

International Business News

Britain squeezes free of recession

AFP, London
Britain narrowly exited a record recession in the fourth quarter of 2009 with growth of just 0.1 percent, while massive state debt is likely to stunt recovery beyond a general election due by June.

The Office for National Statistics revealed that the economy grew during the three months to December, compared with the previous three months, after a record recession, which lasted six quarters.

The news means that Spain is the only major Western power still trapped in a deep recession following the aftermath of the global financial crisis and the subsequent worldwide downturn.

"Gross Domestic Product (GDP) increased 0.1 percent in the fourth quarter of 2009, compared with a decrease of 0.2 percent in the third quarter," the Office for National Statistics said in a statement.

"The rise in output was due to growths in services and production," the ONS added.

However, the figure disappointed market watchers, who had expected a return to growth of 0.4 percent in the final three months of 2009.

China, Taiwan hold talks on trade pact

AFP, Beijing
Experts from China and Taiwan on Tuesday launched the first round of talks aimed at paving the way for a major trade pact between the one-time rivals, both sides said.

The one-day meeting comes amid improving ties, nearly two years after Taiwan President Ma Ying-jeou took office on a pledge to step up trade relations as a way to boost the island's stalled economy.

The talks, expected to centre on procedural issues, will set the stage for higher-level negotiations before the end of June, the state Xinhua news agency reported.

"We hope today's meeting can end in common understandings on basic principles and procedures for the negotiation of the pact," the head of the Chinese delegation, Zheng Lizhong, was quoted by Xinhua as saying.

Zheng, vice-president of the Association for Relations Across the Taiwan Strait (ARATS), said the pact would help push forward "normal, systematic and free economic relations" between the mainland and Taiwan, the report said.

Through the planned deal, the two sides aim to "open markets to each other and give more favourable treatment to (each other) in areas including commodities and services trade" and realise "mutual benefits", Zheng said.



AFP
Workers carrying advertisement boards for a medicine company walk with pedestrians at a street in the financial district of Manila yesterday. Philippine imports have recorded their first monthly rise since the global financial crisis, the government said. The value of imports in November last year grew 4.1 percent from a year earlier to \$3.63 billion, the National Statistics Office said in a statement.

Malaysia likely emerged from recession: Think tank

AFP, Kuala Lumpur
Malaysia's economy likely emerged from recession in the fourth quarter of 2009 and will post 3.7 percent growth in 2010 as the global economy recovers, a leading think-tank said Tuesday.

Southeast Asia's third-largest economy suffered three consecutive quarters of contraction in 2009 and the government forecasts it will shrink 3.0 percent over the year before rebounding to modest growth of 2.0-3.0 percent in 2010.

"The technical recession is likely to end in the fourth quarter 2009," the Malaysian Institute of Economic Research (MIER) said in a report.

"This is supported by effects of the larger public infrastructural expenditure, manufacturing turnaround, improved services trade, and higher domestic spending," the influential think-tank said.

The MIER maintained its forecast for Malaysia's export-dependent economy to contract by 3.3 percent in 2009, before growing at 3.7 percent this year and 5.0 percent in 2011.

Hong Kong exports rise 9.2pc

AFP, Hong Kong
Hong Kong's exports rose for the second consecutive month in December, but total shipments in 2009 still recorded a double-digit tumble from the previous year, the government said Tuesday.

Orders from around Asia, including India, Taiwan and Indonesia, helped push the city's overseas shipments up 9.2 percent in December with a value of a 224.8 billion Hong Kong dollars (29 billion US dollars), the government said.

The rise follows a 1.3 percent year-on-year uptick in November exports.

December imports rose 18.7 percent to 258.3 billion Hong Kong dollars, following a 6.5 percent year-on-year increase in November, according to the Census and Statistics Department.

COMPANIES

Apple posts record profit

AP, San Francisco
Apple's holiday quarter was especially sweet this year, but Wall Street's response was muted as investors puzzled through an accounting change and lighter-than-expected iPhone sales.

Apple Inc posted its most profitable quarter yet in the October-through-December period after selling twice as many iPhones and 33 percent more Macintosh computers as the year before.

