

Global growth strengthens: US

AFP, Washington

A global economic recovery is underway, with core US growth expected to firm throughout the year, John Taylor, Treasury under-secretary for international affairs, said Thursday.

"There is a recovery underway" in the global economy, Taylor said in a press briefing ahead of the G7 finance ministers' meeting in Halifax, Canada Friday and Saturday.

He said the US has recorded "strong growth" in the first quarter, while Europe is likely to see growth pick up, but behind the United

States, and Japan has also recorded a large increase in gross domestic product.

The G7 will discuss to what degree Japan's 5.7 per cent GDP growth figure in the first quarter represents a "sustainable recovery," Taylor said "we don't really see" a longer-term recovery in the Japanese economy without policy changes being made, noting that deflation "is still a problem."

Taylor also said foreign exchange interventions will not help Japan achieve the goal of sustainable growth, repeating comments made earlier this week.

"Growth is not related to

exchange rate intervention," he said.

The US economy, meanwhile, should see GDP growth firming from the first quarter, when excluding the impact of inventory changes.

He noted that changes in inventories were behind the very high 5.6 per cent GDP growth recorded in the first quarter.

Stripping out the slowdown in inventory declines, so-called "final sales" rose 2.1 per cent in the first quarter.

The second quarter should see final sales growth "above that," he said, while growth in the final quarter should again be firmer.

"What will be distracting" to private sector analysts is the decline in headline GDP growth from the first quarter, Taylor explained.

Final sales, however, will record a "progressive" improvement. Asked why the stock market has not reflected this prospect for a firming economy, Taylor said there was "perhaps an overassessment of growth" expectations in the rebound from September 11.

He noted that the market rebound after the decline immediately following the terrorist attacks was boosted by rising confidence and consumer spending.

Japan punishes Dresdner for illegal stock trading

AFP, Tokyo

Japan's financial watchdog Friday ordered Dresdner Bank's Tokyo securities branch to suspend business temporarily as punishment for illegal stock trading.

Dresdner Kleinwort Wasserstein (Japan) Ltd. violated the Securities and Exchange Law by placing short-selling orders without providing confirmation to customers between April 2001 and February 2002, the Financial Services Agency (FSA) said.

The branch also conducted derivative transactions without the FSA's prior approval, the agency said in a statement following a four-month inspection by Japan's Securities and Exchange Surveillance Commission.

The FSA ordered the Tokyo branch to suspend its stock trading on behalf of its affiliated companies for 10 business days from June 17 to June 28.

The branch also was ordered to halt derivative transactions and some other operations for five business days from June 17 to June 21 and to take steps to ensure the breaches would not be repeated.

Dresdner Kleinwort Wasserstein said the company took the FSA orders seriously and would fully comply with them.

UK jobless total falls to new 26-yr low

AFP, London

British unemployment fell to a new 26-year low in May despite a recent rash of job cuts, official figures showed Friday.

The jobless total fell by 7,000 in May to 944,600, the lowest level since 1975, giving an unemployment rate unchanged at 3.1 per cent, the National Statistics office reported.

The size of the fall surprised economists, who had been looking for a drop of 2,500 in the jobless total.

"This is an indication of the fact that the economy has stepped up a gear from the first quarter," Investec economist Philip Shaw said.

The rebound came despite recent lay-offs by British companies struggling to fend off the economic downturn.

On Thursday, the national post operator Consignia announced plans to slash another 17,000 jobs on top of 15,000 already announced, while investment banks and technology companies have also been wielding the axe.

Indeed, the International Labour Organisation's measure of unemployment showed the jobless total rising by 19,000 in the three months

to April to 1.56 million, giving a rate of 5.2 per cent.

Headline average earnings rose a by seasonally adjusted 3.3 per cent in the three months to April from the year-earlier period, up 0.4 per centage points from the March quarter and ahead of expectations of a 2.9-per cent increase.

Despite the rise, the figure remains well below the level of 4.5 per cent that sets alarm bells ringing at the Bank of England.

The British central bank held its main interest rate steady last week at 4.0 per cent for the seventh month in a row, but economists say that rate hikes are on the cards in the coming months.

Royal Bank of Scotland economist Geoffrey Dicks said: "The combination of an unexpected -- albeit small -- fall in unemployment and higher-than-expected earnings is uncomfortable."

"The earnings numbers are not yet flashing amber -- and the underlying earnings number was good -- but the recovery starts with a ... worryingly tight labour market," he added.

US endorses Brazil's plan to tap \$10b loan from IMF

AFP, Washington

US Treasury Undersecretary John Taylor on Thursday endorsed Brazil's plan to tap 10 billion dollars from an existing loan program from the IMF and differentiated the country's problems from neighboring Argentina.

Tapping the IMF line is "a perfectly reasonable thing for them (Brazilian officials) to be doing," Taylor said in a press briefing.

