



## Weekly Global Economic Brief

Number 121

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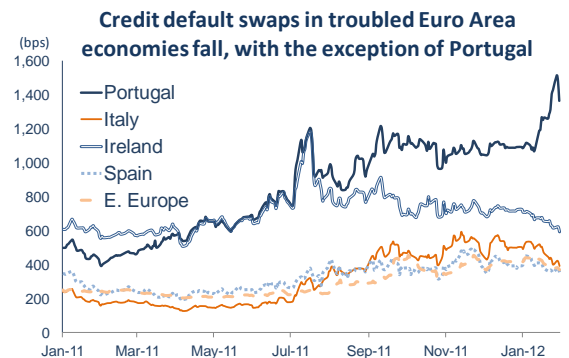
Some tentative signals of stabilization in the global economy appear to be emerging. Recent policy measures have helped lower the cost of insuring sovereign bonds in several troubled Euro Area economies, but large rollover requirements over the next few months could spur renewed market nervousness. Retail sales have picked up in the United States, Germany and the UK, while holding steady in a number of developing countries. This improvement in general conditions has been reflected in a firming up of industrial production growth, and business surveys suggest an uptick in activity going forward.

### Market perceptions of credit risks have eased since late December.

Credit default swap rates for Italian, Irish, and Spanish government bonds have declined by 128, 82, and 54 basis points since mid-December following policy steps in Europe and a more aggressive intervention by the European Central Bank. Italy and Spain held several successful debt auctions in January at lower borrowing costs. A further €580 billion in debt (bonds and T-bills) for Euro Area economies is due to mature in 2012, with a large tranche coming due in March and April which could spark further market nervousness. Portuguese CDS rates have bucked the downward trend in January, rising to 1,515 bps. However, the cost of insuring Portuguese bonds eased in recent days following approval of a new European fiscal pact this week.

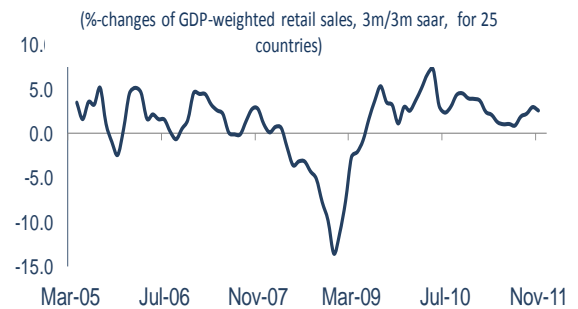
**Retail sales have picked up in recent months.** Global retail sales volumes grew at a seasonally adjusted annual rate of 2.6% in the three months ending in November 2011 (3m/3m, saar), up from a two-year low of 0.9% in July, when rising economic uncertainties and lingering Tohoku disaster effects were in play. The rise in retail sales in the United States and Germany was supported by improving labor market conditions and rising consumer confidence. However, among developing countries retail sales in Argentina and Brazil were flat. Looking ahead, consumer confidence indices have been on the rise since November in both the United States and the Euro Area - developments that bode well for sustaining retail sales growth going forward.

**Economic activity shows signs of strengthening but recovery remains fragile.** Industrial production growth has been firming for both high income countries (excluding Japan and the Euro Area) and in developing countries (excluding Thailand – due to floods), while Q4 2011 US GDP rose by 2.8% (saar). Moreover, business surveys suggest a further uptick in activity is in store following several months of depressed readings. While encouraging, the recovery remains fragile given weak import demand from Europe, and still below trend growth in large emerging economies (Brazil, China, India, Russia, Turkey,) as well ongoing uncertainty in some high-income countries.



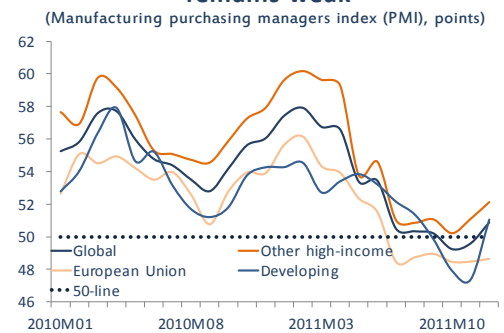
Source: Thomson Datastream and World Bank DEC Prospects

### Global retail sales growth pick-up in recent months



Sources: Thomson Datastream and World Bank DEC Prospects

### Manufacturing activity picks up but remains weak



Source: World Bank, Global Economic Prospects, 2012A.

