Renewed tension in Ukraine weighs on developing-country equities... Eurozone industrial production shows uptick in growth... Bulgaria’s consumer price inflation falls for eighth consecutive month

Financial Markets

Developing-country stocks started the week on a weaker note as renewed tension in Ukraine pushed investor sentiment down further following the last week’s market sell-off. The benchmark MSCI Emerging Market Index fell 0.6%, led by a 5% decline in Ukraine’s main stock index. Russia’s Micex index dropped 1.4%, while equity gauges in Poland and Hungary declined at least 1.2%. Stocks in Nigeria slumped as well, sliding the most in two weeks, after an explosion that took place earlier today killed and injured the number of people. Meanwhile, China’s benchmark Shanghai index rose 0.1% to extend the biggest five-day gain in eight weeks, after falling much as 0.7% earlier today.

High-yielding Eurozone government bonds advanced on Monday after the European Central Bank President said further appreciation in the euro would prompt more monetary stimulus. Italy’s benchmark 10-year bond yield fell as much as 7 basis points (bps) to a record low of 3.14%, while comparable Spanish and Portuguese bond yields declined 4 bps to 3.15% and 5 bps to 3.91%, respectively. The average yield to maturity on government securities from Greece, Ireland, Italy and Portugal, and Spain slid to a record low of 2.24% on April 10, after surging to as high as 9.55% in 2011.

High Income Economies

U.S. retail sales jumped 1.1% (m/m) in March after climbing by an upwardly revised 0.7% in February. The stronger than expected retail sales growth was partly due to a notable increase in sales by motor vehicle and parts dealers, which surged up by 3.1% in March after climbing by 2.5% in February. Excluding an increase in auto sales, retail sales still rose by 0.7% in March.

Posting the first increase in three months, Eurozone industrial production grew 0.2% (m/m) in February after being flat in January and contracting 0.3% in December. The increase matched expectations and reflected improvement in non-durable consumer goods and intermediate goods sectors. Production of intermediate goods gained 0.6% and that of non-durable consumer goods climbed 0.5%. Meanwhile, durable consumer goods fell 1.2% and energy by 1.7%. The highest increases in industrial production...
were registered in Malta and Ireland, while the biggest decreases were seen in Croatia, Estonia and Romania.

Singapore’s central bank, the Monetary Authority of Singapore (MAS), left its monetary policy unchanged as widely expected. MAS will maintain the modest and gradual appreciation path of the S$NEER policy band, with no change to its slope, width, and the level at which it was centered. Further, MAS lowered its forecast for inflation for 2014 to 1.5-2.5% from 2-3% mainly reflecting a weaker outlook for imputed rentals for 2014. At the same time, the city-state economy slowed sharply from the 6.1% (q/q saar) increase in Q4 2013 to advancing 0.1% in Q1, the lowest growth rate since Q2 2012. The lower growth was driven by a contracting services sector and a slowing in the manufacturing sector.

**Developing Economies**

**Europe and Central Asia**

*Hungary*’s industrial production rose 8.1% (y/y) in February, unchanged from January, driven by robust manufacturing output growth. In January-February, manufacturing output grew 7.1% (y/y) led by the automotive sector which saw rapid growth in production and new orders.

*Bulgaria*’s annual consumer price inflation fell for the eighth consecutive in March, decreasing 2.3% (y/y) following a 2.6% (y/y) decline in February. Month-on-month, consumer prices fell for the third consecutive month, edging down 0.2% (m/m) in March, after decreasing 0.4% in February.

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