But the company also changed how it accounts for revenue and profit from the iPhone, making it difficult for investors to see at a glance whether Apple lived up to Wall Street's forecast.

Shares of Apple crept up less than 1 percent in extended trading after ending the regular session Monday ahead \$5.32, or 2.7 percent, at \$203.07.

Apple's shining report reflected the company's ability to lure shoppers without deep cuts to its premium prices, despite tough economic times. The iPhone's rollout in several major new markets, including China and South Korea, helped Apple double sales of the hot gadget to 8.7 million. Still, Shaw Wu, an analyst for Kaufman Bros., was expecting Apple to sell about 800,000 more of the popular smart phone. He attributed the lower number to possible component shortages.

Mac sales were also strong, and while the 21 million iPods Apple sold marked an 8 percent decline, analysts were expecting it. Sales of the iPod have suffered as the iPhone, which has iPod features built in, has grown in popularity.

Apple's numbers also got a boost from an accounting change. Apple started putting iPhone revenue and profit on its books when the gadget is sold, rather than deferring those results over the presumed life of the device.

Analysts hadn't factored the change into their estimates for the quarter. Wu



AFP
British F1 driver Jenson Button poses with an Apple iPhone during the launch of the Vodafone iPhone in central London on January 19. Surging iPhone sales worldwide have earned Apple record-high profits for the fourth quarter as it prepares for its first major product launch in three years.

said that until he goes back to re-crunch the numbers, he is basing his opinion on the number of iPhones, Macs and iPods Apple sold in the quarter, and on the nearly \$6 billion increase in Apple's cash stockpile.

"That number looked pretty solid," Wu said.

Apple, which is based in Cupertino, said Monday it earned \$3.4 billion, or \$3.67 per share, in the latest quarter, which ended Dec. 26. In the same period of 2008, had the same accounting standards been in place, it would have had net income of \$2.3 billion, or \$2.50 per share.

Revenue was \$15.7 billion, a 32 percent jump from \$11.9 billion in the same period last year. Apple's chief financial officer, Peter Oppenheimer, said during a conference call that half of the company's revenue growth could be attributed to the accounting change, but Apple was silent on the change's

effects on net income.

For the current quarter, Apple said it expects earnings of \$2.06 to \$2.18 per share on revenue of \$11.0 billion to \$11.4 billion.

Analysts' estimates for the current quarter don't include the accounting change. On average, they had been predicting profit of \$1.77 per share and revenue of \$10.4 billion in the current quarter, according to Thomson Reuters.

Apple offered no clues about what it plans to unveil Wednesday in San Francisco, although analysts expect the new product to be a tablet-style computer. CEO Steve Jobs indicated that investors should expect a significant event.

"The new products we are planning to release this year are very strong, starting this week with a major new product that we're really excited about," Jobs said in a statement.

FINANCIAL CRISIS

Cape Town tourism buffers recession

AFP, Cape Town
South Africa's top holiday destination Cape Town weathered a post-recession summer with fewer tourists, but is gearing up to bounce back in 2010 at Africa's first football World Cup.

The global economic crisis saw international arrivals to the city drop by up to 12 percent last year, while domestic arrivals fell up to eight percent as South Africa braced its first post-apartheid recession.

But industry experts say the country fared better than most, with the World Tourism Organisation (WTO) listing Africa as the only continent to buck negative trends in 2009 with a robust five percent growth.

"The world recession really hit us very late," said Calvyn Gilfellan, chief executive of the regional tourism body Cape Town Routes Unlimited.

"We are fortunate that our industry hasn't been as negatively affected, but there's nothing to be complacent about. We still need to work hard to ensure that we are on to a road of recovery."

Tourism is a top five industry in the Western Cape province which boasts some of South Africa's premier attractions: Cape Town, the Cape winelands, the popular Garden Route and the whale-watching hub of Hermanus.

Foreign spending in the region topped 20 billion rand (2.7 billion dollars, 1.9 billion euros) for the first time last year, even though a stronger rand has made South Africa more expensive for foreigners.

Domestic tourists brought in a further 4.5 billion rand.

