European shares rally as Greece seeks loan extension...U.S. industrial production recovers...Russian industrial production grows more than expected

Financial Markets

*European* stocks climbed to a fresh seven-year high as investors shrugged off a breakdown in talks between Greece and its Eurozone creditors. The Stoxx Europe 600 Index gained 0.8% to trade at its highest level since November 2007, as 17 of 18 western-European stock markets posted gains. The gauge has surged 11% so far this year, despite the uncertainties over Greece and Ukraine, boosted by the combination of the European Central Bank’s announcement of quantitative easing last month and strong corporate earnings. Greece’s ASE stock index also gained 1.1%, snapping a two-day decline.

The Bank of Japan (BOJ) announced on Wednesday it will maintain its unprecedented monetary stimulus to fuel a recovery from recession and counter a slowdown in inflation. The BOJ said it will keep the size of asset-buying program unchanged at an annual pace of 80 trillion yen ($670 billion). The BOJ’s massive monetary expansion to reverse deflation has hit a road bump recently, a 50% drop in oil prices since June has suppressed price rises, hampering the central bank’s efforts to meet 2% inflation target.

High Income Economies

*U.S.* industrial production rose 0.2% (m/m) in January after falling a revised 0.3% in December. Economists had expected the production to rise 0.3%. Utilities output jumped 2.3% after dropping 6.9% in December, while manufacturing output also rose 0.2%.

*Swiss* ZEW economic expectations indicator dropped 62.2 points to -73 in February, its sharpest decline in the survey history. The indicator reflects the expectations of financial market experts regarding the economic development in Switzerland on a six-month time horizon. The survey signaled that the removal of currency ceiling by the Swiss National Bank weighed heavily on the economic outlook. The assessment of current economic situation also declined sharply by 45.9 points to -5.4 in February.
Developing Economies

Europe and Central Asia

Russia's industrial production expanded 0.9% (y/y) in January, down from 3.9% in December but better than the 0.5% expected by economists. For the whole of 2014, industrial production was up by 1.7%. In monthly seasonally-adjusted terms, industrial production fell 1.8% from December. The January figures reflect sharp contraction in vehicle production and construction related sectors. However, food production has increased, as retailers replaced Western food import. Meat production was up 20.9%, cheese output by 35.1%, and canned vegetable production by 47%.

Sub-Saharan Africa

South Africa's headline consumer price inflation slowed to 4.4% (y/y) in January, its lowest level in nearly four years and down from 5.3% in December, data from Statistics South Africa showed. On a month-on-month basis, prices were down 0.2% in January, following the same rate of contraction in December. Core inflation, which excludes the prices of food, non-alcoholic beverages, petrol and energy, however, rose higher to 5.8% (y/y) from 5.7% in December, and to 0.4% (m/m) from 0.2%. In a separate data release, South Africa’s retail sales growth accelerated to 3.4% (y/y) from November’s 2.5%, beating economists’ expectation of a 2.5% rise. On a monthly basis, retail sales dropped a seasonally adjusted 0.2% in December following a 1.4% increase in November. It was the first decline in three months. For the whole year 2014, retail sales rose 2.4% (y/y) compared with a 2.5% growth in 2013.

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