

International Business News

Bernanke: Recovery fragile

AFP, Washington

Federal Reserve chairman Ben Bernanke on Monday tamped down speculation that essentially zero interest rates were set to rise, saying the US recovery from recession remains fragile.

"Though we have begun to see some improvement in economic activity, we still have some way to go before we can be assured that the recovery will be self-sustaining," Bernanke said in a speech to the Economic Club of Washington.

Bernanke said the recovery faces "some formidable headwinds," particularly the weak jobs market and tight credit conditions.

"My best guess at this point is that we will continue to see modest economic growth next year -- sufficient to bring down the unemployment rate, but at a pace slower than we would like," he said.

As the economy crawls out of the deep recession that began in December 2007, a stronger-than-expected November jobs report Friday set markets abuzz with speculation that the Fed would order a rate hike sooner than previously anticipated.

Bernanke concentrated on the "headwinds" to growth in his comments, said Ian Shepherdson, chief US economist at High Frequency Economics.

"He does not sound to us like a man with his finger on the trigger, or indeed anywhere near it," Shepherdson said.



A Sri Lankan farmer sprays pesticide at his rice farm at Piliyandala, just outside the Sri Lankan capital Colombo yesterday. Lankan farmers use labour intensive methods and farm animals in subsistence agriculture, the mainstay of the island's economy.

Indian car sales surge 61pc

AFP, New Delhi

New car sales in India rose 61 percent year on year in November, helped by a low base level in 2008 and government stimulus to encourage spending, industry data showed Tuesday.

The Society of Indian Automobile Manufacturers (SIAM), which issued the data, said total sales were 133,687 units as India's economy continues to pick up speed after the global financial crisis.

The vehicle market was extremely depressed last November, falling 20 percent from 2007 levels, during some of the worst moments in the crisis as stock markets plunged worldwide and consumer confidence dived.

Since then, the global economy generally and India's economy in particular has rebounded, helped by vast government stimulus packages and low interest rates that have encouraged investment and spending.

"We will have to see the actual scene when and if the government withdraws the stimulus packages," said SIAM director Sugato Sen.

Recent growth data has led to speculation that the government and central bank will withdraw stimulus measures sooner rather than later, though Indian Finance Minister Pranab Mukherjee has insisted the recovery must take root.

Taiwan opposition says China pact may cost 1.6m jobs

AFP, Taipei

Taiwan's opposition leader on Tuesday said a planned trade pact with China could cost the island 1.6 million jobs, insisting on a referendum on the controversial agreement.

Tsai Ing-wen made the statement after her Democratic Progressive Party, which favours independence from China, gained ground in local elections at the expense of the Beijing-friendly Kuomintang party.

"In the agricultural and industrial sectors, up to four million people may see their employment opportunities influenced, and 1.6 million people may actually lose their jobs," she told reporters.

"We insist that any major China issues related to our sovereignty and the people's interest should be decided by the people."

The party has previously warned that once Taiwan opens its market to Chinese products without restrictions, many local firms may lose out to lower-priced mainland counterparts with cheaper production and manpower costs.

Kuwait parliament ratifies Gulf monetary union pact

AFP, Kuwait City

Kuwait's parliament unanimously ratified a Gulf monetary union pact on Tuesday as the emirate's foreign minister said the launch of a single regional currency could take a decade.

The pact, signed by four members of the six-nation Gulf Cooperation Council (GCC) in June, stipulates the establishment of a joint monetary council next year.

Under the scheme, the council is scheduled to develop into a GCC central bank, which would work to issue a single currency for the Gulf.

Following a brief debate, all 64 members of Kuwait's parliament, including the 16 cabinet ministers, approved the pact, which is expected to be approved by GCC leaders at their annual summit in Kuwait next week.

Foreign Minister Sheikh Mohammad al-Sabah told parliament the launch of the Gulf currency would take a very long period to materialise and that "could be as long as 10 years."

US ECONOMY

Cash crisis dismays holiday gifts

AFP, Washington

With the holiday season in full swing, Americans hit by the recession and unemployment are remembering "it's the thought that counts" and finding budget-friendly ways to give their loved ones gifts.

"People want to know how to manage the holiday on a budget without offending anyone. This is a huge topic right now," said Anna Post of the Emily Post etiquette school in Vermont.

Nearly one in two Americans -- around 45 percent -- plan to spend less this year than last on their Christmas presents, according to a study by marketing bureau Retail Forward.

Fully 62 percent say that price will be their top consideration in weighing a purchase, according to another survey by research firm NPD.

Unemployment in the United States, despite an improvement in November figures, is still at 10 percent and has been at 26-year-highs in recent months.

And so the question many consumers -- and retailers -- are asking is: "Will the economy force the consumer to dip into savings or just cut down those on the list?" asks Marshal Cohen, an NPD analyst.

"Perhaps if you are an in-law, you might just find yourself getting a card rather than the gift this year," he adds.

