International Business News

Deutsche Bank profit more than triples in Q3

AP, *Frankfurt*

Deutsche Bank AG, Germany's biggest bank by assets, said Thursday that tax credits and increased trading revenue pushed its third-quarter earnings more than three times higher.

The company made a net profit of euro1.4 billion ($2.1 billion) in the July-September period compared with euro414 million a year earlier. The gain was propelled by some euro369 million in tax benefits.

Revenue rose 64 percent to euro7.2 billion compared with euro4.4 billion in the same quarter last year.

The figures beat expectations with analysts polled by Thomson Reuters expecting euro836 million in net profit and euro6.7 billion in revenue.

The results were in line with the preliminary figures that Deutsche Bank released earlier this month but failed to excite investors, who pushed the bank's shares 1.4 percent lower to euro48.21 in Frankfurt trading.

Japan's Hitachi posts $1.5b interim loss

AFP, *Tokyo*

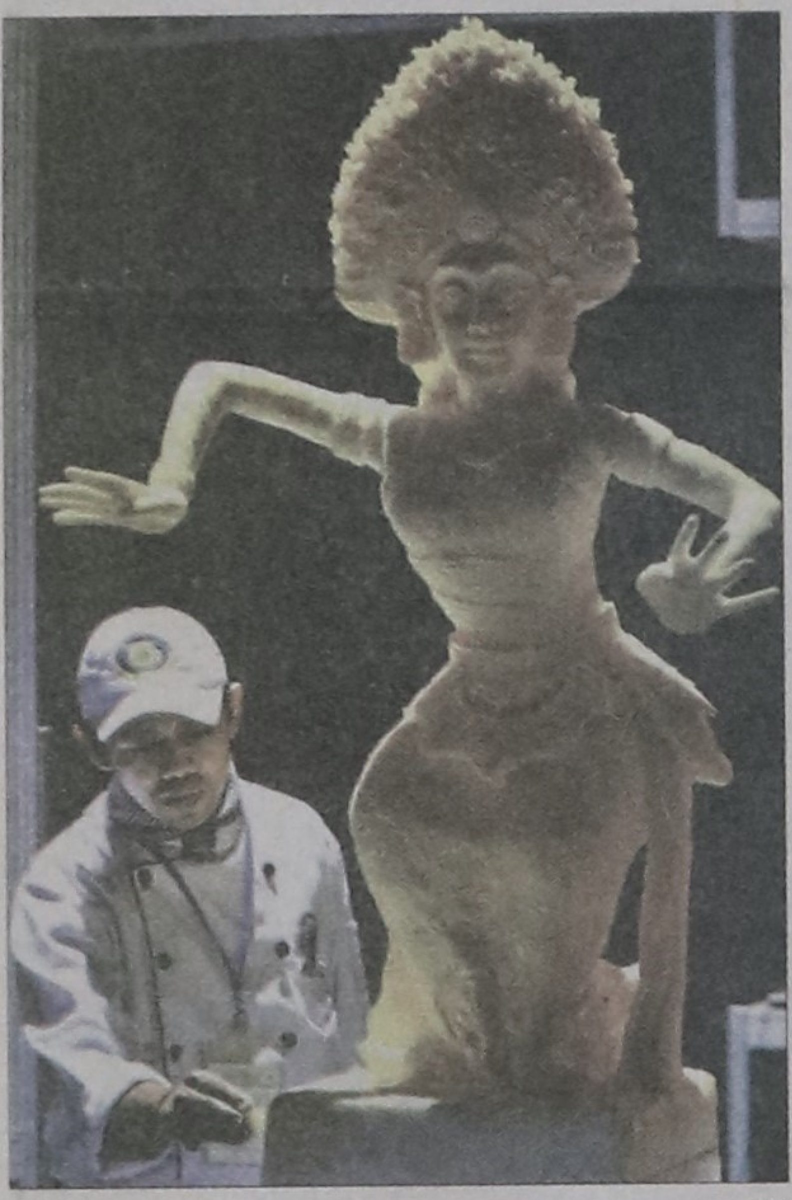
Japanese high-tech giant Hitachi Ltd. said Thursday it had lost about 1.5 billion dollars in the six months through September, warning that conditions in the electronic industry remain tough.

Hitachi, which makes everything from refrigerators to nuclear power systems, posted a net loss of 133.2 billion yen (1.47 billion dollars) for the first half of its business year, against a year-earlier profit of 14.2 billion yen.

Economic stimulus measures are supporting sales of auto and electronics parts, said vice president Takashi Miyoshi.

"But overall capital investment and final consumption are not picking up. Conditions remain severe," he added.

