

International Business News

Japan's big three banks expected to report net loss

AFP, Tokyo

Japan's three biggest banking groups are expected to report net losses for the fiscal year to March 31 in the wake of the global financial crisis, local media reported on Saturday.

It would be the first net loss by the three -- Mitsubishi UFJ Financial Group Inc., Mizuho Financial Group Inc. and Sumitomo Mitsui Financial Group Inc. -- in six years, the Asahi Shimbun and the Nikkei business daily reported.

The three, which previously projected net profits for the fiscal year, are expected to downgrade their forecasts by the end of April, the Asahi said.

The expected losses are mainly due to larger than expected bad debts and a sharp decline in their shareholdings as the nation's financial markets struggle to recover from the crisis, the newspaper said.

Mizuho and Sumitomo in particular will write down losses in Merrill Lynch and Co. and Barclays Plc. for the fiscal year, the Nikkei said.

"We've decided to write off the valuation losses and lower the book prices," an SMFG official said, according to the Nikkei. "We hope that the stocks will rebound in the future."



AFP
A protester waits for the subway after attending a "National March On Wall Street" event on Friday. The protesters were demonstrating against the banking bailout programmes.

EU finance chiefs fret over US accounting relaxation

AFP, Prague

EU finance chiefs voiced concern on Friday at a recent move by the US accounting industry to relax the way US banks book losses over fears the change will put European rivals at a disadvantage.

Czech Finance Minister Miroslav Kalousek said finance ministers and central bank governors had "a very lively discussion" about the accounting change, adopted to help struggling banks cope with a global slump which has caused them massive losses.

"Some member states expressed clear fears about the differences between our approaches in Europe and the US," Kalousek said after chairing a meeting of finance chiefs in Prague.

Under pressure from the US Congress, the US Financial Accounting Standards Board voted on Thursday to modify the "mark-to-market" accounting standard, which has been blamed by some for worsening the global financial crisis.

The change will allow banks to hold some toxic assets to give them more time to recover in conditions where financial markets are frozen, rather than regularly marking their prices down to currently depressed market prices.

Swiss ministers cast doubt on OECD tax list criteria

AFP, Geneva

Swiss ministers on Saturday cast doubt on the criteria behind the OECD's classification of tax havens, which was at the heart of a crackdown announced at a Group of 20 summit this week.

Switzerland, Austria, Belgium, Luxembourg, Singapore and more than 30 other territories were placed in a second tier of states that have committed to the Organisation of Economic Cooperation Development's tax cooperation norm but not yet "substantially" implemented it.

In a newspaper interview, Foreign Minister Micheline Calmy-Rey welcomed the presence of a follow-up, "because we have to watch that our competitors also implement what they have promised and are subject to the same standards as we are."

"The enormous surprise comes from the first category -- that of the jurisdictions which are regarded as cooperative and cleared of all suspicions," she told the daily Le Temps, suggesting that big powers were sheltered.

Forty jurisdictions were listed in the top tier as having "substantially implemented" the OECD standard on exchanging tax information.

Crisis-hit Mexico to tap into Fed credit swap

AFP, Mexico City

Mexico said Friday that it would tap into a credit swap with the US Federal Reserve, after this week seeking to open a 47-billion-dollar IMF credit line, as the crisis hits hard below the US border.

With a tumbling peso and some 80 percent of exports to the United States, Mexico aims to help businesses with dollar debts and reassure foreign investors with the moves.

Despite foreign reserves of almost 80 billion dollars, analysts predict that Latin America's second biggest economy will be one of the worst hit by the financial crisis.

Mexico will auction up to four billion dollars on April 21, out of a total 30 billion dollar one year credit swap line agreed with the US Federal Reserve last October.

"The purpose of this credit is to provide financing to members of the private sector under pressure to obtain resources to meet dollar commitments," a central bank statement said.

ECONOMIC CRISIS

Jobless rise hurts US recovery

AFP, Washington

Amid an unrelenting pace of job losses, the US economy faces a race against the clock as it struggles to recover from its worst slump since the Great Depression.

Another hellish month for the US labour market pushed the unemployment rate to a new 25-year high of 8.5 percent with 663,000 jobs axed in March, official data showed Friday.

While some indicators point to stabilizing or modest growth, the key labour market continues to shed jobs massively, potentially derailing any recovery.

Analysts say a recovery will have to take root quickly to steady employment and avert a further slide in an economic abyss.

