Business confidence continues soaring in Germany. Sovereign debt concerns in the euro zone have not dented continued confidence in the German economy. The IFO institute’s business climate index, which surveys some 7000 business executives in Germany, reached another post-reunification record high of 109.9 in December, up from the 109.3 recorded in November [see http://GEM or for external users: www.worldbank.org/gem ]. While strong export performance helped power growth in the German economy, particularly in the second and third quarters, in recent months stronger domestic demand—corporate investment and private consumption spending—has been supportive. The Bundesbank estimates Germany’s growth in 2010 at 3.6%, the strongest pace since reunification. However, output in Germany still remains below its pre-crisis level, as GDP shrunk by 4.7% in 2009. Nonetheless, the strong growth in 2010 is likely to continue into the New Year as IFO’s sub-index of expectations for the coming six months increased to another record high of 106.9 in December.

Among emerging markets… In Latin America and Caribbean, Chile’s central bank raised the policy rate by 25 basis points to 3.25%, the seventh straight move to tighten monetary policy.

In Central and Eastern Europe and the CIS, Turkey’s central bank cut its policy rate by 50 basis points to 6.5% to curb inflows of “hot money”. At the same time the bank increased the reserve requirement on short-term lira deposits to 8% from 6%.

In Middle East and North Africa, Egypt’s economy grew by 5.5% in the third quarter, compared to 5.4% growth in the second quarter. The central bank kept the policy rate unchanged for the 10th time at today’s policy meeting over investment concerns.

In Sub-Saharan Africa, In Mauritius business confidence rose 96.3 in the third quarter to 101.9 in the second quarter, according to a survey from the Mauritius Chamber of Commerce and Industry. The rise in business confidence was supported by stronger manufacturing orders and a cut in interest rates.
Botswana’s central bank cut interest rates by 50 basis points to 9.5% due to subdued domestic demand as government restrains spending. This is the first interest rate cut this year.

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

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