

International Business News

Japan's recession deeper than thought: Central bank

AFP, Tokyo
Japan's recession will be deeper than first thought but its export slump should soon start to ease, putting the economy on course for positive growth next year, the central bank said Thursday.

The world's second largest economy is expected to shrink 3.1 percent in the current fiscal year to March, the Bank of Japan said, downgrading its earlier forecast for a 2.0 percent contraction.

It estimates the economy shrank 3.2 percent in the previous fiscal year.

Japan also faces two years of deflation, with consumer prices expected to drop 1.5 percent this year and 1.0 percent the following year, it said.

But the forecast was less gloomy than many analysts expected and the bank said there were signs of better times ahead, predicting the pace of decline in exports and production would decelerate in the first half of the year.

Overseas economies would start recovering in the second half of this year, supported by government efforts to fight the recession, laying the ground for the economy to grow 1.2 percent in the year to March 2011, the BoJ said.

"Economic conditions are likely to continue deteriorating in the coming months but gradually level out thereafter," bank governor Masaaki Shirakawa told a press conference.

Thai economy to contract by 5pc: PM

AFP, Bangkok
Thai premier Abhisit Vejjajiva said Thursday that the economy was expected to shrink by more than five percent in the first quarter due to lower tourism revenue following political chaos.

Abhisit said the country was already battling the effects of the global economic crisis and would continue to use fiscal stimulus measures to fight the downturn.

"Poor tourism figures have caused the Thai economy to plunge and growth is now expected to fall by over five percent in the first quarter," the prime minister told a seminar of government officials.

The Bank of Thailand later supported Abhisit's prediction, saying a contraction of between five and six percent in the first quarter was likely.

Revenue from tourism and exports had collectively fallen by an estimated 24 to 25 percent in the first quarter, Abhisit said.

The usually lucrative sectors have struggled since mid-2008 when a group of protesters seeking to oust the then-government loyal to former premier Thaksin Shinawatra took to the streets.

The group plunged the kingdom into turmoil in late November by seizing Bangkok's airports for nine days.

ANALYSIS

New hope for end of recession

AFP, Washington
The US economy suffered another horrific quarter with a massive 6.1 percent output decline, but some analysts said the data offered hope that the worst is over for the economy.

The Commerce Department's estimate of gross domestic product (GDP) in the first quarter was worse than the 4.7 percent annualised decline expected by private economists and only marginally better than the 6.3 percent fourth-quarter slide.

But because the data showed a high level of fear in business investment while consumers appeared to emerge from retrenchment, the report sparked a positive market reaction and anticipation that the recession could end soon.

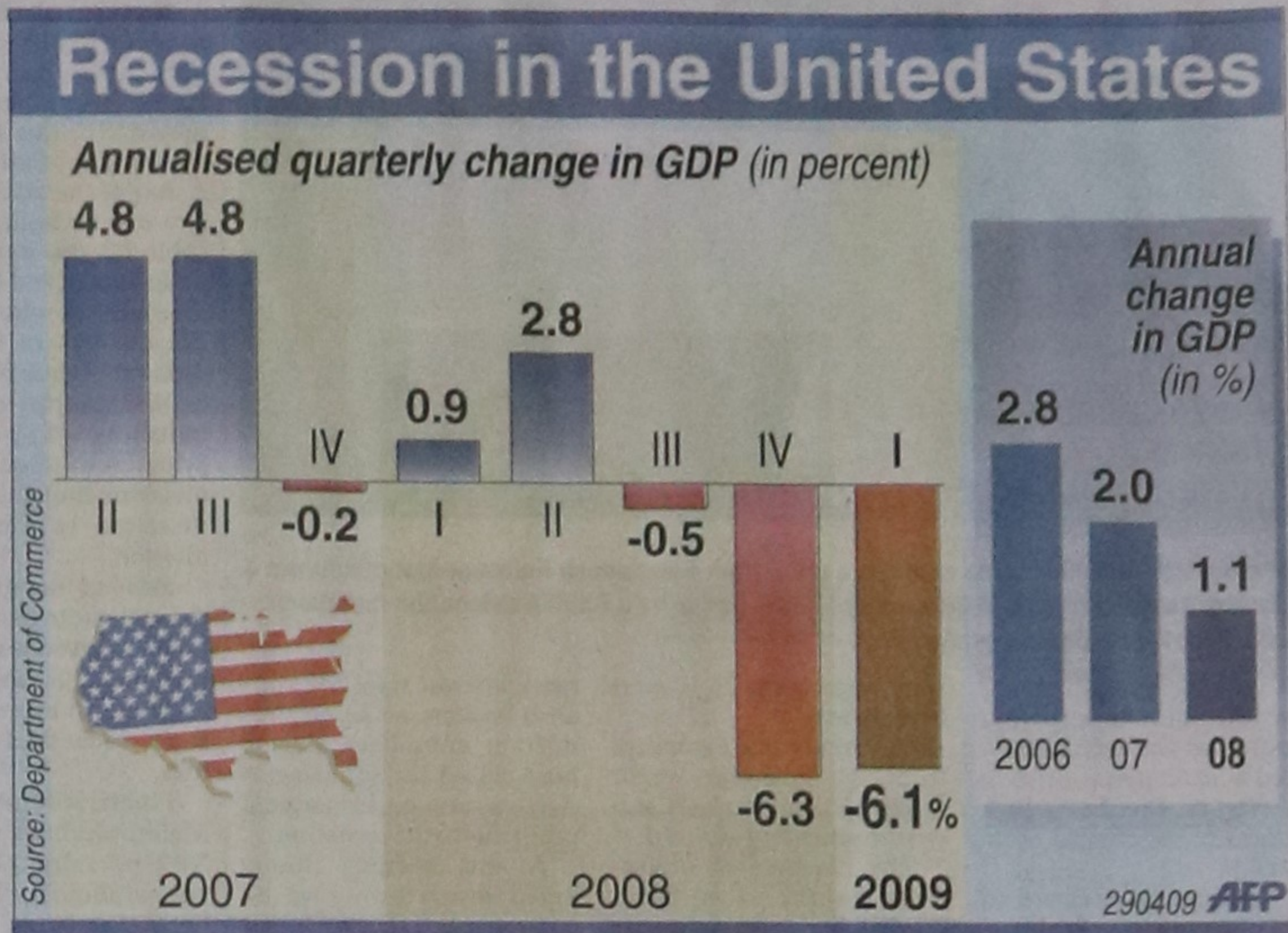
"There were some major positives" in the report, said Augustine Faucher at Moody's Economy.com, who argued that the data "points to an end to the recession by late 2009."

