International Business News

Wal-Mart reports $3.02b first quarter net income

AFP, *New York*

The world's biggest retailer Wal-Mart reported Thursday a 3.02-billion-dollar net income for the first quarter of 2009, the same as a year ago.

Proving it could weather the economic downturn markedly better than its competitors, Wal-Mart reported first quarter net sales for the first quarter (February to April) as 93.4 billion dollars, a decrease of only 0.6 percent from the first quarter last year.

Wal-Mart said in a statement that its earnings per share for the first quarter of fiscal year 2010 were 0.77 dollars, which was at the high end of the company's own guidance of 0.72 to 0.77 dollars.

The store earned 0.76 dollars per share in the first quarter last year.

Officials said they were satisfied by the margins, coming on the back of robust sales despite a sharp slowdown.

"These results were achieved in the face of a very challenging global economy," said Wal-Mart CEO Mike Duke.

"When economic conditions improve, we believe customers who shop Wal-Mart today will stay with us, because of the business improvements we're making and continue to make," he added.

"Across the company, we are building our brand by reducing costs, sharpening our merchandising and updating our stores."

US takes aim at derivatives blamed in crisis

AFP, *Washington*

The US administration Wednesday proposed new rules to tighten supervision of derivatives, the complex financial instruments believed to be a key element of the global financial crisis.

The new rules aim to prevent the kind of financial chaos that occurred after the collapse last year of big financial firms involved in derivatives, Lehman Brothers and insurer AIG.

The rules proposed by the Treasury call for capital requirements for firms selling derivatives and a requirement for many of these products to be traded through regulated entities.

Trillions of dollars in derivatives are traded each day, including various kinds of futures and options contracts, with many outside the scope of regulated exchanges.

Among the most controversial derivatives are credit default swaps, which are a form of insurance against a default in some types of securities. Investment legend Warren Buffett once called derivatives "financial weapons of mass destruction."

The financial system was pushed to the brink last year when AIG and Lehman Brothers were put on the hook for trillions of dollars of failed subprime, or high-risk, mortgage securities.

AFP

A labourer works at a charcoal factory in Yala province of Thailand. Thai consumer confidence fell to its lowest in more than seven years in April with buyers nervous about spending amid ongoing domestic political turmoil and global economic woes, a survey showed yesterday.

Spain slides deeper into recession in Q1

AFP, *Madrid*

The Spanish economy slid deeper into recession in the first quarter of this year, official data showed on Thursday revealing that output shrank by 1.8 percent from the level in the previous quarter.

This was the third monthly contraction in a row after a fall of 1.0 percent in the last quarter of last year from the level in the third quarter which had shown negative growth of 0.3 percent.

The National Statistics Institute, INE, which published the provisional data, said that "the quarterly variation of gross domestic product is minus 1.8 percent."

The figure was in line with an estimate by the Bank of Spain at the end of April.

The widely accepted definition of recession is two quarters running of contraction from output in the previous quarter.

Spain entered into its first recession for 15 years at the end of 2008 and the global credit crunch worsened a correction which was already underway in its once booming housing sector.

New US jobless claims show surprise jump to 637,000

AFP, *Washington*

New jobless claims by American workers rose to 637,000 in the past week, the Labor Department reported Thursday, in a sign of continued caution by US business in the face of a weak economy.

The agency said new claims in the week to May 9 rose by 32,000 from the revised level of 605,000 in the previous week.

The figure was worse than the level of 610,000 new claims expected by private economists, and according to officials was due in part to a shutdown of some automobile production factories, idling many workers.

A Labor Department official said the shutdown by Chrysler after its bankruptcy filing April 30 caused a rise in claims, including from auto parts suppliers.

The weekly initial claims data, a snapshot on the labor market, has shown new claims above the 600,000 level for three months as the country grapples with a severe recession but is down from a peak of 674,000 in late March.

ASIAN ECONOMIES

Pump-priming steps needed

ASIA NEWS NETWORK

(CONTINUED FROM MAY 14)

As the world economy is on a downturn with massive job losses, and exports and remittances being hit hard in most developed and developing countries, Asian economies, like the West, are devising plans for pump priming.

In the first quarter, Singapore's GDP shrank 19.7 percent quarter-on-quarter in its fourth consecutive fall, dismaying many, although there has been some good news on the jobs front.

Falling exports and job losses as a result of the global economic meltdown slowed the economic growth of the Philippines in the first quarter this year.

The South Korean economy, the fourth largest in Asia, escaped the technical definition of a recession -- two consecutive quarters of negative growth. In the final quarter of 2008, the economy had shrunk 5.1 percent.

