

International Business News

Recession storm sinks Europe

AFP, Paris

The global recession stormed into Europe with a vengeance in the first quarter, data showed Friday, pushing the economy deeper into the mire and casting a shadow over predictions the worst may soon be over.

The 16-nation eurozone economy contracted a record 2.5 percent in the first three months of the year, the deepest slump ever going back to 1995, after shrinking 1.6 percent in the last quarter of 2008, the Eurostat agency said.

Compared with a year earlier, the eurozone was down 4.6 percent while the wider 27-nation European Union economy shrank 4.4 percent.

Analysts had been expecting a contraction of 2.2 percent on the quarter and 4.1 percent on the year.

Eurostat figures also showed that the worst global slump since the 1930s Great Depression was now hitting Europe harder than the United States, the epicentre of the storm, whose economy shrank 1.6 percent in the first quarter and 2.6 percent over one year.

National data showed that Germany, Europe's biggest economy, registered its worst performance since modern records began in 1970 with a contraction of 3.8 percent in the first quarter.

The quarterly contraction in Germany, the world's biggest exporter, was even steeper than the 2.2 percent fall recorded in the final three months of 2008 and topped analyst forecasts for a drop of 3.2 percent.

World Economic Forum kicks off in Jordan

AFP, Amman

Jordan's King Abdullah II on Friday called for the Middle East to become an economic "powerhouse" that could help reshape the global economy after the credit crunch.

Speaking on the opening day of the World Economic Forum by the Dead Sea, the king said: "At this year's forum, you will be addressing the most critical issues of our time. Let your answers be just as bold."

He urged "answers that do not simply help our countries get through the global economic downturn but ensure the region emerges as a powerhouse: the go-to place for opportunity and wealth-building and a determining factor in reshaping the global economy."

The process should begin with "a region-wide consensus on action - a home-grown, home-based approach to unity, progress and peace," Abdullah said, urging Middle Eastern countries to work together.

"To succeed, we must build regional multi-sector, multi-skill partnerships. No single entity owns the region's most pressing challenges - or their solution," the king said.

Up-to-date education systems, management of water and other scarce resources, health or environmental matters and urban development are among priorities that can be addressed most effectively at regional level, he told the forum.



AFP

Tap dancers perform on Bourbon Street in the French Quarter in New Orleans, Louisiana on Friday. Tourism is the number one industry in New Orleans. Over 400,000 people attended this year's JazzFest, the largest crowd since Hurricane Katrina. New Orleans continues to be revitalised with \$19 billion in federal rebuilding money yet to be spent along with \$3.8 billion in federal stimulus funds in the pipeline.

IMF in talks with Sri Lanka on bailout package

AFP, Vienna

The International Monetary Fund said Friday it was pursuing talks with Sri Lanka over a 1.9 billion dollar bailout package, despite US criticism because of the conflict in the Asian nation.

"We are discussing with Sri Lanka," IMF chief Dominique Strauss-Kahn told a press conference in Vienna.

"I don't know whether we will reach an agreement. We have to take into account two things: first, the international community is much concerned about how the war is handled; and secondly, the needs of the Sri Lankan economy that obviously needs the help of the IMF," he said.

Colombo has said it needs IMF help to get through the global financial crisis.

But US Secretary of State Hillary Clinton criticised the move Thursday at a time when Washington was "trying to convince both sides," the Sri Lankan government and the Tamil Tiger guerrillas, to stop fighting.

US insurer Ameriprise rejects Treasury bailout offer

AFP, New York

US insurer Ameriprise Financial said Friday that it would not accept Treasury bailout funding, explaining its capital position was "more than adequate" in the face of recession.

Ameriprise was among the six major US insurers the Treasury Department announced late Thursday as winning preliminary approval for the rescue funds, part of the 700-billion-dollar Troubled Asset Relief Program (TARP).

"While we appreciate Treasury's approval of our application, we have elected not to accept funding," Jim Cracchioli, chairman and chief executive, said in a statement.

"We have carefully evaluated our current position and expectations for the future, and we are confident that our current capital position and access to potential additional funding sources are more than adequate."

ASIAN ECONOMIES

Raising domestic demand a way

ASIA NEWS NETWORK

(CONTINUED FROM MAY 15)

Over the long horizon, Asian economies are at a risk of a structural decline in demand from advanced economies, and so the countries must rely more heavily on domestic consumption to keep their economies afloat.

