

International Business News

Rescued bank Dexia posts 3.3 billion euros losses for 2008

AFP, Brussels

Bailed out Franco-Belgian bank Dexia on Thursday announce a larger than expected 3.3 billion euro (4.2 billion dollar) net loss for last year thanks to US sub-prime toxic assets.

Dexia suffered 3.326 billion euro losses in total, thanks largely to a 2.6 billion net loss in the fourth quarter.

Those figures compared with a 2.5 billion dollars profit in 2007 including a fourth quarter profit of 587 million euros, in the days when no one knew how toxic those assets were.

The bank's CEO Pierre Mariani offered no apology for the bank's performance but admitted corporate mistakes.

The results, he said, "are evidence of the magnitude of a truly exceptional crisis and of the structural fragility developed in Dexia over recent years."

"They reflect the cost of risky developments backed by inappropriate funding and concentrated far from core markets and activities that have been the historic strength of the company."

Late last year, France, Belgium and Luxembourg injected 6.4 billion euros into Dexia and pledged to guarantee its borrowings on the markets as its shares plunged during the worst credit crisis in generations.

Lloyds bank in talks to ring-fence toxic assets

AFP, London

Britain's Lloyds Banking Group, which is 43-percent state owned, said Thursday it was in talks to take part in a government scheme to ring-fence toxic assets.

The announcement came after the Royal Bank of Scotland said it would participate in the Asset Protection Scheme (APS) to insure toxic assets worth 325 billion pounds.

RBS, which also revealed Thursday that it made a record loss of 24.1 billion pounds in 2008 because of the credit crunch, will cover 90 percent of losses stemming from the APS holdings.

"Lloyds Banking Group notes today's announcement by RBS and confirms that it is in discussions with HM Treasury with regard to participating in the government Asset Protection Scheme," LBG said in a statement.

"These discussions are ongoing and no terms have been agreed. There can be no certainty that Lloyds' participation would be on the same terms as those announced by RBS."

Lloyds added that it would update the market on Friday when the embattled bank will publish its annual results.



"Bailout Bill" gives an unidentified man a fifty dollar (USD) from the Bailout Booth, a free cash giveaway at Union Station in Washington, DC on Wednesday. Bailout Bill, founder of BailoutBooth.com, was giving away over \$50,000 in cash to anyone and everyone who walked up and explained why they needed a bailout. This is the second stop in a nationwide tour that began earlier this month in New York's Times Square.

Singapore tops in innovation, competitiveness: ITIF

AFP, Washington

Singapore is the world leader in terms of innovation and competitiveness while South Korea ranks fifth and Japan ninth, according to a report released here on Wednesday.

Other countries in the top 10 of the study by the Information Technology and Innovation Foundation (ITIF) were Sweden (2), Luxembourg (3), Denmark (4), the United States (6), Finland (7), Britain (8) and the North American Free Trade Agreement (NAFTA) region of Canada, Mexico and the United States (10).

Other Asia-Pacific region countries in the top 40 included Australia (19), China (33) and India (40). The 15 Western European countries in the European Union, the EU-15, ranked 18th.

The study by the ITIF, a non-partisan think-tank based in Washington, used 16 indicators in six key areas to come up with the rankings: human capital, innovation capacity, entrepreneurship, information technology infrastructure, economic policy factors and economic performance.

Australian property developer sheds 1,700 global jobs

AFP, Sydney

Australia's largest property developer Lend Lease said Thursday it would lose about 1,700 jobs worldwide due to the global financial crisis, the second national company in as many days to flag job cuts.

Lend Lease posted a 600 million dollar (388 million US) first-half loss compared with a 251 million dollar profit recorded a year earlier, saying deteriorating economic and market conditions had forced it to reduce its global staff.

"There is no doubt that 2009 is challenging as the effects of the global financial crisis continue to be felt," chief executive Steve McCann said in a briefing on the results.

"Our total workforce of over 12,000 people is expected to reduce to just under 10,000, as we right-size for current market conditions."

About 300 of the jobs would go from Australia, with the majority expected in the US and Britain, where economic conditions were more bleak, a spokeswoman told AFP.

