International Business News

Hitachi posts record $8.1b annual loss

AP, *Tokyo*

For Japanese electronics makers, the last fiscal year was one they'd like to forget. Especially Hitachi, which on Tuesday set the wrong kind of record.

It posted the biggest ever annual loss by a Japanese manufacturer, and warning of more red ink, said it doesn't expect the global economy to recover until next year at the earliest.

Rival NEC Corp. also booked big losses for the 12 months through March but vowed to return to profitability as soon as this year.

Hitachi, which produces everything from home appliances to medical equipment to nuclear reactors, said Tuesday it lost 787.3 billion yen ($8.1 billion) for the fiscal year through March. That was far worse than last year's 58.1 billion yen loss and marks the company's third straight year in the red.

Annual revenue tumbled 11 percent to 10 trillion yen, and operating profit - which reflects its core business - plunged 63 percent to 127.1 billion yen.

Hitachi's result is the worst annual net loss for a Japanese manufacturer, according to Shinko Research Institute Co. It is the second-largest in Japanese corporate history after an 834.6 billion yen loss reported by telecommunications giant Nippon Telegraph and Telephone Corp. for the fiscal year ending March 2002.

Australia budgets $16.7b for infrastructure

AFP, *Canberra*

Australia on Tuesday unveiled a sweeping 22-billion-dollar (16.7 billion US) infrastructure-building plan in its annual budget aimed at saving more than 200,000 jobs amid a "brutal" global downturn.

Handing down Australia's first recessionary budget in almost two decades, Treasurer Wayne Swan launched what he called an "unprecedented push for jobs and productivity" as the nation battles to climb out of a crippling recession.

Swan said the infrastructure spending came on top of stimulus packages worth more than 50 billion dollars rolled out over the past six months and would help put Australia in a far better position than many other advanced economies to deal with the downturn.

"The global recession has been unleashed on Australia with a brutal, uncompromising force," Swan told parliament in his budget speech.

"Our actions are expected to support up to 210,000 jobs and reduce the peak in the unemployment rate by 1.5 percentage points below the double-digit peak it would reach if we listened to those who said we should do nothing."

Swan said the government would commit 22 billion dollars to improving transport, communications, energy, education and health infrastructure -- on top of the stimulus packages already announced.

AFP

Russian Premier Vladimir Putin (C) shakes hands with Fujio Mitarai (L), chairman of Japan's business group Keidanren, as Motoyuki Oka (R), chairman of Keidanren's Japan-Russia economy committee, looks on prior to a luncheon of Russian and Japanese business leaders in Tokyo yesterday. Putin kicked off a Japan visit expected to lead to several business deals and a pact on nuclear power cooperation, despite a lingering territorial dispute.

Tourist cancellations in Mexico closes 25 hotels

AFP, *Cancun, Mexico*

Cancellations from tourists giving up travel plans to Mexico over swine flu fears, have forced 25 hotels in and around the popular coastal resort of Cancun to close, local officials said.

The affected hotels in Cancun, Playa del Carmen and Cozumel accounted for some 12,000 rooms, Quitana Roo state governor Felix Gonzalez told local radio on Monday.

In Cancun itself, nine out of 144 hotels were closed, according to tourism officials.

Cancun's hotel occupancy has fallen to 20 percent in the third week of alert for the influenza A(H1N1) epidemic, said the president of the local hotel association.

The A(H1N1) flu virus, which has spread worldwide, has killed 56 people in Mexico, the epicenter of the epidemic.

Health Minister Jose Angel Cordova has said the number of recorded cases is dropping off after a peak on April 26, but 2,059 infections have now appeared in 29 of the country's 32 states.

Philippines claims worst of crisis is over

AFP, *Mactan, Philippines*

A senior official at the economic planning ministry said Tuesday "the worst is over for the Philippines economy" as it battles the global economic downturn.

"The crisis is not over, but the worst is over for the Philippine economy," Economic Planning Undersecretary Rolando Tungpalan told a cabinet meeting led by President Gloria Arroyo in this central city.

He insisted cash transfers by the large Filipino labour force based abroad would grow this year instead of contracting, while subsiding inflation augured well for consumer spending for the rest of 2009.

Consumer price inflation slowed to 4.8 percent in April, down from 6.4 percent in March. The easing inflation has led analysts to predict the central bank will cut interest rates.

ASIAN ECONOMIES

In for a rough year

ASIA NEWS NETWORK

AFP

A Chinese salesman sells textiles at a shop in Hefei, in eastern China's Anhui province on Monday. China's inflation weakened further in April as the economy was hit by its most serious slowdown in nearly two decades, but analysts said the risk of deflation causing any damage was abating.