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## Economic Developments

indicators expressed as %ch y/y, except Industrial Production quarterly figures are %ch q/q, annualized

02-Feb-12

	2008	2009	2010	2011				2011				
				Q1	Q2	Q3	Q4	Aug	Sep	Oct	Nov	Dec
<b>Industrial Production, S.A.</b>												
World	0.5	-8.5	9.1	8.1	-1.7	2.9	-	5.2	4.0	3.4	2.5	-
High Income Countries	-1.9	-12.9	8.2	5.7	-3.3	2.4	-	3.9	2.0	2.2	0.7	-
Developing Countries	6.0	0.9	10.9	12.6	1.2	4.0	-	7.6	7.7	5.5	5.7	-
East Asia and Pacific	10.7	8.4	14.5	18.8	5.8	9.2	6.6	12.1	12.5	10.5	9.2	10.3
East Asia x. China	2.3	-4.2	9.1	3.7	-4.9	4.4	-	3.5	4.8	-6.3	-11.0	-
Europe and Central Asia	0.1	-10.1	9.5	8.1	-3.0	0.9	7.1	5.4	6.1	4.1	4.7	0.9
Latin America and Caribbean	1.0	-7.0	6.5	9.4	-2.1	-1.5	-	3.4	2.0	1.6	0.9	-
Middle East and N. Africa	3.1	-3.5	1.6	-17.1	-11.1	-11.1	-	-10.3	-8.0	-7.7	-	-
South Asia	6.8	-0.2	9.8	11.7	-5.1	-4.7	-	4.8	2.4	-4.4	5.5	-
Sub-Saharan Africa	1.0	-6.7	5.8	6.7	-3.6	3.9	-	2.4	4.8	-1.6	-	-
<b>Inflation, S.A.<sup>1</sup></b>												
High Income Countries	3.4	0.2	1.6	2.2	2.8	3.0	2.8	3.0	3.1	2.9	2.8	2.6
Developing Countries	8.7	4.5	6.0	6.9	7.5	7.9	7.3	7.9	7.9	7.8	7.2	6.9
East Asia and Pacific	6.3	-0.2	3.5	5.2	5.8	6.2	4.7	6.2	6.1	5.5	4.3	4.2
Europe and Central Asia	12.5	8.9	7.1	7.2	8.4	8.0	8.7	8.1	7.6	8.2	8.9	8.9
Latin America and Caribbean	8.1	6.7	7.2	7.7	7.6	8.2	8.4	8.2	8.3	8.3	8.5	8.6
Middle East and N. Africa	16.4	8.9	7.2	11.6	13.3	16.1	15.9	15.7	17.6	18.7	13.8	-
South Asia	10.0	10.5	11.7	9.5	9.5	9.5	8.7	9.6	9.9	9.8	9.2	7.0
Sub-Saharan Africa	12.6	8.7	7.2	7.9	8.8	9.1	9.3	9.1	9.5	9.7	9.6	9.0

<sup>1</sup> Inflation is calculated as the GDP-weighted average for all groups.

## Trade and Finance

indicators expressed as %ch y/y, except International Reserves are %ch p/p and trade quarterly figures are %ch q/q, annualized