Newspapers are full of advice about how to be frugal and suggestions for alternative presents that Americans can give without busting their budgets or shortchanging their relatives.

"Just because you spent 50 dollars last year it doesn't mean you have to do that this year. People worry a lot about that. It's just not true," says Post.

"You want to think about your own budget, you don't have to explain nor to apologize for it and you want to think about what that person might like."

It's also acceptable, Post adds, to "think about the relationship with that person."

"For example, I can spend more on my sister than on my cousin,



US President Barack Obama with daughter Malia (L) sing with Rapper Common (C), Jordan Sparks (2nd-R) and Randy Jackson (R) during The 2009 National Christmas Tree Lighting on December 3 at Presidents Park in Washington, DC. When unemployment reaches 10 percent for the first time in 25 years in the United States, nearly one in two US consumers (45 percent) will reduce their spending on Christmas presents this year, according to research firm Marketing Retail Forward.

that's okay."

A director of the Post Institute, Peggy Post, suggested to readers of the Washington Examiner ways they might compensate for not being able to afford expensive gifts.

"Pick up your phone. Call someone and say 'You mean the world to me,'" she advised.

"I think this is wonderful advice to tell someone. We give gifts to people to show that we value them, think about them. You can say those same things with words if you can't afford a gift," Anna Post told AFP.

Other advice in the newspapers includes suggestions to "part with a possession that was meaningful to you," "spend some time" with your loved ones or "share a dinner or

coffee."

Another option for gift-givers looking for something thoughtful this Christmas is a charitable contribution, where a donation is made in the name of a family member or friend.

One scheme allows participants to spend 20 dollars to invest in wells in Africa. In return, the organization sends a card or stuffed toy to be presented to the gift's recipient, thanking them for their help.

Humanitarian group Save the Children has a Christmas catalog packed with "gifts of joy for lasting change," including the 30-dollar-purchase of a small goat for children in Ethiopia.

The gift can be purchased online

with the click of a mouse, and will provide both milk and revenue to its new owners, the charity says.

In return, the organization sends a stuffed toy goat to be presented to your loved one at Christmas.

Toy manufacturers, who make around 40 percent of their sales during the holiday season, are adapting to the changing economic landscape by producing cheaper toys and keeping prices low.

In 2009, some 80 percent of the toys manufactured by giant producer Mattel cost less than 30 dollars.

"Last year we probably had four to five toys in the 50- to 100-dollar range. This year we have two, said

Ken Price of Jakks Pacific, the fourth largest US toy manufacturer.

One other way Americans are handling the economic belt-tightening is by engaging in a practice once deemed too tacky by manners mavens but that has gained traction as a thrifty holiday strategy: "regifting."

"Regifting is defined as the act of taking a gift that has been received and giving it to somebody else, sometimes in the guise of a new gift," a study carried out by the Patron Spirits Company said.

The tequila manufacturer's survey found 68 percent of Americans claim they have regifted or considered regifting a holiday present.

FINANCIAL CRISIS

Japan launches new recovery package



The file picture taken on November 16 shows pedestrians crossing a road at Tokyo's Ginza district. Japan's cabinet yesterday approved a huge economic stimulus package worth 274 billion dollars including more than 80 billion dollars in direct spending.

AFP, Tokyo

Japan announced 80 billion dollars in new spending Tuesday as part of a stimulus package it said would be worth 274 billion dollars to jump-start a fragile recovery in Asia's biggest economy.

The pump-priming is meant to boost a gradual return to health from Japan's worst post-war recession, a rebound that started early this year but is now threatened by deflation and the strong yen's impact on exports.

"We must present an economic package promptly in order to make the economic recovery solid in the face of the current severe economic and employment situation, the yen's rise and deflation," the government said in a statement.

"We will do our utmost to regain

(Japan's) vigour."

The cabinet of centre-left Prime Minister Yukio Hatoyama decided the size of the package, to be financed by an extra budget for the fiscal year to March, after disagreements in the ruling coalition delayed it Friday.

The extra budget will require approval by the Diet legislature which is next scheduled to convene in January.

The whole package includes direct spending as well as loan guarantees and other measures that do not necessarily require government outlays totalling 24.4 trillion yen (274 billion dollars), the government said.

It would extend a reward programme for consumers who buy energy-efficient appliances, give loan guarantees for small and mid-size businesses, and include

