Spain and Greece receive rating upgrade... Taiwan raises Q1 estimate and 2014 growth forecast... Mexico’s GDP growth accelerates in 2014Q1

Financial Markets

Rating agencies raised sovereign-debt ratings on Spain and Greece on improved growth prospects for counties that were at the center of the region’s debt crisis. Standard & Poor’s upgraded Spain’s credit rating by one notch to ‘BBB’ from ‘BBB-‘ with a stable outlook, becoming the third rating agency to do so in recent months in response to the nation’s “improving economic growth and competitiveness as a result of Spain’s structural reform efforts since 2010, including the 2012 labor reforms.” Fitch raised Greece’s credit rating by one level as well to ‘B,’ five notches below investment grade, from ‘B-,’ citing improving economic and fiscal outlook for the nation.

The euro weakened to a three-month low versus the dollar on Friday as a soft German business confidence survey fueled speculations the European Central Bank will boost monetary stimulus as soon as next month. Concerns over election results of the European Parliament also weighed on the currency. The 18-nation shared currency fell against the dollar to as low as $1.3616 earlier, the weakest since February 13. Europe’s single currency has depreciated 0.5% versus the dollar this week and declined 0.1% against Japanese yen.

Developing-country equities geared for a fourth weekly gain as Indian stocks continued to rally on growing investor optimism that new government will take steps to boost economic growth. The benchmark MSCI Emerging Market Index gained about 0.1%, extending this week’s advance to 0.9%, with India’s Sensex jumping 1.3% to a new record high. As a result, the developing-country stock index has climbed 3.9% this year, compared to a gain of 1.9% for the mature-market equity index.

High Income Economies

The Conference Board leading economic index for Germany rose 0.3% in March after a 0.6% increase in February. Consumer confidence, new residential construction orders, the yield spread and inventory change contributed positively to the overall index. However, new orders in investment goods industries
and stock prices dragged down the rate of increase of the leading index. The coincident index, measuring present economic conditions, rose 0.1% in March following a 0.3% rise in February.

Advancing for the third consecutive month, industrial production (IP) for Taiwan, China climbed 4.8% (y/y) in April, following a upwardly revised 3.2% growth in March. Manufacturing production increased by 5.2% and building construction surged 37.4%, after two months of decline. Output in the mining and quarrying sector declined by 15.3% and utilities also fell by 8.9%. Month-on-month, industrial production edged up 0.3% (m/m) in April.

Taiwan, China revised up its Q1 GDP growth estimate to 3.1% (y/y), following a downwardly revised 2.9% expansion in Q4 2013. At the same time, the growth forecast for 2014 was raised to 3.0% from 2.8%. The projection is the fastest since 2011, when the economy expanded 4.2 percent.

**Developing Economies**

**East Asia and Pacific**
China's leading economic index, which provides a measure of future economic conditions, rose 0.9% (m/m) in April, slowing from a 1.1% (m/m) increase in March, reflecting a decrease in total industrial activity and retail sales. The coincident index, which provides a measure of the current economic situation, also rose at a slower pace in April, coming in at 0.4% (m/m) after rising 1.3% (m/m) in March.

**Europe and Central Asia**
Turkey's business confidence continued to rise in May, edging up to 113.3 from 112.7 in April. Meanwhile capacity utilization remained steady at 74.4% (m/m) in May, unchanged from 7.4% (m/m) in April.

**Latin America and the Caribbean**
Mexico's GDP growth was recorded at 1.8% (y/y) in the first quarter of 2014, its fastest growth rate in five quarters, up from 0.7% (y/y) in 2013Q4, driven by a rebound in the agricultural and industrial sectors. The agricultural sector grew 4.9% (y/y) in 2014Q1, rebounding from a 0.2% contraction in the previous quarter, and industrial output rose 1.6% (y/y) after contracting for four consecutive quarters. Manufacturing expanded 4.3% (y/y); while the services sector slowed to 1.8% (y/y) from 2.1% in the previous quarter. Quarter-on-quarter, GDP grew a seasonally adjusted 0.3% in Q1, up slightly from 0.2% (q/q) in the previous quarter.

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