

International Business News

Japan may make early exit from recession

AFP, Tokyo

Japan, one of the biggest victims of the global economic downturn, may also be one of the first countries to exit recession as its stricken export engine sputters back to life, analysts say.

But prospects for a full-fledged recovery from the country's worst slump since World War II appear dim given weak consumer spending and the slim chances of a dramatic improvement in overseas demand, they add.

Japan's economy began shrinking in the second quarter of 2007 and suffered a brutal annual contraction of 12.1 percent in the last three months of 2008 as exports crashed. Analysts say this year's first quarter could be even worse.

But the economy looks set to grow slightly in the second quarter, "which may well mean that Japan will be the first major developed economy to return to quarterly growth," predicted Julian Jessop at Capital Economics in London.

Recent data have sparked hopes that the slump in the world's second biggest economy may be easing, with exports showing signs of bottoming out and machinery orders unexpectedly rebounding.

In terms of when the economy will return to positive growth, it seems that "Japan will be relatively early in seeing an economic turning point," Macquarie Securities economist Richard Jerram said.

Fortunes of UK super-rich dwindle amid crisis

AFP, London

The economic downturn has wiped billions off the fortunes of some of the richest people in Britain including Lakshmi Mittal and Roman Abramovich, according to a respected survey out Sunday.

The annual Sunday Times Rich List, which features the thousand wealthiest people based in Britain, found they had collectively lost 155 billion pounds (172 billion euros, 228 billion dollars) in the last year.

Indian-born steel tycoon Mittal tops the list for the fifth year running but he and his family's wealth has fallen to 10.8 billion pounds from last year's 27.7 billion, a massive 60 percent drop.

Abramovich, the Russian oligarch who owns Chelsea Football Club, is at number two and is worth seven billion pounds, down from 11.7 billion last year.

"I am beyond being surprised, except by the scale of the devastation," said Philip Beresford, who compiled the list.

"It is extraordinary how people have seen their fortunes being whittled away. It is devastation all round."



Spain's first vice president, Maria Teresa Fernandez de la Vega, addresses the closing ceremony of the Fourth Congress of African Businesswomen in Cairo on Saturday. Fernandez is on an official visit to Egypt to survey Spain's three-million-dollar investment in community and eco-tourism development programmes in the Afro-Arab country.

Rough economy threatens Zuma's promises for SAfrica

AFP, Johannesburg

Jacob Zuma led his African National Congress to election victory with sweeping promises to help the nation's poor, but will enter office with little room to manoeuvre due to a faltering economy.

The campaign promises coupled with his easy charisma have endeared Zuma to millions and delivered the ANC a 66 percent majority in last week's elections, giving him ample political capital with 264 of the 400 seats in parliament.

That makes the 67-year-old ANC leader certain to become president when parliament convenes on May 6 to elect the head of state, with the inauguration set for three days later.

But he will have to overcome the doubts of his critics, who point to a litany of corruption allegations and verbal blunders that have made him a reviled figure for many.

"The new president of the republic will be a president for all, and he will work to unite the country," Zuma said when declaring victory late Saturday.

Asia, Middle East call for limits on energy speculation

AFP, Tokyo

Major oil-producing and consuming nations in the Middle East and Asia called for limits on speculation in the energy industry as they ended a one-day dialogue here Sunday.

Ministers and officials from 21 countries said continuous investment was needed to meet a rise in demand in Asia over the medium-to-long term.

"Participants recognised that excessive fluctuations in oil prices are undesirable for both energy producers and consumers and that financial markets have an impact on oil price formation," said a summary issued after the meeting by co-chairs Japan and Qatar.

"Regarding transparency of commodity markets and supervision on over-the-counter markets, participants appreciated national authorities' efforts and called for further harmonised actions such as introduction of position limits," it said.

Foreseeing growth in energy demand in Asia, participants also affirmed that continuous investment was "essential as a means to balancing supply and demand in the future," it added.

