

International Business News

Britain faces 'slow' economic recovery: Bank of England

AFP, London
 Britain's recession-hit economy likely faces a 'slow' recovery, Bank of England head Mervyn King said on Wednesday after the BoE said the outlook for British growth and inflation is "unusually uncertain."
 "The economy will eventually heal, but the process may be slow," Governor King told reporters after the Bank of England published its latest quarterly forecasts.
 "There are pretty solid reasons for supposing that there will be a recovery next year, but also pretty solid reasons for questioning if that will be sustained," he added.
 The Bank of England said in its report that "the prospects for economic growth remain unusually uncertain, reflecting the exceptional economic and financial factors affecting the outlook."
 It also suggested that the British economy would return to growth early next year.
 The British pound slumped against the euro and dollar following the report as dealers said the outlook indicated that Britain would not see a rise in interest rates any time soon.
 "The Bank of England are not buying the 'it's all over' mood (for the global recession) that seems to be sweeping over investors and market pundits," said ING Financial Markets economist Rob Carnell.

US officials knew of AIG bonuses before controversy

AFP, Washington
 US federal officials were aware of controversial bonuses paid by taxpayer-bailed out insurance giant AIG months before they sparked a firestorm, The Washington Post reported Wednesday.
 Documents, the Post said, showed that senior officials at the Federal Reserve Bank of New York obtained details about the bonuses "more than five months" before the controversy.
 The New York Fed became aware of the matter by September 29, it said.
 The officials were also "deeply engaged" with American International Group, as well as outside lawyers, auditors and public relations firms about possible public outrage at the program.
 But Treasury Secretary Timothy Geithner, who headed the New York Fed when it became aware of the bonus details, was not among the officials cited in the documents, the newspaper said.
 Fed officials in New York, it said, sent details in early February about the bonuses to the Federal Reserve in Washington "to prepare Chairman Ben Bernanke in case he was asked about the payments at a congressional hearing."



Visitors observe coffins on display at the Asian Funeral Expo in Hong Kong yesterday. The three-day event is open to traders and the general public and features all kinds of products related to death. In a tumbling economy the funeral business remains relatively stable.

Russia cuts interest rates for 2nd time in month

AFP, Moscow
 Russia's central bank announced a half-percentage cut in main interest rates on Wednesday, its second reduction in less than a month aimed at stimulating the crisis-hit economy as the ruble stabilises.
 The bank's board of directors decided to cut the key refinancing rate, effective on Thursday, to 12 percent from 12.5 percent, the central bank said in a statement published on its website.
 Russia at the end of April cut the refinancing rate to 12.5 percent from 13 percent in its first interest rate cut since 2007. In November, it had hiked interest rates one percent to protect the ruble.
 Earlier this year, the ruble came under sustained pressure on the markets, forcing the central bank to shell out tens of billions of dollars in foreign currency interventions to prop up the currency.
 But the pressure has receded since the government implemented a controlled devaluation of the currency to help the economy cope with the global crisis.

Kuwait cuts discount rate to 3pc

AFP, Kuwait City
 The Central Bank of Kuwait on Wednesday cut its discount rate by 50 basis points to 3.00 percent, its second reduction in a month, the official KUNA news agency reported.
 The central bank said the reduction -- the fifth since October -- will be effective as of Thursday.
 Central bank governor Sheikh Salem Abdulaziz al-Sabah said the latest cut came to "help boost growth in non-oil sectors of the domestic economy by reducing the cost of lending after indications that inflationary pressures have declined."
 He added the measure "is another step in central bank efforts to strengthen confidence in national economy by stimulating demand and eventually boosting non-oil growth."
 The decision was also taken after an increase in liquidity levels at local banks, the governor said.

ASIAN ECONOMIES

Bumpy road ahead

ASIA NEWS NETWORK
 (CONTINUED FROM MAY 13)

With the spillovers from the US financial crisis affecting Asian economies in the first quarter, Thailand, Vietnam, Taiwan and Cambodia are all set for a slow drive on bumpy roads.
 Thai economy could fall about three percent for the whole year, without additional economic and political risk factors eroding domestic demand and exports. It was expected to mark a positive growth in previous forecast.
 Vietnam's economic growth slowed to an estimated 3.1 percent in the first quarter from 5.7 percent in the fourth quarter of 2008 as a result of the global economic contraction as well as the tight monetary policy of 2008.
 Taiwan's exports, which contribute to a large portion of its GDP, fell by 35.7 percent year-on-year in March, followed by a drop of 28.6 percent in February and a whopping 44.1 percent in January, the finance ministry said.
 The Cambodian downturn is caused by serious impact of the global crisis on the garment sector, construction and tourism, which along with agriculture are main growth factors for the country's economy.