	2008	2009	2010	2011				2011				
				Q1	Q2	Q3	Q4	Aug	Sep	Oct	Nov	Dec
<b>Exports, Nominal, US\$, S.A.</b>												
World	15.2	-22.9	22.4	41.9	10.9	-3.7	-	25.6	17.1	10.3	-	-
High Income Countries	12.7	-23.0	18.9	41.5	9.2	-3.2	-	24.8	16.0	7.4	-	-
Developing Countries	21.1	-22.6	30.0	42.4	14.3	-4.3	-	27.1	19.2	16.4	11.6	-
East Asia and Pacific	16.8	-16.4	31.0	30.5	21.0	-0.2	-	24.3	18.0	14.0	10.8	-
Europe and Central Asia	30.8	-32.6	26.9	69.6	19.9	-16.6	-	37.1	26.4	25.0	23.4	-
Latin America and Caribbean	11.7	-20.3	28.5	36.6	16.1	-0.1	-	27.2	17.7	19.5	15.2	-
Middle East and N. Africa	34.0	-33.9	28.6	39.1	-26.3	-5.5	-	11.7	7.9	-	-	-
South Asia	24.9	-11.5	30.8	64.7	25.3	-1.4	-	45.2	28.5	8.9	2.5	-
Sub-Saharan Africa	28.6	-30.9	35.5	81.4	10.8	-14.5	-	33.8	25.8	-	-	-
<b>Imports, Nominal, US\$, S.A.</b>												
World	15.7	-23.4	21.6	48.6	10.2	-7.9	-	24.1	16.4	13.2	-	-
High Income Countries	12.2	-24.6	18.1	44.7	13.1	-10.3	-	21.8	13.7	9.4	-	-
Developing Countries	25.3	-20.5	29.8	57.0	4.5	-2.8	-	29.2	22.3	21.7	18.0	-
East Asia and Pacific	21.3	-15.4	37.2	57.2	20.0	21.0	22.0	30.2	24.5	26.0	18.6	-
Europe and Central Asia	26.5	-33.7	26.0	72.7	13.9	-16.4	-	29.0	24.1	18.2	13.8	-
Latin America and Caribbean	22.2	-24.7	29.1	44.6	26.2	-5.7	-	24.9	18.8	17.8	16.0	-
Middle East and N. Africa	39.1	-8.5	13.3	31.4	2.2	-6.8	-	19.1	15.0	-	-	-
South Asia	38.8	-17.4	29.1	88.2	38.1	-3.8	-	43.2	22.5	22.5	25.5	-
Sub-Saharan Africa	26.0	-18.3	14.2	41.5	33.2	-4.4	-	28.2	21.5	-	-	-
<b>International Reserves, US\$</b>												
High Income Countries	5.8	15.8	10.8	3.9	2.9	3.8	-	3.8	-0.8	-0.3	2.0	-
Developing Countries	12.4	14.8	14.6	6.0	4.7	-0.4	-	0.7	-2.5	-	-	-
East Asia and Pacific	23.5	22.6	19.3	7.0	5.5	-0.1	-	0.6	-2.2	-	-	-
Europe and Central Asia	-8.9	2.3	7.5	5.9	4.0	-3.7	-	0.4	-4.6	-	-	-
Latin America and Caribbean	11.3	10.3	15.7	6.1	5.0	3.3	-	1.7	-0.9	-0.6	0.1	-
Middle East and N. Africa	22.6	5.1	5.9	-	-	-	-	-	-	-	-	-
South Asia	-9.0	10.9	5.4	2.7	3.1	-2.0	-5.8	0.1	-3.1	-0.5	-1.4	-4.1
Sub-Saharan Africa	8.0	1.8	0.4	5.6	-	-	-	-	-	-	-	-