ECONOMIC DOWNTURN

IMF relevant again

AP, Washington

Not long ago the International Monetary Fund seemed headed for relic status. Now it's once more flying high, rolling out ambitious plans to blanket an economically distressed world in dollars. Even grander designs are on the drawing board.

Yet the money might not cover the job and those lofty plans might never get approved.

Failure would carry a heavy political price because the Group of 20 countries have made the lending agency the linchpin in their efforts to combat the worst economic downturn since the Great Depression.

Finance ministers from those nations met on Friday to hammer out details of the \$1.1 trillion plan that President Barack Obama and his G-20 counterparts announced at their recent summit in London.

Some parts are proving elusive. Major developing nations - Brazil, Russia, India and China, for example - are balking at providing their contributions to a \$500 billion IMF emergency loan program under the original proposal outlined by the United States and Europe.

World finance officials meeting through the weekend near the White House hoped for a resolution soon. An approach pushed by China and gaining momentum calls for the IMF to sell bonds that developing nations would buy, rather than go the traditional loan route.

Even with a deal, however, it's not clear that the IMF's pool will have enough to jump-start the economy.

The IMF estimates that before the downturn bottoms out, the agency could provide around \$187 billion to recession-battered nations. That would dwarf the \$86 billion during the 1997-98 Asian crisis, which levelled countries from Thailand to Russia and Argentina.

The projected lending spree is quite a change from a year ago, when the IMF appeared headed to irrelevance. The long global boom meant countries were coming much less often, hat in hand, seeking assistance.

The IMF was scrambling to pay its bills and trim down. Its major source of income, loan repayments, had fallen sharply.

Today the agency is expanding again, approving loans to a string of countries. It's not clear whether the boost in resources will be enough.

The key is whether the broken banking systems in the United States and elsewhere can be repaired quickly enough so normal lending can resume to consumers and businesses. This lending is needed to spur an economic rebound in industrial countries, which leads to increased demand for developing nations' exports.

On Friday, regulators summoned executives from the 19 largest US banks and told them what government tests showed about shortfalls in their institutions' capital reserves.



International Monetary and Financial Committee delegates gather at International Monetary Fund headquarters for the Spring meetings of the IMF and World Bank in Washington on Saturday.

Despite the \$700 billion bank bailout, credit flows in the United States have not reached the level to get a sustained recovery going.

More problems lie ahead. Banks are struggling not only with billions of dollars in losses on mortgage loans, but also rising bad debt in commercial real estate and consumer credit cards.

"We would be wrong to conclude that we are close to emerging from the darkness that descended on the global economy early last fall," Treasury Secretary Timothy Geithner said at weekend meetings of the IMF and World Bank.

One of the Obama administration's main worries is that other countries will not be

bold enough in their stimulus efforts or in fixing their own banking systems as loan losses mount.

An IMF study estimate losses on U.S. loans and securities at \$2.7 trillion through 2010, double the estimate of six months ago; global losses were put at \$4.1 trillion.

The agency also faces questions about how it should change to better cope with the problems of a global economy vastly different from what existed when the institution was created in the 1940s.

Some suggest ideas that would transform the agency into a kind of UN Security Council for economic matters, with the power to blow the whistle when economic

practices in any country threaten the global economy.

But the IMF has trouble exercising the limited monitoring powers it now has. Rich and poor nations alike bristle at even the mild suggestions contained in the IMF's annual performance reviews.

Major developing countries such as China, Brazil and India are pushing to obtain greater voting powers at the IMF in line with their growing roles in the world economy. This dispute is threatening to derail the efforts to boost IMF resources.

The battle over tiny changes in voting shares is evidence of the many hurdles to overcome before the IMF can increase its powers as the globe's economic traffic cop.

FINANCIAL STIMULUS

Cash registers ring across Australia

AFP, Sydney

Cash registers are ringing across Australia as more than seven million economically-stimulated consumers raise their wallets in thanks for "manna from Kevin."

