



DECPG Daily Economics and Financial Market Commentary November 7, 2012

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Financial Markets...The *MSCI Asia Pacific Index* climbed 0.7% as a clear U.S. election outcome came on the eve of a leadership change in China. The *Stoxx Europe 600 Index* lost 0.3%, erasing earlier gains, and U.S. equities opened lower, as the initial U.S. election euphoria faded.

U.S Treasury yield declined the most in two months, with the benchmark 10-year yield sliding 9 basis points to 1.67%, as the re-election of President Barack Obama fueled speculation the Federal Reserve will continue its quantitative easing policy. The 2-year note yield dropped 4 bps to 0.27%, while the 5-year yield slipped 8 bps to 0.68%.

Standard & Poor's upgraded its long-term sovereign credit rating on *Nigeria* to 'BB-' from 'B+' citing sustained reform momentum in several key areas, improving fiscal management, and high oil prices. At the same time, the rating agency affirmed the short-term sovereign rating at 'B'.

High-income Economies...*Euro Area* retail sales fell 0.2% (m/m) in September, reversing a 0.2% rise in August, as a steep 7.3% (m/m) decline in Spain offset monthly increases in France and Germany of 1.5% and 0.8%, respectively. However, sales rose 1.5% on a quarterly annualized basis (3m/3m saar) in September, compared to a 1.1% increase in August and 0.4% rise in July, suggesting a gradually strengthening, albeit still very weak, Eurozone consumer demand.

Germany's industrial production fell a second month in September, declining 1.8% (m/m) (-1.2% y/y), following a 0.4% drop in August. The decline confirms earlier data on weaker factory orders even as the Eurozone sovereign debt crisis damped output of German manufactured products (-2.3% m/m), while capital goods products fell 3.5% (m/m) as firms cut back on investment plans amid declining business confidence.

Industrial production in *Spain* dropped for the 13th straight month on an annual basis in September, falling at a faster 7% (y/y) pace compared to a 2.5% decline in August amid a deepening recession, fiscal austerity measures, and the higher unemployment rate (25.8 percent) in more than a decade.

Norway industrial production fell 5% (y/y) in September (-5.6% m/m), as energy products output was lower by 12.7% (y/y). However, manufacturing production rose 2.4% (y/y) with strong production growth recorded in industries including machinery and equipment, together with ships, boats and oil platforms.

Estonia's consumer price inflation accelerated to 4.1% (y/y) in October from 3.8% in September (+0.2% m/m), mostly due to an a 6.3% (y/y) increase in food prices, as well as similar rates of increases in consumer goods and housing costs.

The central bank of *Poland* cut its benchmark reference rate by 25 basis points to 4.5% to support economy. The inflation rate remains steady at 3.8% (y/y) in September – slightly above the central bank's 2.5% (+/-1%) annual inflation target.

Developing Economies... *Brazil's* consumer price inflation accelerated in October to 5.45% (y/y) from 5.28% in September, on a faster pace of increase in food prices.

Bulgaria's industrial production declined in September, with the IP index falling 1.3% (y/y) compared with a 2.6% increase in August, on declining production in manufacturing sector.

Colombia's consumer price inflation at 3.06% (y/y) in October remains at the midpoint of the central bank's 2- 4% annual inflation target.

The central bank of *Kenya* further cut its Central Bank Rate (CBR) by 200 basis points to 11% allowed by a continuous decline in inflation to 4.14% in October from September's 5.32% and well within that central bank's upper inflation band of 7.5% and stable exchange rate.

Mexico's gross fixed investment growth slowed to 3.7% in August compared with 6.6% in July, with investment declining 0.9% (m/m) in August compared with a 0.59 expansion in July.

Russia's inflation rate slowed insignificantly to 6.5% in October from 6.6% in the previous month, still above the upper limit of the central bank's 5-6% target range.

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