## Financial Markets

2-Feb-12

	2009	2010	2011	2011				2011				MRV <sup>1</sup>	Chg since Sep-12'08 <sup>3</sup>
				Q1	Q2	Q3	Q4	Oct	Nov	Dec	Jan		
<b>Interest rates and LIBOR (%)</b>													
U.S. Fed Funds Effective	0.16	0.18	0.10	0.16	0.19	0.19	0.19	0.07	0.08	0.07	0.08	0.11	-1.99
ECB repo	0.70	0.48	0.82	0.78	1.14	0.93	0.41	0.63	0.39	0.21	0.14	0.16	-4.21
US\$ LIBOR 3-months	0.69	0.34	0.34	0.31	0.26	0.30	0.48	0.41	0.48	0.56	0.57	0.53	-2.29
EURIBOR 3-months	1.23	0.81	1.39	1.09	1.41	1.56	1.50	1.58	1.48	1.43	1.22	1.11	-3.85
US 10-yr Treasury yield	3.24	3.20	2.77	3.45	3.19	2.41	2.03	2.13	2.00	1.97	1.94	1.85	-1.88
German Bund, 10 yr	3.24	2.76	2.63	3.17	3.12	2.27	1.97	2.04	1.93	1.95	1.81	1.78	-2.39
<b>Spreads (basis points)</b>													
US Corporate (High Yield Bonds)	1011	538	544	427	436	610	703	740	685	683	608	583	-150
JP Morgan Emerging Markets	472	301	341	289	305	355	417	423	413	415	422	401	44
Asia	374	206	218	181	196	227	269	277	264	267	267	260	-36
Europe	449	247	301	230	239	321	413	404	406	429	439	412	99
Latin America & Caribbean	510	360	404	352	379	418	467	483	464	453	461	438	49
Middle East	574	342	366	309	331	393	430	425	428	436	447	457	-41
Africa	431	274	364	362	304	363	426	415	424	424	447	431	97
<b>Stock Indices (end of period)<sup>2</sup></b>													
Global (MSCI)	299	331	300	344	342	281	300	310	300	300	317	321	0.3
High-Income (\$ Index)	1168	1280	1183	1335	1331	1104	1183	1217	1185	1183	1241	1258	-2.0
United States (S&P-500)	1115	1258	1258	1326	1321	1131	1258	1253	1247	1258	1312	1324	5.8
Euro Area (S&P-350\$)	1358	1353	1171	1436	1451	1120	1171	1248	1189	1171	1223	1259	-14.4
Japan (Nikkei-225)	10546	10229	8455	9755	9816	8700	8455	8988	8435	8455	8803	8877	-27.3
Developing Markets (MSCI)	783	912	725	925	905	698	725	787	735	725	804	812	16.6
Asia	778	906	732	917	909	711	732	795	728	732	809	824	29.8
Europe & C. Asia	616	635	449	702	708	472	449	527	483	449	506	520	-30.8
Latin America & Caribbean	4117	4614	3602	4632	4464	3342	3602	3912	3670	3602	4051	4149	17.3
Africa	815	1049	849	1008	983	808	849	874	868	849	917	941	22.6
<b>Exchange Rates (LCU / USD)</b>													
<b>High Income</b>													
Euro Area	0.72	0.76	0.72	0.73	0.69	0.71	0.74	0.73	0.74	0.74	0.78	0.76	7.6
Japan	93.53	87.80	79.77	82.31	81.67	77.75	77.33	76.71	77.50	77.78	77.00	76.13	-29.2
<b>Developing</b>													
Brazil	2.00	1.76	1.67	1.67	1.59	1.64	1.80	1.77	1.79	1.84	1.79	1.72	-3.4
China	6.83	6.77	6.47	6.58	6.50	6.42	6.36	6.37	6.36	6.35	6.32	6.30	-7.9
Egypt	5.55	5.64	5.94	5.87	5.95	5.96	5.99	5.97	5.98	6.02	6.04	6.03	10.9
India	48.42	45.73	46.67	45.28	44.72	45.81	50.87	49.28	50.77	52.55	51.19	49.16	7.5
Russia	31.76	30.38	29.41	29.27	27.99	29.16	31.21	31.24	30.85	31.55	31.34	30.13	17.8
South Africa	8.43	7.32	7.26	7.00	6.79	7.14	8.10	7.96	8.15	8.19	8.02	7.61	-5.7
Memo: USA nominal effective rate	86.30	83.47	78.33	79.55	77.47	77.01	79.28	78.51	79.18	80.14	80.56	80.14	-6.7

<sup>1</sup> MRV = Most Recent Value.

<sup>2</sup> MSCI Indices for Asia, Africa, and Europe and C. Asia, for 2008 are calculated from February-December, due to data availability.

<sup>3</sup> Change expressed in levels for interest rates and spreads; percent change for stock market and exchange rates.

## Commodity Prices

	2009	2010	2011	2011				2011				MRV	Chg since Sep-12'08 <sup>3</sup>
				Q1	Q2	Q3	Q4	Oct	Nov	Dec	Jan		
Oil price, \$/b, nominal <sup>1</sup>	62	79	104	100	110	103	103	100	106	104	107	106	8.7
Non - Oil Index <sup>2</sup>	151	196	243	259	250	241	222	217	241	208	215	220	10.4
Food Index <sup>2</sup>	175	199	261	264	259	256	263	241	312	237	239	241	13.7
Metals and Minerals Index <sup>2</sup>	127	189	216	234	227	220	183	186	182	181	194	201	8.5
Baltic Dry Index <sup>3</sup>	2598	2755	1546	1364	1373	1533	1916	2072	1835	1839	1071	662	-86.2

<sup>1</sup> Simple average of Brent, Dubai and WTI.

<sup>2</sup> Base Date = Jan 1, 2005

<sup>3</sup> Base Date = May 1, 1985