Analysts pointed out that GDP was dragged down by massive declines in inventory stockpiling, which could mean businesses will need to ramp up production over the rest of 2009.

Subtracting inventories, the economy contracted at a 3.4 percent pace in a measurement known as real final sales.

Faucher said businesses "will quickly need to increase production" to keep up with consumer demand and that government spending "will start adding to growth as the stimulus package kicks in."

Robert Brusca at FAO Economics said the economy



could rebound more quickly and strongly than many expect.

"The positives are many and this is what happens in the turnaround period after recession called recovery, roughly the first four quarters of expansion," Brusca said. "This period can show superheated growth."

Stocks rallied on the news, with the Dow Jones industrials vaulting 2.11 percent at the close of trade.

Cary Leahey, senior economist at Decision Economics, said that while GDP was worse than expected in the January-March period, "it isn't necessarily bad

news for the remainder of the year."

Leahey said that with consumer spending and the housing sector appearing to stabilize in early 2009, "that means the worst of the recession is behind us."

Hours after the report was released, the Federal Reserve said the US economy is still contracting but at a "somewhat slower" pace as it maintained near-zero interest rates and its array of programs to boost easy credit.

Concluding a two-day meeting, the Federal Open Market Committee maintained its policy of low rates accompanied by a

variety of programs to pump up credit and lift the economy out of recession, but noted that the outlook "has improved modestly."

The FOMC statement said that since its last meeting in March, "the economy has continued to contract, though the pace of contraction appears to be somewhat slower."

Brian Bethune, economist at IHS Global Insight, said the Fed correctly decided to stay on its aggressive path.

"The Fed's high-octane mix of programs and policies finally is starting to work -- so it makes sense to continue to move in the same general direction with the

same amount of force," he said. "We have a big hole to dig ourselves out of, and monetary policy will need to maintain an aggressive posture for an extended period of time in order to accomplish this feat."

The decline marked a third consecutive quarter of GDP contraction for the world's biggest economy, which had not occurred since 1974-1975. But some analysts cited hopeful signs in the bleak report.

The steep GDP drop was the result of falling exports, declines in business and household investment and a weak housing market, offset in part by surprisingly strong consumer spending.

Consumers rebounded in the quarter, boosting spending 2.2 percent after a 4.3 percent plunge in the last quarter of 2008.

Even though consumer activity makes up the lion's share of activity, the rise was not enough to offset hefty declines in other segments of the economy.

The report showed investment in housing or residential structures fell 38.0 percent and spending on nonresidential business investment slumped 37.9 percent, including a 33.8 percent drop in software and equipment.

Exports tumbled 30 percent and even government investment fell 4.0 percent.

Scott Brown, chief economist at Raymond James & Associates, said the report is consistent with an economy that is struggling to come out of a punishing recession.

"We're seeing the worst part of the decline in some sectors behind us," he said.

"There is hope for a bottom and a gradual recovery into next year."

LIFESTYLE

Not all blue for business as China greys

AFP, Beijing
Cell phones with huge number pads, Internet sites with big characters: Chinese businesses are tailoring their products for a huge and largely unexplored niche market -- the elderly.

China's senior citizens are often described as a demographic time bomb, one of the challenges that will test the nation as its population ages.

But a growing number of enterprises are now looking at the sector as one of opportunity.