The company logged an operating loss of 24.8 billion yen for the first half period, against a 197.1 billion yen profit a year earlier. Revenue fell to 4.12 trillion yen from 5.31 trillion yen.



AFP

A student of tourism school finishes a Balinese dancer sculpture made of butter during a Trade Expo in Jakarta yesterday. Indonesian President Susilo Bambang Yudhoyono promised to boost investment by removing bottlenecks and red tape blamed for slowing growth in Southeast Asia's biggest economy. The government also aims to cut unemployment from 8.1 percent to 5.0-6.0 percent, and poverty from around 14 percent to 8.0-10 percent, he added.

Russia cuts interest rates to historic low

AFP, *Moscow*

The Russian Central Bank on Thursday announced it would cut the benchmark refinancing rate half-a-point to 9.5 percent, its lowest level in Russia's modern history, in a bid to stimulate the economy.

The cut, effective from Friday, was agreed "with the aim of additionally stimulating credit activity in the banking sector of the economy," the Central Bank said in a statement.

The refinancing rate stood at 10 percent between June 2007 and February 2008 but this is the first time in Russia's post-Soviet history it has been cut below the 10 percent level.

Indonesia targets investment boost

AFP, *Jakarta*

Indonesian President Susilo Bambang Yudhoyono promised Thursday to boost investment by removing red tape blamed for slowing growth in Southeast Asia's biggest economy.

He said investment would rise to 2,100 trillion rupiah (216 billion dollars) over his last five years in office, or about 30 percent of gross domestic product, compared to 27.7 percent currently.

Such a level of investment would be needed to achieve the government's target of seven percent economic growth by 2014.

ECONOMIC DOWNTURN

Asia must adapt to new world: IMF

AFP, *Seoul*

Asia is leading the way out of the global economic slump but must adapt to a "new world" of softer demand in major Western export markets, the International Monetary Fund said Thursday.

In its latest economic outlook for Asia and the Pacific, the IMF forecast an "impressive recovery" with regional growth speeding up to 5.75 percent in 2010 from a projected 2.75 percent this year.

The IMF said that while output in most of Asia was initially hit even harder than in countries at the centre of the crisis, "now Asia is leading as the world pulls out of recession".

"Just as the US downturn triggered an outsized fall in Asia's GDP (gross domestic product) because international trade and finance froze, now their normalisation is generating an outsized Asian upturn," its report said.

"For this reason, the rebound in economic activity has been fastest in the export-dependent Asian economies that were hit most severely at the end of 2008."

The IMF also credited the region's "rapid, forceful, and comprehensive policy response".

It said this was made possible by sounder government finances, more credible monetary policies and stronger corporate and bank balance sheets than in the past.

"These conditions gave Asia the space to cut interest rates sharply and adopt large fiscal stimulus packages," it said. "As a result, overall domestic demand has held up remarkably well, despite weak private demand."

The IMF reaffirmed its forecast for Chinese GDP growth of 8.5 percent this year and 9.0 percent next. It said Japan's struggling economy would contract by 5.5 percent this year, before rebounding modestly in 2010 by 1.75 percent.

AFP

Anoop Singh, director the International Monetary Fund's Asia and Pacific Department, talks about Asia's economy during a forum in Seoul yesterday. IMF said Asia is leading the way out of the global economic slump.

	2009	2010
Asia	2.8	5.8
China	8.5	9.0
Japan	-5.4	1.7
Hong Kong	-3.6	3.5
South Korea	-1.0	3.6
Singapore	-1.7	4.3

The IMF cautioned that while world conditions would likely continue to improve in 2010, the recovery was expected to be sluggish.

It predicted that output in the large G7 economies would grow by just 1.25 percent next year since private demand remains hobbled by the legacy of the crisis.

"Households will find it difficult to spend and banks to provide credit since they must focus instead on repairing their balance sheets after the sizeable destruction of wealth that occurred during the recession."

The IMF said G7 consumption was likely to stay weak for some time, limiting demand for Asian exports.

Regional policymakers face two major challenges, it said. In a near-term "balancing act" they must support economies until the recovery was clearly self-sustaining, but avoid fuelling inflation or damaging fiscal sustainability.

"Striking the right balance will be difficult," the report said. But policymakers would have to assess the extent to which private demand could substitute for a withdrawal of public-sector demand.

So far, the IMF said, "private demand remains weak, and the outlook far from encouraging, both in Asia and abroad. Consequently, Asian countries will likely need to maintain policy support for some time."

Asia must also adapt to a "new world" of softer demand from G7 nations, and rebalance export-dominated economies to give domestic demand a bigger role in driving growth.