RECESSION

Stress tests for banks

AP, Washington

Big banks are taking turns on the treadmill to see how well they can take a pounding.

The government began to conduct financial "stress tests" Wednesday to determine how well the biggest US banks could hold up if the recession gripping the country got worse.

What are these stress tests, and what will the federal examiners be looking for? Will the banks, which have received billions in aid under the government rescue programme, get a "passing" or "failing" grade on them? What will the results be used for?

Here are some questions and answers about the Obama administration's newest step in addressing the most severe financial crisis since the 1930s.

Q: As if we don't already have enough stress from the economic meltdown: What are these "stress tests," anyway?

A: Just as doctors put patients on a treadmill to check for possible heart disease, the government is looking at the financial conditions of the biggest banks -- Citigroup Inc., Bank of America Corp., Goldman Sachs Group Inc., JPMorgan Chase & Co., about 20 in all -- to help decide whether they have sufficient capital to withstand fresh shocks to the economy over the next two years.

People with blockages near the heart may have normal test results and no symptoms while they're at rest. So patients are put on a treadmill: Up goes the speed, and the additional stress on the heart can reveal signs of problems.

Economic scenarios used in the bank stress tests are the equivalent of jacking up the treadmill, to unmask financial weaknesses. Stress testing is widely used in the financial industry; federal regulators use it in their periodic "safety and soundness" reviews of banks, and banks run their own stress tests.

Q: How do they work?

A: The tests use computer-generated models to gauge the effect of various "stressors" on the bank's financial condition, trying out several hypothetical settings of factors like interest rates, unemployment and business conditions.

As a banker, "you run a variety of future scenarios and what it means for your bank," said Wayne Abernathy, an executive vice president of the American Bankers Association.

Q: What scenarios will the Treasury Department use in this new stress testing?

A: The tests are expected to take



Taxis drive past a Bank of America branch in New York. US authorities unveiled details of a new aid plan for struggling banks that appears to stop short of nationalisation some had expected for the troubled sector.

into account a broader-than-usual range of economic indicators. Also, looking two years ahead pushes the tests well beyond the usual time frame of six months.

The banks will be tested under two economic scenarios: what the government calls a "baseline" and "a more adverse scenario," reflecting a deeper and longer recession.

The scarier scenario includes a 3.3 percent decline in gross domestic product this year; unemployment rising to 8.9 percent this year and 10.3 percent in 2010, from the current 7.6 percent (already the highest in more than 16 years); and home prices plunging 22 percent this year and 7 percent next year.

Q: That sounds dire. Should we be worried about this worst-case scenario?

A: Government officials say -- stress, even -- that the worst-case "adverse" scenario is unlikely to occur. But they also say it can't be ruled out.

Q: Will regulators be getting their hands on more information from the banks than they usually have access to, in order to conduct these stress tests?

A: No, they won't get any more information than usual -- they just plan to scrutinise it in a more intensive way.

Q: How long will the stress tests take, and will banks be graded on them? What will the government do with the results?

A: They're expected to be completed by the end of April. And there won't be any grades.

"The outcome of the stress test is not going to be fail or pass," Federal Reserve Chairman Ben Bernanke told Congress on Tuesday.

"The outcome of the stress test

is, how much capital does this bank need in order to meet the ... credit needs" of American borrowers to get the credit system flowing again.

"We're going to do an honest evaluation," Bernanke said. "We're going to do a tough evaluation, try to figure out how much hole there is, if there is a hole. In many cases, there's not a hole."

The tests will help regulators decide whether individual banks need additional government money so they can meet the mission of boosting lending -- a crucial component to turning around the economy.

Bernanke said Wednesday that if a stress test reveals that a bank needs more capital, it will have up to six months to raise it from private sources. If it fails to do that, then the government would come in with additional aid to shore up the bank's capital cushion against potential losses.

That would be done by converting the government's stock in banks from preferred to common shares. The strategy, which could be applied retroactively to banks that received money in the first incarnation of the bailout, would give the government voting shares and more say in a bank's operations. This could help the banks by making it easier for them to fulfil the mix of capital -- bolstered by common shares -- that regulators take into account when gauging their financial condition.

