Greek financial markets tumble...German consumer sentiment at 13-year high...Russia’s retail sales surge

Financial Markets

Greek bonds and stocks slumped for the third day after the new government said it would halt the privatization plans agreed in the international bailout deal and increase the minimum wage, prompting concerns for a prolonged clash with European partners. The benchmark ASE stock index tumbled 8.4% led by bank shares, heading for its lowest level since September 2012 and extending its three-day decline to 15%. The yield on 10-year bonds climbed above 10% after being as low as 5.7% in September last year. Credit-default swaps spreads on Greek government bonds currently signal a 70% probability of sovereign default within 5 years, up from 59% on January 23rd.

The Turkish lira weakened to a record low against the dollar on Wednesday as the country’s central bank signaled it would cut interest rates in an emergency meeting next week. The lira depreciated as much as 0.8% to 2.38 against the dollar, the weakest ever level on a closing basis. The central bank Governor Erdem Basci said on Tuesday that he might call an early monetary policy meeting to review interest rates on February 4, if January inflation dropped by more than 1 percentage point to about 7%. The central bank unexpectedly cut its benchmark repurchase rate last week by 50 basis points to 7.75%, but Cabinet Minister and President called for further reductions to bolster tepid economic growth.

High Income Economies

Germany’s GfK forward-looking consumer confidence index rose to 9.3 in February from 9.1 in January, as a collapse in energy prices boosted disposable income and raised room for more spending. The latest reading was the highest value since November 2001 and was better than economists’ expectation of 9.1. In a separate data release, the Germany’s economic ministry upgraded its GDP growth forecast for 2015 from 1.3% to 1.5%, citing expected robust consumer spending and record high employment.

Austria’s annual GDP growth is expected to average 1.25% (y/y) between 2015 and 2019, according to
the Austrian Institute of Economic Research (WIFO). WIFO also reaffirmed its December growth projections of 0.5% and 1.1% for 2015-16. The economy expanded at an estimated 0.4% in 2014.

*Singapore*'s central bank unexpectedly eased its monetary policy and downgraded its inflation forecast, citing lower oil prices. The bank said it will continue its policy of a modest and gradual appreciation of the Singapore-dollar nominal effective exchange rate policy band, but the slope of the band will be reduced. Inflation is projected to decelerate to -0.5 to +0.5%, compared to 0.5 to 1.5% expected in October. Core inflation is expected to decelerate to 0.5 to 1.5% in 2015 from the earlier forecast of 2 to 3%.

**Developing Economies**

**Europe and Central Asia**

*Russia*'s retail sales growth accelerated to 5.3% (y/y) in December from 1.8% in November, its fastest pace in more than two years, and likely reflecting panic buying as the ruble collapsed at the end of last year. Meanwhile, fixed-capital investment tumbled 2.4% (y/y) after contracting 4.8% in the previous month. Labor market conditions also deteriorated markedly, with real wages falling 4.7% (y/y) in December—the biggest fall since the 08/09 crisis—following a 1.2% decline in November, and unemployment rising to 5.3% from 5.2%.

You’ll find recent issues of this Daily and lots of other current analysis and high-frequency data on our GEM intranet website: *http://go.worldbank.org/0TC32BNV30*

See also our **Prospects blog**: *http://blogs.worldbank.org/prospects*

The Daily Economic News is an informal briefing for Bank staff whose responsibilities require that they stay abreast of changes in global markets. The views expressed here do not reflect those of the World Bank Group.

Feedback, and requests to be added to or dropped from the distribution list, may be sent to: *dchen2@worldbank.org* or *gkambou@worldbank.org*. 