

# Rich nations' growth sans jobs

REUTERS, Washington  
Economic growth in the world's wealthier nations is still too slow to create enough jobs for the tens of millions who lost their during the worst global recession since World War Two, the World Bank said on Wednesday.

In a report detailing its outlook for 2011, the multilateral lender forecast the global economy would expand 3.3 percent this year, softer than the 3.9 percent expansion seen during 2010.

Growth in the developing world will sharply outstrip growth in mature economies. The World Bank forecast growth in emerging economies of 6 percent in 2011, weaker than last year's 7 percent rate. Rich

countries, in contrast, will grow only 2.4 percent, down from 2.8 percent for 2010.

"The recovery in many high-income countries has not been strong enough to make major inroads into high unemployment in spare capacity," the report said.

The United States, the world's largest economy, is a case in point. The economy exited its worst recession in generations in the summer of 2009. But at 2.6 percent on latest count, growth has been too soft to put a meaningful dent in a stubbornly high jobless rate -- now at 9.4 percent.

The World Bank predicts the US economy will grow 2.8 percent in 2011, largely in line with a median forecast of 2.7 percent in

a Reuters poll of private sector economists.

In Europe, recovery has been hampered by persistent worries about highly-indebted countries like Greece and Portugal, which have kept borrowing costs high and led to severe market disruptions.

Euro zone growth is expected to slow to 1.4 percent this year from 1.7 percent in 2010, the World Bank said. Indeed, the report cited the continent's ongoing debt debacle as a key risk to the global recovery.

Given a backdrop of uncertainty, monetary authorities on both sides of the Atlantic have adopted a policy of extremely low interest rates, which the World Bank blamed for rising currency exchange rates in

parts of the developing world.

"Capital inflows into some middle-income countries have placed undue and potentially damaging upward pressure on currencies," the World Bank said.

The US Federal Reserve, in particular, has come under intense criticism from officials in emerging economies for its policy of purchasing government bonds to keep long-term rates down.

The US central bank argues it must focus on the domestic economy, saying other countries have their own ways of dealing with rising capital inflows.

A range of countries have adopted measures such as tariffs and capital controls in order to stem the influx, which some fear could reverse quickly if conditions shift.

## Chrysler focuses on new financing

REUTERS, Detroit

Chrysler Group is focused on raising new financing to pay back almost \$7 billion to the US and Canadian governments before an initial public offering of shares, Chief Executive Sergio Marchionne said on Wednesday.

"Our priority is to put in place a structure where Chrysler would become answerable to the capital markets only," Marchionne told a meeting with financial analysts organised by Deutsche Bank.

"The most likely of the options under consideration is a financing package that would facilitate payment of all government debt prior to an IPO," he said.

Chrysler, which was put under the management control of Fiat SpA in a 2009 bankruptcy brokered by the Obama administration, owed \$5.7 billion to the US Treasury and \$1.2 billion to Canada as of the end of September.

Marchionne said the cost of financing that debt had kept the No. 3 US automaker from posting a profit for 2010. Instead, it broke even, Marchionne said. Chrysler is due to report full fourth-quarter results on January 31.

In his prepared remarks, Marchionne said Chrysler's global sales in 2010 amounted to 1.6 million vehicles.

Sales figures listed in the company's press releases and provided by Chrysler showed the company sold 1,515,999 cars and trucks worldwide in 2010.

This includes 1,085,211 vehicles sold in the United States, 204,955 sold in Canada, 78,574 in Mexico and 147,259 sold outside North America.

Chrysler has been in discussions with Goldman Sachs and other banks but has not made a decision on which will lead its IPO and refinancing, Marchionne said.

In its first full year under Fiat, Chrysler made more progress in reducing costs, he said.

A Fiat system for manufacturing that was rolled out in Chrysler plants -- starting with the Detroit plant that makes the new Jeep Grand Cherokee -- produced savings of more than \$200 million, he said.

The cost savings mean that the new Chrysler could break even if the US industry sees annual sales as low as 10.5 million vehicles, even below the 2009 crisis levels that prompted its bankruptcy, Marchionne said.

# Carmakers target inland China

AFP, Shanghai

Carmakers, having conquered China's coasts, have now set their sights on the country's vast interior as they bid to extend their phenomenal growth in the world's largest auto market, analysts say.