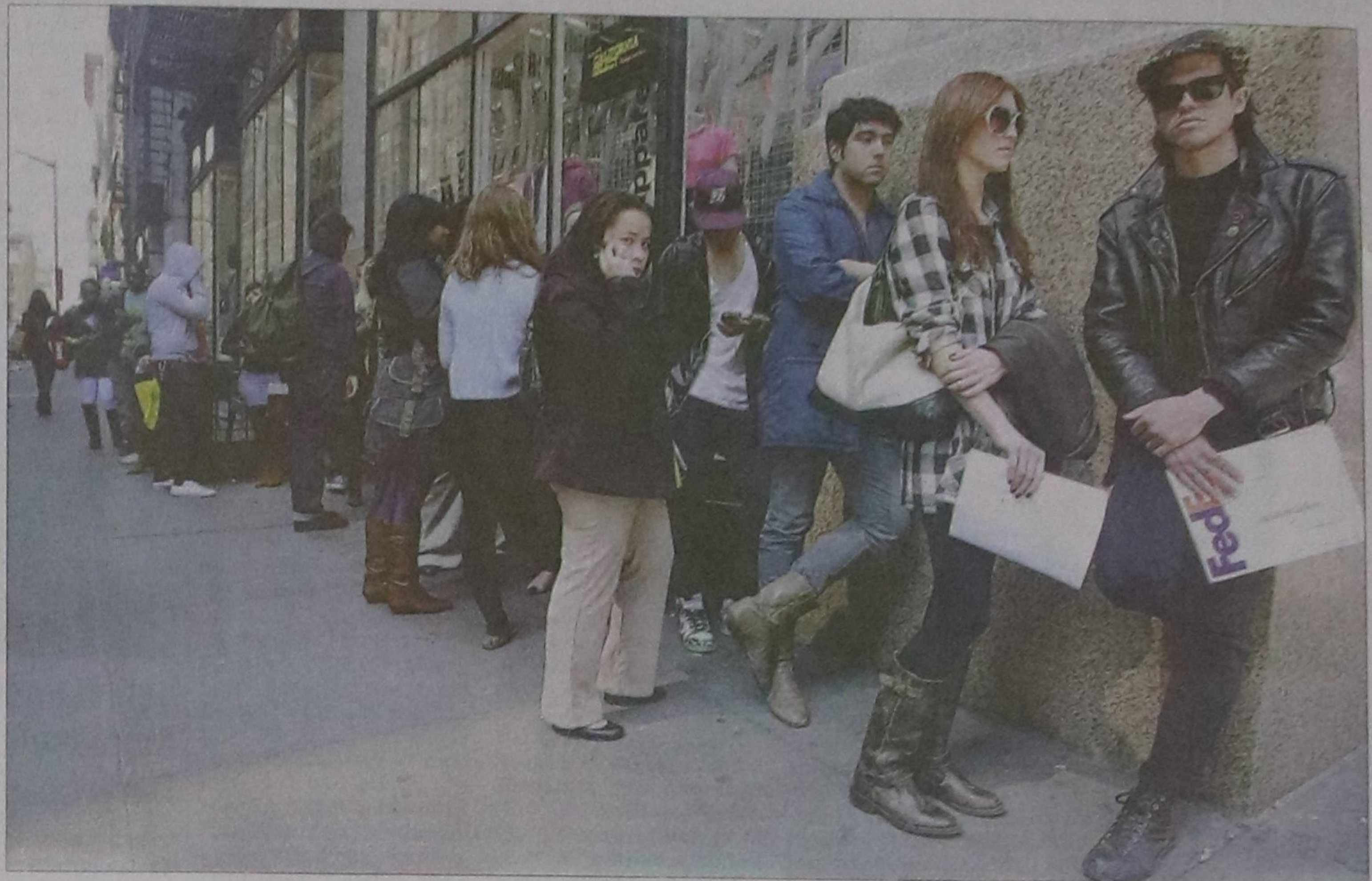
"The new optimists who have recently been comforted by a smattering of better economic reports were given a dose of reality this morning by the US jobs report, which reminded everybody that an economic recovery is still, at least, a few quarters away," said economist Krishen Rangasamy at CIBCWorld Markets.

"There are no indications that the US labour market is about to turn for the better over the coming months. Initial jobless claims remain consistently above 600,000, and continuing claims are now closing in on the six million mark. The jobless rate is set to hit 10 percent before the year is out."

The monthly Labour Department snapshot, seen as one of the best indicators of economic momentum, showed widespread losses across most sectors of the economy as the jobless rate rose from 8.1 percent in February.

Some point to the fact that new hiring typically lags other factors in the economic cycle, meaning that the staggering level of job losses are not as bad they appear on the surface.

"We can't find green shoots of recovery in this report -- though it would not be the first place we'd expect to see them," said IHS Global Insight economist Nigel Gault. "The jobs market will follow rather than lead."



AFP
Job seekers line up to apply for positions at an American Apparel store in New York City. The monthly Labour Department snapshot, seen as one of the best indicators of economic momentum, showed widespread losses across most sectors of the US economy as the jobless rate rose from 8.1 percent in February.

Douglas Porter, economist at BMO Capital Markets, agreed that employment will be among the last major indicator to turn the corner.

"First, sales must revive, and then be sustained, then business will try to squeeze more out of remaining employees, then add hours to the workweek, and only then add to payrolls," he said.