THAILAND

The Thai economy would possibly register a year-on-year contraction of five percent in the first quarter of this year, the lowest pace it could be in this round of economic downturn.
 Government spending and net exports--despite export value sharply contracted--were key engines to help keep the economy not go deep down. The government economic stimulus package, both populist policy and infrastructure investment, is yet to bear results.

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 Retail trade-related sectors have been adversely affected by the economic slowdown less than other sectors. Consumers continue to need non-durable goods for living while postpone durable goods, luxurious products and unnecessary expenses for a while.

The Bank of Thailand's (BoT) Assistant Governor Duangmanee Vongpradhip said the year-on-year economic contraction would be in the largest pace in the first quarter. It would improve in the second and third quarters before picking up with positive growth in the last quarter.

In the fourth quarter of last year, the economy registered a negative growth for the first time since the 1997 economic crisis, with 4.3 percent year-on-year contraction.
 According to the BoT's fan chart, the economy would drop in its base-line scenario of five percent in the first quarter.
 It would continue to fall about 4.2 percent in the second quarter, three percent in the third quarter but turn around to grow 3.4 percent in the fourth quarter.

However, the economy would possibly get worse than the base-line projection as the fan chart has indicated downside risk to the economy.

The seasonally-adjusted quarter-on-quarter economy was expected to slightly decrease in the first quarter. It would post a positive growth in the rest of the year, according to Duangmanee.
 The economy marked a sharp drop of 6.1 percent in last year's fourth quarter.
 National Economic and Social Development Board's (NESDB) Secretary General Ampon Kittiampon said the economy could shrink more than 4-5 percent in the first quarter, indicated by lower-than-expected economic indicators.

The economy would drop more than two percent for the entire year, compared with one percent contraction in previous projection, he said.

The think-tank agency is to announce actual economic figures for the first quarter and revise the economic growth projection for the entire year in May 25.

The government's stimulus package could not be beneficial to the economy in the first quarter as the government has just come into office.

The 2,000 baht government gift cheques have just been distributed in April while other infrastructure investment projects have not been kicked off.

However, five measures of populist policies extended from the previous government, such as free bus fare, have helped maintain purchasing power of customers whose employment status has been at risk.

VIETNAM

Vietnam's growth was positive for the first quarter of 2009 but faces substantial near-term challenges stemming from the sharp deterioration of the global economy.
 Vietnam's economic growth slowed to an estimated 3.1 percent in the first quarter from 5.7 percent in the fourth quarter of 2008 as a result of the global economic contraction as well as the tight monetary policy of 2008.

Both the agriculture and industry-construction ground almost to a halt with the former growing by just 0.6 percent and the latter 1.4 percent.



A Thai craftsman puts the finishing touches to a statue of Buddha, at a workshop in Bangkok. Thailand's economy could fall about 3 percent for the whole year.

The services sector also slowed but managed to expand at 5.6 percent.
 The IMF reduced its economic forecast to 4.8 percent in March from 5 percent in December because of weakening capital inflows, exports and remittances from overseas.

The World Bank lowered its estimate to 5.5 percent on April 7 from 6.5 percent in December and the ADB has forecast growth of 4.5 percent.

The government is striving for an economic growth of 5 to 5.5 percent this year with higher growth in 2010. But the National Assembly, which is eyeing a 6.5 percent growth, is yet to approve the new target pending its next meeting.

Vietnam economy grew at its lowest rate for nine years in 2008 -- 6.2 percent against 8.5 percent in 2007.

After peaking at 28.3 percent in August 2008, inflation has fallen as quickly as it rose with year-on-year headline inflation for March at 11.2 percent, the lowest since December 2007.

It was almost 14.5 percent year-on-year for the first quarter as consumer prices continued to ease from their record highs. But much of the 14.47 percent hike stemmed from a sharp rise in the cost of food--up more than 22 percent against the first three months of 2008.