China has 143 million people aged over 60, with a combined annual income of 300 to 400 billion yuan (44-58 billion dollars) according to Kunal Sinha, a Shanghai-based strategist for consultancy Ogilvy and Mather.

"That is projected to rise to five trillion yuan between 2025 and 2050. No one can afford to ignore that potential," he said.

China's ageing population is a phenomenon that most economists speak about in ominous tones as they warn of the burden the elderly will become on national health and pension budgets.

In the middle of the 20th century, the average newborn Chinese baby could expect to live 36.5 years, but that has now doubled to about 73 years thanks to a general rise in living standards and better health care.

At the same time, China's strict population policies aimed at containing a population of 1.3 billion -- which bar urban couples from having more than one child -- have inflated the elderly's proportion of the population.

Chinese demographers predict the number of people aged 65 and over could rise to about 15 percent of the population by 2030 and 23 percent in 2050.

Companies are gradually waking up to the potential these figures harbour and have started investing money, manpower and imagination into developing products specifically for the top age brackets.

One of the pioneers is Jialantu, a company based in the southern Chinese city of Shenzhen, which has developed a mobile phone tailor-made for seniors.

As well as a large display and



An elderly couple enjoys their dance at the Temple of Heaven park in Beijing yesterday. China's ageing population is a phenomenon that most economists speak about in ominous tones as they warn of the burden the elderly will become on national health and pension budgets.

keys, the phone includes a special SOS function that enables the owner to send a message to a pre-set number if urgent help is needed.

"It's got fewer functions (than average cellphones), but it's very convenient," said Lin Shengyan, a 74-year-old retiree in Beijing who said he was considering buying one.

"It's got the basics. You can receive calls and call others, which is really all you need."

The cellphone also announces the time aloud for the visually impaired.

"This is a fantastic example of a business recognising the specific needs of the senior citizens and responding to those needs," said

Sinha. Online shop www.homeold.cn, which was set up two and a half years ago to address the market, saw revenue grow around 30 percent from last year, sales manager Shirley Li told AFP, declining to give a more precise figure.

"China is already a greying society, but there are only a few shops specifically addressing this market segment. I found out my own old parents needed this type of service, but weren't able to get it," she said.

"Shopping is not convenient for the elderly. That's why we decided to establish this business."

Standing in the company's storage room in a basement in northern Beijing, Li showed off some of the products that have hit the market recently.

One example is a nail clipper with a magnifying glass attached, to help users with poor eyesight to avoid cutting themselves.

Another is a pair of socks that are not as tight as those for younger people. "The elderly like them to be a little loose," said Li.

As China's demographic bell curve swells in favour of the elderly, Li is confident business can only get better.

"The elderly as a group make up a growing part of society, and we believe their share of consumption will also rise," she said.

Most of the online store's customers are the grown-up children

of local retirees, because they themselves are not comfortable using the Internet, but that may be about to change.

Baidu, China's most popular search engine, recently launched a special website for senior citizens, featuring larger font sizes and allowing users to navigate mainly by clicking rather than typing.

The website offers links to content with special appeal to the elderly, such as revolutionary songs and audio books harking back to the 1940s and 1950s.

"There's a visible disconnect between the growing older population and the low Internet penetration of this population," said Li Jian, deputy director of Baidu's product department.



A promoter of a bank carries a sign offering low interest rate for home loan at the financial district in Singapore yesterday. The global swine flu outbreak could set back a recovery for Singapore's recession-hit economy, the central bank said.

All Nippon Airways posts first loss in six years

AFP, Tokyo
All Nippon Airways, Japan's second-largest carrier, announced Thursday its first annual loss in six years, hit by severe turbulence in the aviation industry due to the global economic downturn.

ANA warned that the recent outbreak of the deadly swine flu was likely to pile additional pressure on the sector as people avoid flying.

The airline posted a net loss of 4.26 billion yen (44 million dollars) for the financial year to March, much worse than a 64.1 billion yen profit booked the previous year, when earnings were boosted by the sale of its hotels.

Vice president Tomohiro Hidema said "2008 was a disastrous year for business in general, with airlines around the world hit by the lack of consumer confidence and commercial activity, and ANA was no exception."

He added: "While we expect the recession to continue, leaving us in an operating environment the likes of which we have never seen before, we will push on with initiatives to increase demand and reduce costs, so that we can ride out the worst and engineer a return to the black."

German budget deficit set to explode

AFP, Berlin
Germany's efforts to beat its worst recession since World War II will result in an explosion in the country's budget deficit to more than twice the previous record, a source told AFP on Thursday.

The difference between government spending and income will rise to as much as 80 billion euros (106 billion dollars) this year as tax receipts crumble and spending explodes amid the worst recession in 60 years, the source said.

Finance Minister Peer Steinbrueck presented the new projections in a cabinet meeting Wednesday, as Berlin updated its economic forecasts to show a crippling six-percent contraction in output, the government source told AFP.

The deficit could be more than double the previous record federal deficit in Germany, which stood at 40 billion euros in 1996 and is 10 times more than the government expected before the financial crisis hit Europe's biggest economy.