The IMF said better social safety nets would be needed to reduce savings by private individuals. Continued reforms to the financial sector and to corporate governance would also persuade more Asian firms not to hoard cash, it said.

"Finally, Asia will need to be willing to live with smaller current account surpluses and more flexible exchange-rate management," the IMF said.

IMF Asia-Pacific director Anoop Singh also stressed the danger of a premature withdrawal of stimulus measures.

"The recent recovery is not permanent," he told a briefing. "Therefore we need to maintain fiscal and monetary stimulus until we are fairly sure that recovery is firmly in place."

RECESSION

US economy may herald recovery

AP, *Washington*

The US economy appears back on its feet after being knocked over by the worst recession since the 1930s.

The big question: Will it still be standing after government supports are gone?

Many analysts expect the economy returned to growth in the July-September quarter, expanding at a pace of 3.3 percent. If they are right, it would end the streak of four straight quarters of contraction, the first time that's happened on records dating to 1947.

A turnaround would be the strongest signal yet that the economy has entered a new, fragile phase of recovery and that the recession, which started in December 2007, has ended.

The third-quarter growth rate forecast by Thomson Reuters would be the best showing since a 3.6 percent pace logged in the third quarter of 2007.

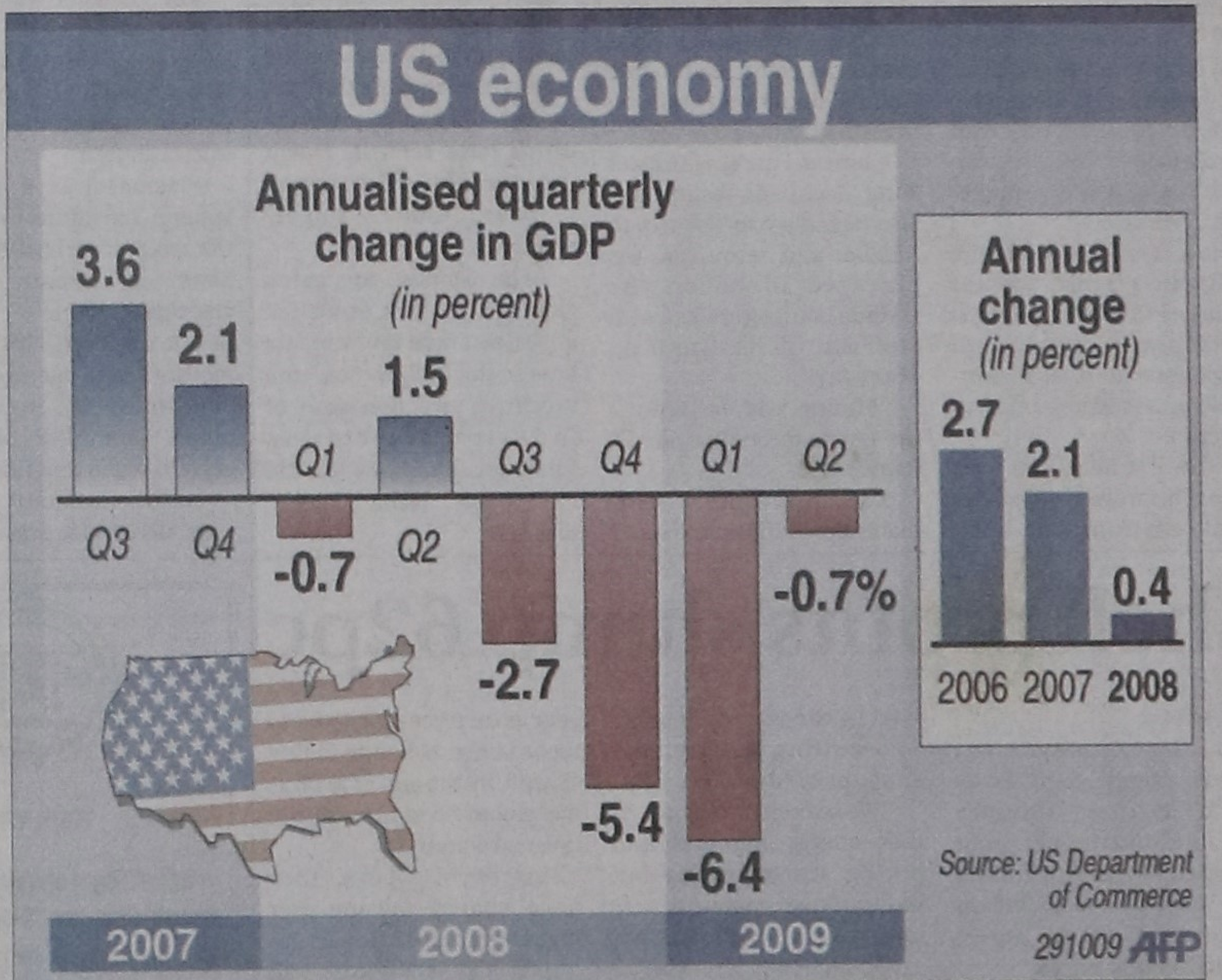
Feeding the rebound: hefty sales of cars and homes spurred by government support programs.