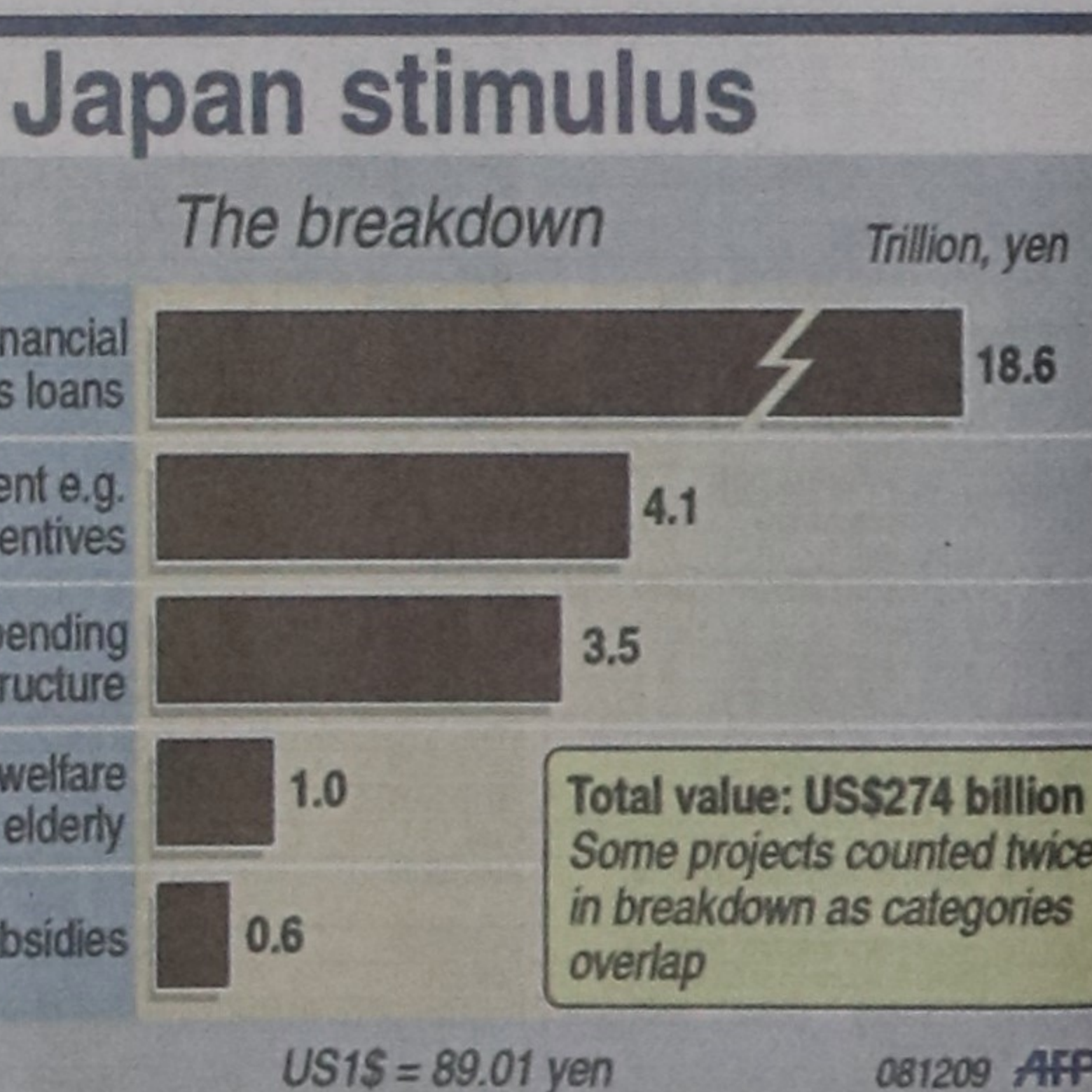
spending to help struggling companies retain workers.

"I believe we have made an economic package focussed on employment, the environment and economic measures," said Deputy Prime Minister Naoto Kan.

Japan's economy, after plunging into deep recession last year amid the global downturn, grew 4.8 percent on an annualised basis in the July-September quarter, the fastest rate in two and a half years, preliminary data showed.

Unemployment fell to 5.1 percent in October from 5.3 percent in September.

However, falling consumer prices and a surging yen, which hit a 14-year-high of about 84 to the dollar last month, have raised fears the recovery could stall. The dollar traded at around 89 yen in Tokyo Tuesday.



The latest plan means Japan has since the start of the global downturn launched four emergency stimulus packages totalling about 130 trillion yen, including direct spending of 26 trillion yen. However, some measures overlapped or were counted more than once.

Hatoyama's government, which ousted the long-ruling conservative party in a landslide election in August, earlier froze part of its predecessor's latest supplementary budget, which was worth 13.9 trillion yen.

It cited the need to slash government waste in Japan, where public debt is around 180 percent of gross domestic product, largely due to massive stimulus spending during the economic "lost decade" of the 1990s.

However, to help finance the

new package and other spending, the government plans to issue new bonds worth more than 100 billion dollars, said Finance Minister Hirohisa Fujii, who warned that "Japan's fiscal situation is serious."

Japan's public debt this fiscal year will reach 53.5 trillion yen, topping the year's tax revenue for the first time since 1946, the government said.

The new stimulus package was held up Friday when the financial services minister, Shizuka Kamei, boycotted a ministerial meeting while demanding additional spending. The package was later boosted by 100 billion yen.

Hatoyama's Democratic Party of Japan needs the support of Kamei's smaller People's New Party to ensure passage of laws in the upper house.