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THE WORLD BANK
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Global Daily
Economic News

Eurozone inflation remains flat in April

Financial Markets

The European Central Bank (ECB) pledged to accelerate its €1 trillion bond-buying program in coming weeks ahead of an expected summer lull in markets. Senior ECB policy maker Benoit Coeure said the central bank will front-load some of bond purchases due over the summer into May and June, due to low liquidity later in the season. The speeding up of bond buying by the ECB might reflect the imbalance between the central bank's demand for government bonds to meet its bond purchase target, and the limited supply available in the market. The ECB comment sparked the rally in European stock and bond markets and weakened the euro.

U.S. government bonds fell Tuesday on stronger-than-expected U.S. housing market report and a bulge of corporate bond supply. The noticeable recovery in the housing market prompted a fresh bout of sell-off in U.S. treasuries, as investors are bracing for the minutes from the latest Fed meeting, expected tomorrow afternoon. A growing supply of U.S. corporate bonds added selling pressures on U.S. government debt. The yield on the 10-year benchmark Treasury note rose 5 basis points (bps) to 2.27 percent, while the yield 30-year bond climbed 4 bps to 3.06%.

High Income Economies

U.S. new residential construction showed a substantial increase in April, according to the Commerce Department on Tuesday, with housing starts jumping to their highest level in over seven years. Housing starts surged 20.2 percent from the revised March annual rate estimate of 944,000 to 1.14 million in April, their highest level since November 2007. Economists had expected housing starts to climb to a rate of 1.03 million from the 926,000 originally reported for March. Building permits, an indicator of future housing demand, increased by 10.1 percent to an annual rate of 1.14 million in April from the revised March rate of 1.04 million, their highest level since December 2007.

Eurozone annual inflation remained flat in April as initially estimated after falling for four straight months, final data published by Eurostat showed Tuesday. Harmonized consumer prices fell 0.1 percent in March and 0.3 percent in February. Core inflation that excludes energy, food, alcohol and tobacco held steady at 0.6 percent. The rate came in line with the flash estimate published on April 30.

U.K. inflation unexpectedly turned negative for the first time since 1960 on falling food and transport costs, official data showed Tuesday. Consumer prices fell 0.1 percent (y/y) in April, while it was forecast by economists to remain flat as seen in March. The latest reading was the first drop since 1960. Core inflation eased to a 14-year low of 0.8 percent from 1 percent in March. Economists had forecast it to remain at 1 percent.

Developing Economies

East Asia and Pacific

Indonesia's central bank left its benchmark interest rate unchanged for the third straight month on Tuesday. Bank Indonesia maintained the benchmark rate at 7.50 percent as expected by economists. The deposit facility rate was kept at 5.50 percent and the lending facility at 8.00 percent. The bank said the current rate decision is consistent with its efforts to keep the inflation target of 3-5 percent in 2015 and 2016 as well as to bring the current account deficit to 2.5-3 percent of GDP in the medium term.

Sub-Saharan Africa

Ethiopia is targeting $1 billion of annual investment in industrial parks over the next decade to boost exports and make it Africa's top manufacturer, according to Arkebe Oqubay, a special adviser to Prime Minister Hailemariam Desalegn. The government may invest half of the $10 billion needed for zones across the country that will house textile, leather, agro-processing and other labor-intensive factories. The International Finance Corporation, the World Bank's private lending arm, along with Chinese and European lenders and private-equity funds are interested in such projects, he said.

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The Global Daily is an informal briefing on global economic and financial developments compiled by the World Bank's Development Economics Prospects Group. Recent issues, together with analysis of a variety of macroeconomic topics, covered by the Group, may be found at:
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