It is going to be a bleak year.

Judging from initial figures on growth rates across the region for the first quarter of 2009, economists are predicting that this year will be characterised by an anemic economic performance.

In Asia, the spillovers from the US financial crisis have affected economies in the first quarter, and is seen to continue to affect the region as the rest of the world teeters from decreasing demand and dwindling incomes. The threat of the recent H1N1 virus is also expected to make an impact, if slight, on regional economies.

In its recent figures, the IMF expects Asia to grow an average 1.3 percent this year, a stark slowdown from last year's 5.1 percent.

The Asian Development Bank likewise predicts the same conservative outlook, with Asia growing at an average 3.4 percent from last year's 6.3 percent (including the Pacific region).

The IMF says the US and other advanced economies may not immediately respond to pump-priming initiatives, thus the need for Asian governments to boost domestic demand. It said Asian countries must rely more heavily on domestic consumption to keep their economies afloat.

"Over the long horizon, Asian economies are at risk of a structural decline in demand from advanced economies," IMF said in the report titled 'Global Crisis: The Asian Context'.

"The spillovers from the global crisis have affected Asia with considerable speed and force. Looking ahead, Asia's growth path will continue to run parallel to the global economy," the IMF added.

A lingering recession in the United States and Europe would continue taking its toll on households, the IMF said.

Households in industrialised nations were likely to keep their spending tight as they suffer from dwindling incomes with unemployment seen to rise further next year and as they address burgeoning debts.

The debts, largely composed of credit card and home mortgages, are blamed largely on lax lending policies of American banks in the past.

"Households in advanced economies have started repairing their over-leveraged balance sheets, as the era of easy credit to finance purchases of consumer durables could well be over," the IMF said.

As a result, the IMF added, sales by manufacturing and export sectors in Asia would be adversely affected. Thus, the IMF said, it would do harm for Asian economies to keep their level of reliance on exports for purposes of boosting their economies.

To address this, the IMF urged governments in the region to use both fiscal and monetary measures to beef up domestic demand. It said national governments must sustain stimulus programmes started this year through 2010.

CHINA

China's slowest quarterly growth in the past 10 years looks much like a dark cloud that features a silver lining offering a brighter future for the national economy.

Latest statistics show that China's economy expanded by 6.1 percent year-on-year in the first quarter of this year, 4.5 percentage points lower than the first quarter of last year and down 0.7 percentage points from the previous quarter.

Compared with its 9 percent growth for all of 2008 and a 13 percent gain in 2007, the Chinese economy has indeed slowed far below its long-term growth trend. Yet, given recessions in economies around the world as the global financial and economic crisis worsens, it is no exaggeration to claim that the overall national economy has showed positive changes, with better performance than expected, in the first three months this year.

Of course, it is still too early to conclude that such a lower-than-expected quarterly growth figure has marked the low point for the world's third-biggest economy, though many observers believe so.

However, if most of the positive structural changes that are taking place in the Chinese economy can be brought into full play, the country will surely be well positioned to embrace a speedy and sustainable recovery.

Unsurprisingly, growth in industrial production and investment have considerably accelerated to help stabilise the economy. Industrial production jumped 8.3 percent in March from a year earlier, up from 3.8 percent in the first two months, and urban fixed-asset investment surged 30.3 percent in March. These numbers add to evidence that the country's 4 trillion yuan ($585 billion) stimulus plan is working as expected.

There are many positive structural changes concerning these numbers of growth.

Faster industrial growth in poor areas is helping narrow the country's regional development gap. Western, central and eastern areas witnessed industrial growth of 11.8 percent, 5.2 percent and 3.7 percent respectively in the first quarter.

Meanwhile, the structure of urban fixed-asset investment has been improved as investment growth in the agricultural and service sectors both outpaced that in the industrial one.

More encouragingly, retail sales grew 15 percent to 2.94 trillion yuan ($430.4 billion) in the first quarter, laying a solid foundation for the country to wean itself from excessive dependence on investment or export for growth.

On the one hand, steady income growth is supporting consumption. The per capita disposable income of urban residents rose 10.2 percent to 4,834 yuan for the first quarter. That of rural residents also climbed 8.6 percent to 1,622 yuan.

Besides these, tax reduction and fiscal subsidies are working their magic on boosting consumption. The tax cut for car purchases has enabled automakers to sell more cars so far this year in China than in any other country. The fiscal subsidies for rural consumers also significantly spurred their demand for home appliances.

If consumption can be further boosted into a major growth engine, China will eventually step out of the global crisis with a much more sustainable growth model.