Japan's Prime Minister Taro Aso and predecessor Yasuo Fukuda have compiled three stimulus packages with a combined headline figure of 75 trillion yen, including fresh spending and other measures such as loan guarantees.

Most of the Laos government's measures are aimed at facilitating investment and business growth to boost economic development, create employment and raise income levels.

Malaysian GDP is expected to contract due to a drastic drop in external demand since late last year, which became worse in the first two months of 2009 and also caused industrial output to fall, according to a poll.

Bangladesh's overall export growth has slowed considerably to a monthly decline of 3 percent by February 2009. Exports of ready-made garments have fallen significantly from 59 percent at the beginning of 2009 to 19 percent in 2009. Orders have declined since December 2008. Exports of some of the major items like frozen food, leather and pharmaceuticals have declined by 11 percent, 33 percent and 15.5 percent.

JAPAN



AFP

Pedestrians walk past before a branch of Sumitomo Mitsui bank in Tokyo on Friday. Sumitomo Mitsui Financial Group Inc said it fell into the red in fiscal 2008 for the first time in four years with a group net loss of 373.46 billion yen, hit hard by the global financial crisis, and projected a net profit of 220 billion yen for fiscal year 2009.

year, primarily due to the postponement of some major international investments in Laos.

At least three major power plant projects, including the \$3.9-billion Hongsa lignite power plant in Xayaboury province, were postponed late April.

The global financial crisis has also hit the tourism industry. The Lao National Tourism Administration predicts the number of tourists arriving in 2009 will reach 1.9 million, 90 percent of the initial target.

The decline of tourist numbers in Laos is also due to the political turmoil in Thailand which most tourists use as a gateway for entering Laos.

The government has forecast the Lao economy will grow by 7.5 percent in the 2008-09 fiscal year, 0.5 percent lower than its earlier prediction.

To address the negative impacts of the global economic recession, the government has introduced a number of measures including the suspension of value added tax, which would require customers to pay an additional 10 percent on the price of some products.

Most of the government's measures are aimed at facilitating investment and business growth to boost economic development, create employment and raise income levels.

The government also plans to provide low interest rate loans to selected businesses, which are struggling as a result of the global economic crisis to help them survive the difficult times.

MALAYSIA



Malaysia's economy is seen to have contracted above 3.5 percent year-on-year in the first quarter based on figures released in January and February that showed year-on-year drops in external trade and industrial output.

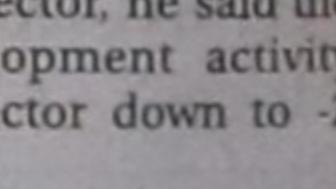
According to a poll conducted by StarBiz, GDP is expected to contract due to a drastic drop in external demand since late last year, which became worse in the first two months of 2009 and also caused industrial output to fall.

Malaysian Institute of Economic Research (MIER) Executive Director Datuk Mohamed Ariff Abdul Kareem said the first half of the year would be challenging for the economy.



Containers at Chittagong Port in Bangladesh. The country's overall export growth has slowed considerably to a monthly decline of 3 percent by February 2009. Exports of ready-made garments have fallen significantly from 59 percent at the beginning of 2009 to 19 percent in February 2009.

BANGLADESH



Despite the recession, Bangladesh economy remains surprisingly resilient with the government projecting growth at 5.88 percent, slightly down from last year's 6.1 percent.

A strong agriculture output and a matching industrial performance helped the buoyant outlook. Although exports and remittance inflow continue to be strong, along with a comfortable \$6 billion foreign exchange reserves (equivalent to 2.9 months of import cover), there are signs that the recession has started having its impact.

Overall export growth has slowed considerably to a monthly decline of 3 percent by February 2009. Exports of ready-made garments have fallen significantly from 59 percent at the beginning of 2009 to 19 percent in February 2009. Orders have declined since December 2008. Exports of some of the major items like frozen food, leather and pharmaceuticals have declined by 11 percent, 33 percent and 15.5 percent.

At the same time, monthly growth rates of remittances are on a continuous decline and manpower exports have slowed.

One saving grace has been the low inflation rate of 6.1 percent in January.

In April, the government announced a \$480 million stimulus package that aims at giving 2.5 percentage points higher cash incentives to some key sectors except garments. It also covers the agriculture, safety net and power development.

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