Inflation eased to 9.2 percent year-on-year in April as telecommunications and transportation cost fell.

The General Statistics Office, which often issues the data before the end of the month based on estimates, reported that higher costs for food, beverages, home appliances and garments and textiles were the major driver of April's inflation.

Standard Chartered Bank economists now forecast that Vietnam's inflation could drop to low single digits -- about 2 percent -- in the second half of the year provided that oil and food prices remain stable.

The government has a tailored comprehensive stimulus packages totalling \$8 billion to dampen the impact of the global crisis on the country's export-led economy.

About \$1 billion will be used for a one-time cash payment to poor households, increasing infrastructure spending, reducing taxes, subsidising short-term interest

rates for borrowing working capital and a guaranteeing credit guarantees to help businesses in selected industries not only to survive but reduce prices and retain jobs.

TAIWAN

Taiwan's economy may shrink 2.97 percent in 2009 in what would be the island's worst economic performance ever, the statistics bureau said.

The pessimistic estimate by the Cabinet-level Directorate General of Budget, Accounting and Statistics (DGBAS) came after the domestic economy contracted by 8.36 percent year-over-year in the fourth quarter of 2008, the largest-ever quarterly drop in history, due to the global economic downturn.

In the DGBAS's latest forecast, released in mid-February, GDP will continue to decline in the first three quarters of this year, shrinking by 6.51 percent, 6.85 percent and 2.67 percent, respectively on a year-on-year basis.

If the DGBAS predictions were accurate then it would be the first time the domestic economy had contracted for five consecutive quarters.

Things might improve by the fourth quarter, during which the economy is expected to grow 4.5 percent, according to the DGBAS. That, however, will still put the country's economic growth in the negative territory.

DGBAS based its forecasts on a possible plunge of 20.1 percent in exports for this year amid the current downturn.

Private spending is estimated to edge up by 0.82 percent, but fixed investments made by the government, state-run enterprises and private firms would fall by 17.76 percent, the agency said.

The statistics bureau had previously forecast this year's growth to be two percent, yet it had to change its prediction after exports tumbled for the first months of 2009.

Exports, which contribute to a large portion of Taiwan's GDP, fell by 35.7 percent year-on-year in March, followed by a drop of

28.6 percent in February and a whopping 44.1 percent in January, the finance ministry said.

The DGBAS will release its official first quarter figures and new predictions for the year on May 21.

A local think tank, meanwhile, has already given its outlook for 2009, saying Taiwan's economy will grow a marginal 0.11 percent this year.

The Taiwan Institute of Economic Research (TIER) said last month Taiwan's exports are projected to shrink by a much smaller 9.19 percent in 2009, while imports are likely to contract by 13.87 percent, adding trade surplus will reach \$25.05 billion for the year.

Although government investment will increase by 26.96 percent -- thanks to the administration's efforts to promote public construction projects -- fixed investment by the private sector is expected to drop by 11.53 percent as businesses delay or cut back in their capital expenditure, TIER said.

In terms of private consumption, TIER predicted that there would be a slight growth of 0.62 percent, as the forced unpaid leave policy and workforce reduction by local businesses are taking a heavy toll on the public's purchasing power.

CAMBODIA

The economy has been hit badly in the first quarter of 2009, ending an economic growth, which used to be at two digits before dropping to 6.8 percent in 2008. Economists see 2009 as the worst year for the country's economy in this decade.

World Bank predicted that Cambodian economic growth will contract -1 percent this year due to the financial crisis although the economics and finance ministry sees a growth of up to 2 percent.

The downturn is caused by serious impact of the global crisis on the garment sector, construction and tourism, which along with agriculture, are main growth factors for the Cambodian economy.

TO BE CONTINUED



Dith Munty (5th R), president of the supreme court, performs a ploughing ceremony on behalf of King Norodom Sihamoni (not pictured) in a park near the royal palace during the annual ploughing ceremony in Phnom Penh on Tuesday. Cambodia's royal oxen take part in an ancient ceremony to foretell the country's agricultural outcome, decided by offering the oxen seven different dishes, with the prediction depending on the one they choose to eat. This year the oxen avoided eating rice, promoting worry of little rice harvest this year among farmers.