Financial Markets…U.S. Treasuries gained for the first time in seven days, with the benchmark 10-year yields 4 basis points higher to 2.02%, as investors turned more cautious following a recent stock rally, boosting demand for safe-haven government debt.

Spain’s government bonds advanced for the 10th day, with 10-year yields dropping to their lowest level since November 2010 to 4.7%, as the country’s borrowing costs continued to decline at the latest debt auction. The Spanish Treasury successfully sold €5.83 billion of 6- and 12-month securities with an average yield of 0.794%, down from 0.859% in the February sale.

Chinese shares declined for a fourth day, with the Shanghai Composite Index posting its longest streak of losses in three months, amid concerns regulator may depress market valuations by resuming IPO sales. Weak economic data over the weekend including industrial production, consumer lending, and retail sales, also continued to weigh negatively on the nation’s stocks.

High-income Economies…UK industrial output contracted at a slower pace in January, falling by 3.9% (3m/3m saar) compared to declines of above 8% in each of the previous two months. Manufacturing output shrank by 3.0% (3m/3m saar) compared to a 5.4% decline in December. Separately, a decline in the oil trade deficit helped narrow the overall deficit in goods to GBP 8.2 billion in January from GBP 8.7 billion in December.

Greek industrial production fell 4.8% (y/y) on an annual basis in January, faster than the 0.5% decrease seen in December mainly due to a sharp drop in mining output and in the production of capital goods. On a calendar-adjusted annualized basis, output shrank by 31.5% (3m/3m nsa) after falling by 34.2% in the three months to December.

Inflation in Germany fell to a two-year low of 1.5% (y/y) in February, down from 1.7% the previous month. Inflation also eased in Italy and Portugal, with the headline indices growing by 2.0% in Italy in February, down from 2.4% in January, and by 2.2% in Portugal compared to a 2.5% increase the previous month.

Developing Economies…East Asia and Pacific: China’s industrial production slowed somewhat in the first two months (9.9% y/y in January-February combined compared to 10.4% y/y rise in 2012Q4) as much of the late 2012 surge in output appeared to be tied to a rebuilding of inventories. Similarly, retail sales growth softened to 12.3% (y/y) in January-February combined, down from 14.9% (y/y) in 2012Q4. Inflation is up slightly,
3.2% (y/y) in February (2.6% y/y for January-February combined, versus 2.1% y/y in Q4) with food prices accounting for this acceleration.

Given the timing of the New Year holiday (February this year vs. January last year), there is a need to combine the two months for effective y/y comparison.

**Latin America and the Caribbean:** Mexico’s industrial production rose in January to 1.7% (y/y), recovering from December’s 1.1% contraction led by improvements in manufacturing and mining.

**South Asia:** India’s industrial production accelerated in January to 2.4% (y/y), following a 0.5% contraction in December. A pickup in the manufacturing sector aided the expansion.

**Sub-Saharan Africa:** South Africa’s current account deficit eased in 2012Q4 to 6.5% of GDP, down from a revised 6.8 percent in 2012Q3. For the entire year, the deficit almost doubled to 6.3 percent in 2012 from 3.4 percent a year earlier as mining strikes and slower growth in Europe cut exports.

Recent issues and other current analysis is also available on the [Prospects blog](mailto:adennis@worldbank.org).

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