"It's good to have the economy growing again, we'll take it. But we don't think that rate of growth is sustainable because it is distorted by all the government stimulus," said Brian Bethune, economist at IHS Global Insight. "The challenge here is to get organic growth - growth that isn't helped by fiscal steroids."

Federal Reserve Chairman Ben Bernanke and members of President Barack Obama's economics team have warned that the nascent recovery won't be robust enough to prevent the unemployment rate - now at a 26-year high of 9.8 percent - from rising into next year.

Economists say the jobless rate probably nudged up to 9.9 percent in October and will go as high as 10.5 percent around the middle of next year before declining gradually. The government is scheduled to release the October jobless rate report next week.

The number of new people signing up for unemployment benefits probably nudged down to



521,000 last week, economists predict, in another report due out Thursday. Still, the number of people continuing to draw aid is expected to stay elevated at around 5.9 million.

White House press secretary Robert Gibbs on Wednesday said the administration was hoping for growth in the third quarter, but noted that "in the president's mind, (there's) much work to do to ensure an environment that is helping to create jobs."

Rising unemployment and continuing difficulties by both consumers and businesses to secure loans are among the forces likely to weigh on the recovery.

With joblessness growing and wages stagnant, consumers are expected to turn more restrained in the months ahead. That would put a much heavier burden on America's businesses to keep the recovery going.

"A frequent question is: 'What happens when your fiscal stimulus wears off?'" said Edward Yardeni, president and chief investment strategist at Yardeni Research. "I maintained that the recovery should be increasingly self-sustaining once businesses started to rebuild their inventories."

Many economists expect businesses continued to cut their inventories in the third quarter, but not as much as the second quarter's record pace. Rebuilding stockpiles -- something that's expected in the current quarter -- would boost GDP, but less severe cuts likely didn't weigh down the economy as much in the July-September period.

Consumers, who cut spending in the second quarter, are expected to show a burst of energy in the third quarter. Some analysts predict consumer spending rose at a rate of at least 2 percent in the third quarter, with most of that going to buy new cars.

Auto sales were temporarily boosted by the government's Cash for Clunkers program. It gave people a rebate of up to $4,500 to buy new cars and trade in old gas guzzlers. After the program ended in August, auto sales tanked again.

Another force expected to feed third-quarter growth is improved home sales, which have been helped by the government's $8,000 tax credit for first-time home buyers. Congress is considering extending the credit, which expires on Nov. 30.

Even though the government reported Wednesday that new-home sales fell in September, some analysts think business investment in housing will actually turn positive for the third quarter, the first time that's happened since the final quarter of 2005.

The collapse of the housing market led the country into the recession. Rotten mortgage securities spiralled into a banking crisis. Home foreclosures surged. The sector's return to good health is a crucial ingredient to a sustained economic recovery.

A pickup in spending by the federal government, led by efforts to stimulate the economy and on defence, also is expected to play into the third-quarter turnaround.

So will sales of US-made goods to customers overseas, helped by improvements in economies in Asia, Europe and elsewhere. Business spending on equipment and software also could turn positive for the first time in nearly two years.

But many economists predict economic activity won't grow as much in the months ahead as the bracing impact of Obama's $787 billion package of increased government spending and tax cuts fades.

The National Association for Business Economics thinks growth will slow to a 2.4 percent pace in the current October-December quarter. It expects a 2.5 percent growth rate in the first three months of next year, although other economists believe the pace will be closer to 1 percent.

Christina Romer, the president's top economist, in remarks last week said the government's stimulus spending already had its biggest impact and probably won't contribute to significant growth next year.

To foster the recovery, the Fed is expected to keep a key bank lending rate at record low near zero when it meets next week and probably will hold it there into next year.

With the economy on the mend, the Fed has slowed down some key emergency support programs but doesn't want to pull the plug until the recovery is on firm footing.

Even if the economy climbs back into positive territory in the third quarter, it will be up to another group to declare the recession over. The National Bureau of Economic Research, a panel of academics, is in charge of dating the beginning and ends of recessions. It usually makes its determinations well after the fact.