"So, even as jobs spiral lower, another broad array of indicators this week suggested that the howling recession winds may be easing a touch."

Porter pointed to improved US auto sales, consumer confidence, and factory data that moved higher "albeit from desperately weak levels."

"Perhaps more important is the sense that aggressive global policy actions are finally gaining traction," Porter said.

The Group of 20 summit, he said "managed to produce some real meat, particularly the hefty increase in IMF resources, which should help contain the economic damage in the developing world."

Since the recession began in December 2007, a staggering 5.1 million jobs have been lost, with 3.3 million in the past five months, the Labour Department said.

Ethan Harris, economist at Barclays capital, said the economy is getting a boost from massive stimulus programs from the

US government and central banks, and similar efforts in other countries, but that this may not be enough if joblessness keeps rising.

"With parts of the economy improving but jobs still collapsing, a natural question is whether jobs are merely lagging the rest of the economy," Harris said.

"Households have seen a boost to their after-tax incomes from much lower tax payments and increased transfer payments ... However, the fiscal stimulus will be overwhelmed if the job market does not begin to stabilize in the coming months."

Peter Kretzmer, senior economist at Bank of America said the fact that job losses appear to have peaked in January is a positive sign.

"The losses continue to be severe but we do see, and I think the market sees, some apparent peaking in the rate of decline, and that stabilization is providing a little bit of cheer to the market," he said.

"We've moved to a different phase of the business cycle," he said, with consumer spending steadying but companies still cutting investment and inventories.

This suggests "several more months of severe declines before things start to improve," Kretzmer said.

EXHIBITION

Recession drives the mothers of invention



AFP
South Africa's Willem Schoombie poses with his invention, a ski cart, during the opening day of the 36th International Exhibition of Inventions in Geneva recently. The unique non-mechanical fasteners for the transportation of skis, boots and all ski equipment can be fixed to a vehicle, carried on the back or pulled like a trolley.

AFP, Geneva

Crisis is the mother of invention, if one believes the bright sparks behind the gizmos, contraptions, novelties and potions at the international inventions exhibition in the Swiss city of Geneva.

While others fret over the economic turmoil, many of the 710 exhibitors from 45 countries here relish it as a driver of innovation, whether they are trying peel shrimps, save coral reefs, build robots or cart skis around.

"Look at World War II: when people had tough times, that's when they found the simplest or cheapest solutions," said the inventor of the "skikart" ski carrier on wheels.

He came up with the idea on his way back from an arduous skiing trip in Austria. "Necessity is the mother of invention," grinned the greying South African, who was on the lookout for a business partner.

Calexium, a French Internet peripherals firm, was touting an email server that does away with any size limits on attachments.

"We've always financed ourselves, without the help of banks, so whether there's a crisis or not..." said company founder David Rene.

"We're more likely to take advantage of the economic climate, to judge by the strong interest of our dealers," he explained. "They relish the idea of a new product to help them face up to the competition."

The inventor of the shrimp peeler -- a welder by trade who was inspired by a Christmas dinner -- said many of his acquaintances were ready to buy it.

Such novelties are "the best way to revive consumers", he argued against the marine-themed backdrop of his stand.

The Salon International des Inventions, the 37th of its kind, has gained a more professional aura in recent years.

Of the 70,000 visitors expected through April 5, more than half are industrialists, distributors and businesspeople, according to the organisers.

Jean-Luc Vincent, the founder and president of the event, said the amateur or hobby inventors now account for just 26 percent of the exhibitors "against 95 percent in the early days".

"These days we have a large number of universities or research institutes who have come to understand the commercial value of their inventions," he explained.

Some 48 inventions received awards. The 'Grand Prix' went to Romanian firm MBTechnology's mobile scanner, which can speed up trade by helping customs officers search trucks or containers without the need to open them up.

It weighs seven tonnes instead of the more usual 20 and can detect objects just four millimetres long (one seventh of an inch) through 18 centimetre (seven inch) thick steel, according to its makers.

While some institutional participants stayed away this year, Vincent pointed to a flow of "inventors stimulated by the urgent need to find solutions".

Malaysia's Terengganu University put on a strong showing with innovations for aquaculture, mapping coral reefs or even renewable energy.

These new actors in the contemporary world of inventions include Saudi Arabia's King Abdul Aziz Foundation for the Gifted.

Its stand housed a dozen products: a 10 year-old girl who came up with a device to keep babies safe rubbed shoulders with a Saudi prince who designed a nacelle for a helicopter ambulance that can carry 17 patients in one go.

An official at the German Patent Office stand pointed to another concrete sign of the thriving demand for new ideas.

His office is trying to recruit another 100 experts this year despite a "slight slowdown" in patent applications.

Downturns, he pointed out, give people time to think about new patents and prepare for the future.

"Research and Development, that's the last thing to be cut," he claimed.