He noted that emerging markets will be on the Group of Seven finance ministers' agenda when they meet in Halifax, Canada, Friday and Saturday.

The G7 will receive an update from IMF Managing Director Horst Koehler on Argentina and other emerging market developments.

Brazilian Finance Minister Pedro Malan earlier said Brazil would use 10 billion dollars in IMF special drawing rights to boost the central bank's reserves.

Brazil has been hit by widening bond market spreads and a declining currency in recent weeks over investor concerns about economic policy prospects after the October election as well as the country's ability to roll over maturing debt.

Taylor said Brazil is not facing the same sort of crisis as Argentina did, in which debt sustainability and the currency regime became key problems.

EU Q1 current account posts \$94.5m surplus

AFP, Brussels

The European Union's current account, a broad measure of trade covering goods, services and investment earnings, showed a surplus of 100 million euros (94.5 million dollars) in the first quarter, preliminary data released Friday by the statistics service Eurostat showed.

The result was a sharp drop however from the EU's fourth-quarter 2001 surplus of 6.8 billion euros.

In the first quarter of 2001, the EU's current account had posted a deficit of 18.8 billion euros.

Retail sales up 9.3pc in China

AFP, Beijing

Retail sales in China rose 9.3 per cent in May over the same month last year, largely fueled by a week-long Labor Day holiday at the beginning of the month, the National Bureau of Statistics reported Friday.

Total retail sales for the month reached 320 billion yuan (38.6 billion dollars) and compare with April's 8.2 per cent growth year-on-year and March's 8.3 per cent rise.

The NBS earlier reported retail sales in the four months to April grew 8.4 per cent year-on-year to 1.31 trillion yuan, while first quarter retail sales were up 8.4 per cent from a year earlier to 1.004 trillion yuan.

No statistics for the first five-months of the year were given.

Urban retail sales in May grew 10.8 per cent year-on-year to 205 billion yuan, against an increase of 9.4 per cent in April, while retail sales at county-level and below grew 6.8 per cent to 115 billion yuan, against an increase of 6.2 per cent in April, the bureau said.

Retail sales in the wholesale, retail and trade sectors rose 9.6 per cent from a year earlier to 217 billion yuan, it said.

Retail sales in the restaurant industry grew 15.8 per cent to 38.6 billion yuan, while retail sales in other industries increased 4.8 per cent to 64.6 billion yuan.

The Chinese government has predicted double-digit growth in retail sales for the country this year, a number that is expected to ensure 7.0 per cent economic growth.



U.S. President George W. Bush greets attendees at the 21st Century High Tech Forum on Thursday at the White House in Washington, DC. US Secretary of Commerce Don Evans (L) was also present. The forum gathered business and technology leaders to discuss many issues.

Hopes for highly-touted Japan tax cut hits road bump

AFP, Tokyo

A planned overhaul of Japan's tax system, including expected cuts in investment and inheritance tax, hit a road bump Friday as the premier's top tax body handed over a gloomy report on the nation's finances.

"While it is necessary to strongly proceed with reforms on the spending side, it is inevitable that the tax burden must increase," said the report by Japan's Tax Commission, an advisory council which reports to Prime Minister Junichiro Koizumi.

"Our country's finances are weighed down by large amounts of long-term debt, expected to be 693 trillion yen (5.54 trillion dollars), some 140 per cent of gross domestic product by March 2003, and it has not stopped increasing," said the document, handed to Koizumi by commission chair Hiromitsu Ishi earlier.

"This is becoming a heavy burden on future generations," it said.

The report by the commission -- linked to the revenue-worried finance ministry -- urges elimination of tax exemptions and complains corporate and individual taxes are low enough compared with other countries.

"The commission considers the present rate as almost equal to that of other countries so there is no further need to decrease the tax rate," a tax official told a news conference.

"(The main goal) is to broaden the tax base," he said.

Existing corporate tax is based on profit levels but, with around two-thirds of Japanese companies making losses, many firms make no contribution to the nation's coffers.

Under the plan, Japan's corporate tax may be cut by two-three per cent from 40.87 per cent, but firms will have to pay a new tax based 50 per cent on income and 50 per cent on such things as capital size or added value.

The finance ministry has published 500,000 colourful pamphlets entitled to raise awareness of Japan's dire public finances.

"Tax revenue in fiscal 2002 (to March 2003) will be roughly at the level of 1987," the brochure warned.

"Japan is moving rapidly down the road towards a society with fewer children and an aging population, with a speed unprecedented anywhere else in the world," it said.

"Because the declining total birth rate means the number of working individuals between the ages of 20 and 64 will fall, it will be necessary not only for individuals of working age but for many other people as well to provide support for the society."

But the proposal may be steamrolled by those of competing bodies dominated by the ruling Liberal Democratic Party calling for tax cuts amid Koizumi's declining popularity, analysts said.

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