



Economic Monitoring



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S&P's raises credit rating of Philippines...U.S. weekly jobless claims pull back after three-week uptrend...Indonesia, Malaysia and the Philippines leave policy rates unchanged in April

### Financial Markets

The euro weakened 0.2% against the dollar to \$1.3889 in afternoon trading in London, after climbing to a 21/2 year high of \$1.3992 earlier, as European Central Bank President Mario Draghi hinted the central bank will take additional policy action in June if needed and raised his expressions of concern about the euro's exchange rate. The single currency depreciated versus all except two of its 16 major country parts as his comments prompted the prospect of a further rate cut that tends to weaken the currency. The ECB unchanged its benchmark interest rate at a record low of 0.25% today, resisting call for a rate cut to curb the euro appreciation.

Standard and Poor's raised its sovereign credit rating on *the Philippines* by one notch to 'BBB' from 'BBB-', a year after rating agency upgraded the country's rating to investment grade. S&P cited "the ongoing reforms to address shortcomings in structural, administrative, institutional, and governance areas will endure beyond the current administration" for the upgrade. The country's benchmark stock index has surged 15% thus far this year, among the best performers in Asian markets, fueled by the longest bout of foreign capital inflows to the local stock markets since at least 1999.

### High Income Economies

U.S. first time jobless claims fell to 319,000 in the week ended May 3<sup>rd</sup>, a decrease of 26,000 from the previous week's revised level of 345,000. With the bigger than expected drop, jobless claims partly offset the increases seen in the three previous week, pulling back toward the nearly seven-year low set in the week ended April 5<sup>th</sup>. Meanwhile, the less volatile four-week moving average edged up to 324,750, an increase of 4,500 from the previous week's revised average of 320,250. On the other hand, continuing claims fell to 2.69 million in the week ended April 26<sup>th</sup> from the previous week's revised level of 2.76 million.

Slowing for the fifth consecutive month, *Greek* unemployment rate fell to 26.5% in February from 26.6% in January. The latest rate was the lowest since December 2012, when it was 26.4 percent. The number of unemployed totaled 1.30 million in February, slightly less than January's 1.31 million, while the number of employed people totaled 3.61 million, largely unchanged from January.

## Developing Economies

### East Asia and Pacific

*China's* export and imports rose in April, with the trade surplus more than doubling from March. While expectations were for a 2.0% (y/y) decline, exports rose 0.9% (y/y). Similarly, while expectations were for a decline of 2.1% (y/y), imports grew 0.8% (y/y). The trade surplus more than doubled to US\$18.4bn in April, up from US\$7.7bn in March, surpassing economists' forecasts of a US\$17.7bn surplus.

*Indonesia's* central bank left the policy rate unchanged at 7.5% as expected, stating that the current monetary policy stance will remain in place to seek to contain the widening current account deficit. The deposit facility rate and lending facility rate were also left unchanged at 5.75% and 7.5%, respectively.

*Malaysia's* central bank left its key benchmark rate, the overnight policy rate, unchanged at 3% in line with expectations, citing firming growth and stable inflation, but noted that going forward monetary policy may need to be adjusted to contain economic and financial imbalances.

*Philippines'* central bank also left its key policy rate, the reverse repurchase rate, unchanged at 3.5%, but raised the reserve requirement ratio by 1.0 percentage point to 20% effective May 30, 2014, with the aim to curb liquidity growth. The repurchase rate was also left unchanged at 5.5%.

### Europe and Central Asia

*Turkey's* industrial production growth was 4.2% (y/y) in March, slower than February's 4.9% (y/y) growth but higher than economists' forecasts of 3.8% increase, with manufacturing output and mining and quarrying production growing each at 4.3% (y/y). On a monthly basis, the industrial production index fell for the second consecutive month to 0.4% in March, following a 0.3% decline in February.

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