.0%.

**In Sub-Saharan Africa,** *Cameroun's* National Monetary and Financial Committee revised down its economic growth forecast for this year to 4.0%, but still calls for acceleration of growth from last year's 3.5% expansion. Government revenues declined 7.4% (y/y) in the first quarter of 2007 to 416.3 billion CFA francs (\$852.2 million), due to lower oil revenues.

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