INDIA

India continues to grapple with the ill effects of the global meltdown. The government, though busy with the ongoing general election, is keeping a keen eye on the economy with Prime Minister Manmohan Singh even finding time to attend the crucial G-20 summit in London recently.

The meltdown effect is certain to be seen in exports as industry is expected to turn in one of its weakest earnings for the first quarter of 2009. Most firms are reporting weak numbers in the wake of global liquidity squeeze, falling demand and lower realisations. Banks, automobiles, metals, media and financial services are likely to act as a drag, while technology, cement oil and gas, and capital goods companies are expected to report better numbers. Cement, steel and automobiles did report improvement in the demand conditions in the first quarter of 2009 after a dismal October-December 2008 quarter that bore the brunt of the financial crisis.

On a sequential basis, companies would post better earnings, as the January-March quarter was better than October-December when the economic situation was gloomy. However, its sustainability is in doubt since the growth is linked to pre-election spending.

The negative merchandise export performance was not unexpected with export firms reporting their biggest job losses. Software exports, private transfers, travel, transportation and insurance receipts have all declined, contributing to a current account deficit of $14.6 billion in October-December 2008. In February, industrial growth again turned negative as factory output declined to a 15-year low of 1.2 percent.

With three stimulus packages failing to spur industrial production, the Indian government has said the fiscal measures will start having an impact on industry from April-May onwards.

The government has been constrained to lower growth projection, settling for a growth rate between 6.5 and 6.7 percent in 2008-09 from an ambitious 8 to 9 percent.

With some recovery certain in the second half of 2009-10, the entire financial year (April 2009-March 2010) should be better. As a share of GDP, the current account deficit is unlikely to be more than 2 percent. However, unless capital flows recover, the rupee could depreciate, as it steadily had last year. That's good news for exports.

The Indian economy is likely to remain relatively weak in the first quarter of fiscal 2009-10 (April-June) and slowly pick up thereafter. It is expected to show fairly strong recovery in growth in the second half of the fiscal year. Growth rate is projected between 7.0 and 7.5 percent.

Favourable factors include an agrarian economy, which is not in crisis, comfortable external payments situation, resilience of Indian enterprises developed in the post-1991 competitive environment, healthy bank balance sheets, strong and non-leveraged domestic consumption growth and dominant dependence on domestic savings for financing investment.

AFP

Pakistanis line up to receive food donated by a welfare trust in Lahore on May 9. The government has blamed the country's economic woes on the fight against terrorism, but many ordinary people accuse the authorities of squandering aid money.

PAKISTAN

Pakistan's economy has shown a gradual recovery in the first quarter of 2009 despite a new and comparatively inexperienced government facing numerous challenges.

In the last quarter of 2008, cash-strapped Pakistan rushed to the IMF to get $7.6 loan under Stand By Arrangements to save the faltering economy.

In the first quarter of 2009, injection of $500 million from the World Bank as soft loan and record remittances helped increase foreign exchange reserves to $10.61 billion until end-March. The decline in international oil prices helped the country bolster its reserves.

Though the net foreign direct investment fell to $1.9 billion in 2009 against $2.6 billion in 2008, the second tranche of $840 million from the IMF further strengthened the economic foundation of the country in 2009.

The global financial crunch generated record remittances for the country as many Pakistanis wrapped up their businesses abroad and came back, said Salim Raza, governor of the State Bank of Pakistan (SBP). "It (remittances) may decline in future," he warned.

The real GDP growth remained relatively weak in 2009, despite a reasonably good performance of the agriculture and services sectors. The SBP cut its GDP growth forecast for 2009 to 2.5-3.5 percent from an earlier target of 3.5-4.5 percent, a move analysts blamed on political turmoil and lower local industrial output. The original target was 5.5 percent in the annual plan.

The government earmarked 34 billion rupees for income support programme to help the poorest. Under this scheme, the deserving families are being paid 1,000 rupees per month in the era of high inflation. Subsidy of 27 billion rupees on fertilisers and other incentives for growers have started bearing fruits, which is evident from the record rice and wheat production. Last year the country witnessed the worst food scarcity.

The agriculture sector performed reasonably well. Services sector also likely to remain higher than the growth in commodity producing sector as upbeat growth prospects were supported by sharp increase in foreign direct investment in services sector, with a rise of 24 percent.

However, the large scale manufacturing sector registered negative growth and declined to 4.7 percent from July 2008 to Feb 2009 against 5.2 percent rise during the same period last year. Worst energy shortage, rise in input cost and lower domestic and external demands were responsible for production decline.

TO BE CONTINUED