EM equity funds receive the most weekly inflows since late 2007. Emerging market stock funds posted net inflows of more than $6 billion in the week ended October 6, the biggest weekly inflows in 33 months, according to fund tracker EPFR Global. Weakening dollar and expectations of further quantitative easing in developed-countries prompted overseas investors to pump more cash into emerging market equities in the past week. Investor interest in emerging markets wasn’t confined to equities, with emerging bond funds receiving more than $1 billion in net inflows. Year-to-date, foreign investors have invested about $56 billion into emerging-market stock and over $40 billion into bond funds, both poised for a record annual high.

Sluggish U.S job market persists. The employment report released by the U.S Labor Department today did little to raise hope for faster job growth in the recovery phase of the economic crisis. Overall, employers fired some 95,000 workers, the fourth successive month of net job losses. The unemployment rate remained steady at 9.6% [see Chart at http://gem or http://www.worldbank.org/gem].

The overall job cut figures is however somewhat distorted as it does not fully reflect what is happening in the private sector. Some 77,000 jobs were lost on account of a decline in the employment of temporary workers hired by the government for the census. Another 49,800 teaching jobs were also cut at the local government level as most states and local governments are barred by their charters from financing operations through deficits. More encouraging, however, is that the private sector created 64000 jobs in September, on the back of another 57,000 that was created in August. With most of the job cuts from the hiring of temporary workers for the census over, the continued creation of jobs in the private sector should help bring the unemployment level down, even if at a slow rate.

In other U.S. economic news... The Commerce Department reported a 0.8% increase in inventories in August, as companies kept stock in line with demand. Inventories added 2.64% to U.S GDP growth in Q2. Though its role as a source of growth is expected to diminish, the rise in wholesale inventories for both the month of July (1.5%) and August (0.8%) should bode well for Q3 GDP growth.

Among emerging markets... In Sub-Saharan Africa, Rwanda’s forecast for coffee production was reduced by 23% as a result of the drought which has reduced yields from 26,000 tons to 20,000 tons, as reported by the Rwanda Coffee Development Authority.
Uganda, Africa’s largest exporter of coffee beans, reported a 12.7% decrease of coffee exports in September given the recent drought, stated the Uganda Coffee Development Authority.

South Africa’s Reserve Bank stated the country may be at risk as a result of the large capital inflows its experiencing as low levels of interest rates in the US and other countries have spurred a large demand of South African high yielding assets given its benchmark interest rate of 6%. Such actions “create significant volatility and instability” stated the Reserve Bank. At the same time, South Africa’s Business Confidence Index increased to 87.8 in September from August’s 87.6, as released by the Chamber of Commerce.

Recent issues and other current analysis are also available on the Prospects blog.

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