Indonesian finance minister estimated Asean's largest economy could have expanded by 4.5 percent in the first quarter, even though its exports contracted by almost 35 percent.

AFP

Singapore Airline jet prepares for landing at the Changi International airport in Singapore recently. Singapore Airlines said yesterday fourth quarter net profit plunged 92 percent to 41.9 million Singapore dollars ($28.5 million) from the year before as the global economic slump hurt passenger and cargo demand.

SINGAPORE

Singapore's battle against the downturn is far from over with the national economy set to contract anywhere between 6 to 9 percent this year. The slump this year would be Singapore's worst, beating the record low of -3.8 percent seen pre-independence, in 1964.

In the first quarter, Singapore's GDP shrank 19.7 percent quarter-on-quarter in its fourth consecutive fall, dismaying many.

After a negative 16.4 percent pace in the preceding quarter, economists had expected the momentum of contraction to ease, if not turn altogether in the first quarter. This time last year, it was all about how big the record-busting profits were.

There has been some good news, however, on the jobs front.

According to labour chief Lim Swee Say, nearly 900 workers were losing their jobs per week in the period after the Chinese New Year in February. But, he said in April that this has "dropped noticeably" to about 300 a week.

Lim said measures taken by the government had made a "real difference between cutting jobs to save costs, as seen in other countries and cutting costs to save jobs in Singapore".

Singapore unveiled a S$20.5 billion Resilience Package earlier this year to help firms improve cash flow and preserve jobs. These include a S$4.5 billion Jobs Credit Scheme, which subsidises employers' wage bill for local workers, and a S$650 million Skills Programme for Upgrading and Resilience (SPUR).

According to Prime Minister Lee Hsien Loong, the measures put in place are working and the country has reason to be "quietly confident" of overcoming the downturn, given the nation's "economic strengths".

These include sound banks, competitive industries, flexible wage systems, availability of good jobs and the country's substantial reserves.

In addition, Singaporeans can expect more job-creating projects with construction of the International Cruise Terminal, Asia's first River Safari in Mandai Gardens and a park in the Marina Bay area, besides the two integrated resorts. The health and civil services sectors too are expected to continue hiring.

In the remaining months of this year, financial services and wholesale and retail trade are also expected to grow, although at a much slower pace. And a silver lining is that lower oil and food prices should rein in inflation, which is now tipped to be between -1 and 0 percent instead of 1 to 2 percent.

But its overall impact on the economy is uncertain, given pessimistic forecasts about the world economy. The World Bank predicts that global industrial production will slow by as much as 15 percent this year while global trade will fall sharply. The outbreak of H1N1 and its likely consequences, meanwhile, continue to depress sentiments.

PHILIPPINES

Falling exports and job losses as a result of the global economic meltdown slowed the economic growth of the Philippines in the first quarter this year.

National Economic Development Authority Director General Ralph Recto forecast the economy grew by 2.1-3.1 percent in the first three months of the year, down from the 5.2 percent in the same period last year and 4.5 percent in the last quarter of 2008.

But Recto expected GDP to pick up in the later part of the year as key overseas markets recover from the global financial crisis. "We are seeing a bottoming out of the crisis."

He said some 100,000 Filipino workers were affected by the global crisis in the first quarter, with about half losing their jobs due to company closures or retrenchments.

Despite this, the Philippines remains one of the few countries to actually post economic growth, thanks to the continued strength of consumer spending, he said.

Recto expressed hope that remittances from the millions of Filipinos working overseas would remain strong for the year, allowing the country to achieve its growth targets.

Interest rates have also been falling which should further help growth, he added.

In early April, the Philippine government cut its growth forecast for the year to 3.1-4.1 percent from a previous estimate of 3.7 percent to 4.4 percent.

But the IMF forecast zero GDP growth for the Philippines this year and just one percent in 2010. But the government rejects IMF's forecast, insisting that the economy was still on track to expand by between 3.1 and 4.1 percent this year.

"While the Philippines is not immune to the global economic slowdown, a flat growth, as announced by the IMF, is unlikely," central bank Governor Amando Tetangco said in a statement.

Tetango noted that the IMF had consistently underestimated Philippine GDP growth forecast by an average of about half a percentage point in the past seven years.

He said strong domestic demand "could drive the country's growth". Personal consumption accounts for more than two-thirds of the Philippine economy and had contracted only once, in 1985, over the past 30 years, he said.

Tetangco said Philippine exports, remittances by OFWs (overseas Filipino workers), and a booming business process outsourcing sector, while not immune to the crisis, "retain important elements that render them less vulnerable to the worldwide economic down cycle".

But a senior official said the government might review its growth targets again this year if key drivers worsen further.