A total of 7.7 billion dollars (5.5 billion US) in cash bonuses from Prime Minister Kevin Rudd's centre-left government is pouring into bank accounts this month as part of an aggressive plan to kick-start the ailing economy.

Rudd and his treasury have given up to 900 Australian dollars to all students and everyone earning less than 100,000 dollars a year -- and told them it is their patriotic duty to go out and spend it.

Local media dubbed the gifts "manna from Kevin," but the conservative opposition says the bid to bolster economic activity is little more than a "one-off sugar hit".

For most, however, the payment is an unprecedented gift from the recession gods as countries around the world struggle with the worst economic downturn since the Great Depression of the 1930s.

Social networking site Facebook was flush with "thanks Kev" messages as the cheques rolled in, with many promising to do their duty and hit the shops.

Overseas travel topped the list for a large number, while laptops, bicycle parts, hiking shoes, webcams, shares and dental work were also high priorities.

Sydney student Maeve Marsden rattled off a list of spending dreams: travel, cookware, gardening equipment, "a shiny, fancy camera" or an apartment.

"But for the moment there shall be no spending, no sir, the stimu-



Environmental activist Mithra Cox (L) and her husband Martin Cubby (R) play music in front of their van near Sydney. The pair is the two of the more than seven million Australian taxpayers who have received a one-off cheque from the government for up to \$900 as part of an aggressive stimulus package aimed at kick-starting the economy.

lating buck stops with me," she said.

"I have a love affair with my savings account and I am stimulating her. Sorry Kevin."

Many said they would put the money straight onto their overloaded credit cards, while others planned to donate it to charity.

But in an ironic twist, some at least intend to use it against Rudd.

Mithra Cox, an environmental activist, said she would use her bonus on a trip to Copenhagen, where she plans to travel with husband Martin Cubby in December to protest at a summit of world leaders on climate change.

"We figure it's really important for Aussies care enough to follow them halfway around the world," said Cox, 29, who believes Rudd's commitment to reducing greenhouse gases does not go far enough.

"Basically, it's now or never, and if the world doesn't get it sorted in Copenhagen then we're all screwed."

"It's a long way to go to a protest I know, but someone's got to do something," she told AFP.

The pet industry has reported a surge in business, as people splurged their cash on grooming, care and accessories for their furry

friends.

"I've had a number of reports of people sharing the stimulus package with their pets: a new kennel perhaps, or a clip and groom for the dog," said Joanne Sillince, from the Pet Industry Association of Australia.

Retailers were quick to capitalise on the flood of funds, launching a series of targeted ads flagging stimulus deals.

One enterprising television maker, Kogan, urged shoppers to blow their cash on a specially branded and priced 900-dollar "Kevin37" plasma TV with a 37-inch screen.

Every set came with a free pro-

motional Kevin37 t-shirt, emblazoned with the phrase "high definition stimulus," said company founder Ruslan Kogan.

One Sydney man allegedly caught with a cache of weapons and drugs in a police raid told officers he had used the stimulus cash to buy a .44 calibre pistol on the black market "for self defence".

A St George Bank survey this week showed fewer than half intended to spend all or part of the cash, with 35 percent saying they planned to pay down their credit cards and nine percent putting it towards mortgage repayments.

The first 10-billion-dollar round of cash bonuses to low and middle income earners, announced by Rudd last November, boosted retail sales by an estimated 1.3 billion dollars, according to the National Retailers' Association.

Their survey about how consumers planned to spend the second and much broader round of bonuses found there was an even split between saving and spending.

Shane Oliver, chief economist with AMP Capital Investors, said the scope and immediacy of the rollout was unprecedented in Australia's history.

"These sorts of payments directed at households have not, that I can recall, been undertaken in such a significant fashion if at all in the past," Oliver said.

Relatively high debt levels and expensive housing meant Australians were quite vulnerable to an economic downturn, Oliver said, adding that if households hadn't received the stimulus payments they would have cut back their spending.