"Anything that is happening in the industry is of huge concern for the authorities," said Gilfellan. "It is indeed for us, the goose that lays the golden egg."

But even the Cape Town summer -- when long sunny days draw crowds to the city's beaches,



AFP
A tourist bus takes visitors through Camps Bay in Cape Town on January 21 with the Lion's Head mountain in the background. The bus is emblazoned with football branding referring to South Africa's hosting of the 2010 Football World Cup in June this year. Camps Bay is an upmarket, seaside suburb, with a strip of trendy restaurants and bars.

mountains and cafes -- did not go unscathed.

With summer winding down, foreign arrivals are down six percent and locals three percent during the peak season that runs December 12 to January 13.

Part of the visitor drop could be because holidaymakers plan to visit later during 2010, said Kamilla Swart of the Centre for Tourism Research in Africa, told AFP.

"It appears as if some visitors have changed their holiday plans to visit in June/July 2010 instead," she told AFP.

"What we will have is another

'high' season, as June and July are generally quieter tourism months in Cape Town."

Predictions for the World Cup are "excellent", said Nick Seewer of the Orient-Express group which owns Cape Town's luxury Mount Nelson Hotel.

The group, which draws 70-80 percent of business from outside South Africa, reported a healthy summer after knocks during the year. This is despite an overall dip of at least 10 percent among top-end bookings in the province.

"We hope that, with a successful World Cup and revitalised world economies... both corporate

and leisure travel to South and southern Africa will greatly improve," Seewer said.

With a new football stadium wedged between the landmark Table Mountain and Nelson Mandela's Robben Island prison, Cape Town is well-positioned to reap World Cup rewards despite 2010 fixtures ending at a semi-final match.

"Cape Town is indeed South Africa's premier destination," said tourism analyst Wolfgang Thomas.

"This also explains why it has in the past usually been able to perform better during phases of decline."

GM to make its own electric motors in 2013

AP, Detroit
General Motors Corp is back in the electric motor business.

The automaker said Tuesday that starting in 2013, it plans to build its own electric motors for hybrid and electric vehicles. GM has been getting electric motors for those vehicles from suppliers, but wants to make the motors in-house in order to lower costs and improve quality and reliability.

"We need to not only buy the parts, we need to really understand them," said Pete Savagian, engineering director for hybrids and electric motors, in a conference call with reporters ahead of Tuesday's announcement.

GM wouldn't say where it will build the electric motors, but it scheduled a news conference Tuesday afternoon at its Baltimore Transmission plant in White Marsh. The plant currently makes hybrid transmissions. GM said it will invest more than \$246 million to build the electric motors. It wouldn't say how many motors it will build.

This isn't the first time GM has built electric motors. It built them for its EV1 electric car in the mid-1990s, and some of the engineers of that car worked on the new motors, Savagian said. Savagian said GM has been quietly developing a new electric motor since 2003, and will be the first US-based automaker to manufacture its own.

GM-designed and built electric motors will debut in 2013 on rear-wheel-drive, two-mode hybrid vehicles, but eventually they could be placed in all-electric and fuel-cell cars.

Two-mode hybrids use a motor alongside a conventional engine to boost power and improve fuel-efficiency. Electric vehicles are powered solely by batteries and electric motors, while in fuel-cell vehicles, an electric motor is powered by a reaction between oxygen and hydrogen.

On traditional vehicles, gas fuels the engine and transmission, which power the wheels. On electric vehicles, batteries replace fuel and electric motors replace the engine and transmission.

Tom Stephens, GM's vice chairman of global product operations, said using energy from the electric grid is the best way to cut emissions and reliance on oil in the short term.

"We do need to have the electrification of the automobile," he said.

But he also cautioned on anticipated visitor numbers, which have been tipped as high as 483,000 tourists, saying they "may be quite unrealistic".

The United Nations' WTO predicts a strong 2010 for African tourism with the World Cup an "extra boost" -- something the industry is banking on.

"A lot of people are holding back and wanting to do something in the year of 2010," said Gilfellan.

"They want to say I've been in South Africa during the historic moment -- for the first time when the World Cup was hosted in Africa."