"The Development Budget Coordination Committee and the economic managers are closely monitoring global economic developments including indicators from global partners like the multilateral organisations," said economic planning undersecretary Rolando Tungpalan.

Tungpalan said the revised forecasts had factored in lower world output projections, flat growth for this year's remittances by OFWs, lower exports, and depressed manufacturing.

"Nonetheless, these assumptions show that the economy is still expected to post a positive growth rate, and the government is undertaking initiatives to ensure that this level of growth is realised," Tungpalan said.

He pointed out that remittances still managed to grow by 4.9 percent in February 2009 while the deployment of overseas Filipino workers even posted growth of 30.2 percent compared to 25.3 percent in January.

The Philippines expects exports this year to contract by between 13 and 15 percent. Imports are expected to decline by 12-14 percent.

SOUTH KOREA

The Korean economy grew 0.1 percent in the first quarter from the previous quarter, amid growing signs that the economy's slump may be past its worst.

This means that the economy, the fourth largest in Asia, escaped the technical definition of a recession -- two consecutive quarters of negative growth. In the final quarter of 2008, the economy had shrunk 5.1 percent.

"The pace of the economic downturn has slowed much recently," said Choi Chun-shin, head of the central bank's statistics department.

Evidence is mounting that the government's stimulus packages and the central bank's aggressive monetary easing are aiding the economy, which like other export-driven economies in Asia, was battered by simultaneous recessions in major overseas markets.

Financial markets stabilised and major companies reported better-than-expected performance for the first quarter. Samsung Electronics delivered an earning surprise, reporting 470 billion won ($364 million) in operating profit in a sharp rebound from the 740 billion won deficit in the previous quarter. LG Electronics also beat market expectations with 455.6 billion won in operating profit and Hyundai Motor's 153.8 billion won operating profit compares with the deficits of troubled global carmakers GM and Toyota.

Confidence among manufacturers rose to a seven-month high in April, while consumer sentiment climbed to a nine-month high. Industrial production grew for a third month in March from the previous month. Production had fallen 25.6 percent in January from a year ago, the worst on record.

However, policymakers cautioned against premature optimism, saying the economy had not bottomed out just yet.

"For now, it is difficult to say when the economy will hit the bottom and start to recover," Finance Minister Yoon Jeung-hyun said.

"For our economy to ride on the growth track, the world economy should recover and the local economy should see increase in jobs and consumption in earnest," he said.

The government, struggling to spur domestic spending to buffer the sharp decline in exports, has poured about 50 trillion won ($37.2 billion) in fiscal spending, tax cuts, and liquidity injections into the financial market.

The parliament recently approved an extra budget of 28.4 trillion won, about 3 percent of the country's GDP, as the government prepares to provide cash handouts, cheap loans and job training courses coupled with additional infrastructure spending.

The Bank of Korea predicted that the economy will shrink 2.4 percent in 2009, the first contraction since 1998, when it posted a negative 6.9 percent growth in the wake of a foreign currency crisis. In 2008, Korea's gross domestic product expanded 2.2 percent.

AFP

Filipino children rest in a tri-wheeler in Quezon city on Wednesday. Cash transfers by the nine million-strong Filipino workforces abroad should remain steady and drive private consumption to ensure the Philippines economy keeps growing this year, the central bank said.

INDONESIA

Indonesia's economy bucked the sharp downturn in most other Asean countries and the deep recession in the developed economies by continuing to expand by an estimated 4.5 percent in the first quarter of 2009 on the back of robust domestic consumption.

Finance Minister Sri Mulyani Indrawati estimated Asean's largest economy could have expanded by 4.5 percent in the first quarter, even though its exports contracted by almost 35 percent.

Although this growth was lower than the 6.2 percent recorded a year earlier and 5.2 percent in the last quarter of 2008, it was still respectable compared to the contraction in both Singapore and Thailand and flat growth in Malaysia.

Private consumption, which accounts for more than 70 percent of GDP, has received a significant boost from spending on campaigning by political parties and legislative candidates for the April 9 parliamentary election.

Most analysts foresee vigorous domestic consumption to continue in the second quarter thanks to the new wave of massive spending on political campaigning in June as parties will again campaign to reach out to the 171 million voters to support their candidates in the July 8 presidential election.

Another $1 billion--also as part of the $6.1 billion fiscal stimulus--is being injected to the economy through infrastructure development projects under construction in various provinces.

Barring major election violence that could set off tremendous speculative attacks on the rupiah, the government estimates the economy to end the year with growth range of 4 to 4.5 percent, lower than 4.5-5.5 percent in earlier forecast.

TO BE CONTINUED