Q: Will results of the stress tests be released to the public?

A: The government says it won't announce the results, though it expects the banks themselves to do so. Either way, the public could get an indication indirectly -- from the actions Treasury takes, such as the injection of additional government money into certain banks.

LIFESTYLE

Unemployed making most out of free time

AP, Fond Du Lac, Wisconsin

Jay Capelle would give anything to get back his factory job of 32 years. At the same time, he's grateful to have extra time on his hands these days to care for his ailing wife, stay in shape and work on a long-planned baseball documentary.

The unemployed are stressed out about unpaid bills, dashed retirement plans and the loss of workplace camaraderie. But many say life minus work also has its bittersweet upsides, including more time with family and friends, learning new skills, focusing on their health and pursuing hobbies.

There is a wide range of opinions, of course, about just how sweet, or bitter, the experience has been.

An idled autoworker in Wisconsin cherishes extra time with his kids, and his guitar. A former communications worker in Virginia finds time for hiking as a distraction from the job search. But two jobless friends in North Carolina who've played plenty of golf together say enough is enough: They're ready again for the joy of earning a paycheck.

All of these people said they would give up their newfound free time in a heartbeat if they could land jobs. And most spend hours each day trying. But as unemployment spells drag on longer than anticipated, they have allowed themselves to enjoy activities not directly related to the job hunt without feeling guilty.



Jay Capelle gets depressed and angry when he dwells on the loss of his job. But he is often appreciative that he can now offer more help to his wife, who is recovering from knee surgery.

But rather than sulking in front of the television when he's not searching online job postings, Swain forces himself to keep up with hobbies like playing music, painting and hiking.

"You can't stay in the house all day or you'll lose your mind," he said.

Alex Swain, 36, of Leesburg, Va, said his fruitless search for work has been discouraging. Since losing his job last April at a wireless communications company, Swain has applied for more than 200 jobs, gone on 10 interviews and has not had a single offer.

Andre Lovato, 55, of Waukesha, Wis., who was laid off from his job at a signmaking company in 2006, earned a degree in printing and publishing from a technical college in December. Lovato, who has applied for 35 jobs since then without any luck, devotes his free time to woodcarving, sketching and computer illustrations.

But as his unemployment drags on, he longs for interaction with colleagues and getting praise for a job well-done.

"I miss showing my work and having people say, 'Hey man, you did pretty good stuff,'" he said.

Brad Palzkill, 39, was laid off from the General Motors plant in Janesville, Wis., last June. This means the family can't afford to eat out as often, and the kids' Christmas gifts were less extravagant last year. But he doesn't miss installing hundreds of consoles in trucks every night, which took a toll on his knees and wrists; and it's nice to have more free time to spend with family and strumming his guitar when he's not looking for work.

"Before, I used to go to work at 4 p.m. and I'd just see my kids on the weekends. But this is not the way you want it to happen," he said.

In the suburbs of Raleigh, N.C., golf buddies Eddie Shearon and Wes Davis -- both of whom have been jobless for more than a year -- say they feel an urgency to 'get back to work so they can have incomes again. But they're not

eager to give up the perks of being unemployed.

In addition to rounds of golf, Shearon, 52, now gets to walk his dog every afternoon and make dinner for his wife. "I've reacquainted myself with my wife," he said. "We haven't seen each other that much for 20 years."

For others, the appreciation of extra free time is fleeting.

Diane Rohan, 37, said she enjoyed her early months of unemployment after giving up her job as a baker to move to Los Angeles with her husband. She scanned photo negatives onto her computer and, truth be told, enjoyed sleeping late.

"That wore off after about a month," she said.

David Pemberton, of Smyrna, Tenn., is using his July layoff from Catholic Charities of Tennessee as an opportunity to forge a new career in health care. "I know God has something in store down the road for me," he said.

Capelle, 60, gets depressed and angry when he dwells on the loss of his job at a plant that manufactures boat motors. But he is often appreciative that he can now offer more help to his wife, who is recovering from knee surgery.

He even found a silver lining to the June flood that ruined his basement, the red truck he loved and some of his video equipment. He received a \$35,000 insurance settlement, which he has used to pay bills.