U.S. April trade deficit narrows by more than forecasters expect. The combination of lower imports and a slight rise in exports—reflecting a cheaper dollar and healthy external demand—helped to reduce the trade gap in goods and services to $58.5 billion from a revised $62.4 billion in March, a decline of 6.2% (m/m), the largest decline in six months. Imports decreased to $188 billion in April from $191.6 billion in March. Exports increased to $129.5 billion in April from $129.2 billion in March. The trade gap with China, however, widened to $19.4 billion, up from $17.2 billion in March, bringing the year-to-date increase in the deficit with China to 19% over 2006. In a Bloomberg survey, economists projected the deficit to narrow slightly by 0.6% (m/m). The lower deficit will contribute to an expected stronger growth outturn for the second quarter compared with the first quarter, when U.S. GDP grew at the slowest pace in four years.

Led by a fall-off in construction activity, German industrial production declined by a seasonally adjusted 2.3 percent in April (m/m), indicating that growth might level off. The decline is the sharpest drop since June 2007. Construction activity declined by 2.9% and manufacturing declined by 2.4% (m/m). Analysts said that the weaker numbers are partly driven by the impact of an unseasonably warm winter, which led to greater construction activity earlier in the year, thus dampening the current outturn [see Daily Chart at http://GEM or www.worldbank.org/gem].

Among emerging markets... In Eastern and Central Europe, Czech Republic’s GDP growth is estimated to be 6.1% in the first quarter of 2007, 0.3% faster than the central bank’s April forecast, as household consumption increased faster than expected and despite an unexpected slowdown in fixed capital investment. Meanwhile consumer price inflation slowed to 2.4% y/y in May, from 2.5% the previous month, as prices of food declined. Hungary revised its first quarter GDP estimate to 2.7% down from 2.9%, as consumer spending was negatively affected by measures to curb the budget deficit. Household consumption contracted 0.8% in the first quarter, government consumption plunged 6.3%, and gross fixed capital formation dropped 2.3%. The government expects the
In 2007, the economy of the eurozone expanded by 2.2%, the slowest pace in a decade, and the weakest growth in the eurozone. The trade deficit narrowed to 177 million euros in April, as exports gained 17.5% y/y, while imports grew 16.4%. In Turkey, industrial output gained 1.4% y/y in April, the weakest expansion rate in 15 months, as tighter monetary policy slowed domestic demand. Meanwhile, robust demand in Europe caused Turkey’s exports to advance 28% y/y in April, giving a welcome boost to industrial production. In Slovenia, economic growth accelerated to 7.2% y/y in the first quarter, up from 5.5% during the previous three months, as warm weather allowed acceleration in construction activity and as robust growth in the EU boosted demand for Slovenia’s goods. Domestic demand expanded 7.0% in the first quarter, while gross fixed capital formation jumped 21.6%. Construction expanded at a sizzling rate of 28.9%.

In Sub-Saharan Africa, South Africa’s central bank raised its key interest rate by 50 basis points to 9.5%, as consumer price inflation accelerated to 6.3% in April due to rising energy and food prices. Eskom Holdings Ltd. Plans to hike electricity tariffs by 18% threaten to add to inflationary pressures, as are demands for above-inflation wage increases.

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