China has seen a decade of nearly non-stop annual sales growth of 30 percent or more as rising income levels fuelled by the fast-growing economy spurred a surge in private car purchases, beginning in big cities on the nation's shores.

China's 2010 auto sales rose more than 32 percent to 18.06 million units, following a banner 2009 in which the country overtook the United States as the world's top market.

But sales growth is widely expected to fall to half that or less in 2011 after China ended last year by removing subsidies on small-engine cars that had helped it zoom past the US market.

Reflecting fears that the days of unbridled car-buying may be over, city authorities in Beijing have also unveiled new measures that will drastically cut the number of new car registrations in the congested and polluted capital.



Vehicles stop at a red light in Shanghai on Wednesday. Auto sales growth are expected to remain strong this year -- but grow slower -- in China.

Nationwide sales could slow to around 15 percent this year, but second-tier cities could provide an avenue for growth, said Klaus Paur, head of automotive research for

Greater China at Synovate Motoresearch. "We still have a very strong pent-up demand in the lower-tier cities," Paur told AFP, referring to smaller inland cities that

despite being less known abroad are home to tens of millions of people with growing buying power.

"In the inner provinces particularly, a lot of households are getting over the threshold of being able to afford a car for the first time. I still see strong growth despite the fact we have subsidies running out," he said.

Companies such as Nissan and General Motors -- the market leader with a record 2.35 million vehicles sold in China in 2010 -- have launched less expensive brands aimed at consumers in smaller cities, he said.

GM's Baojun, a new affordable passenger vehicle produced with partners Shanghai Automotive Industry Corporation Group and Wuling Motors, is due to go on sale early this year through a new network of dedicated dealers.

The compact Nissan March, aimed squarely at the emerging middle class in China's smaller cities, has had strong sales since its debut last year.

The government-affiliated China Association of Automobile Manufacturers has forecast nationwide sales and production to grow at a steadier pace in 2011 between 10 and 15 percent.

# India's food inflation stays high, rate hike seen

REUTERS, New Delhi

Food inflation eased marginally from a one-year peak, but remained high enough to keep pressure on annual headline inflation in December and reinforce expectations of an interest rate rise this month.

Policy makers have blamed unseasonal rains and supply side bottlenecks for high food prices that have put pressure on a beleaguered coalition government already battling multi-billion dollar corruption cases and an emboldened opposition.

The government is due to announce a series of measures to contain inflation -- a scourge across the world as food prices return to 2008 crisis levels -- including possible bans on wheat product exports and future trading in some commodities.

India has the highest food inflation of any major Asian economy, but other emerging markets such as China and Brazil are also battling double-digit food price rises.

India's food price index rose 16.91 percent, driven mainly by high vegetable prices, and the fuel price index climbed 11.53 percent in the year to Jan. 1, government data on Thursday showed.

In the previous week, annual food and fuel inflation stood at 18.32 percent and 11.63 percent respectively. Food makes up about 14 percent of the wholesale price index, while fuel contributes about 15 percent.

The figures may signal some relief to the government.

"I do see the beginning of an easing trend in weekly inflation, especially since the spike was caused by onion prices and that seems to be easing now with the arrival of fresh supplies," said N. Bhanumurthy, economist with Delhi based policy think-tank, National Institute of Public Finance and Policy.

Vegetable prices were up 3.84 percent week-on-week and have



A woman sits near onions bags at a wholesale market in Hyderabad yesterday. Onion prices in India are currently around 70 rupees a kilo, way above the normal retail price of 20-25 rupees.

risen around 71 percent year-on-year. Onions were up nearly 2 percent on the week and 71 percent on an annual basis.

The primary articles price index was up 17.58 percent in the latest week, compared with an annual rise of 20.20 percent a week earlier.

The wholesale price index, the most widely watched gauge of prices in India, rose 7.48 percent in November from a year earlier, compared with 8.58 percent in October.

Monetary policy is generally regarded as ineffective in tackling supply led inflation in food. However, the Reserve Bank of India (RBI) is widely expected to tighten policy in its Jan. 25 review as food inflation has spilt over to the broader economy.

India's central bank, which raised interest rates six times in 2010, is expected to increase rates by at least 25 basis points on Jan. 25, a Reuters poll showed on Wednesday. Analysts forecast rates to rise by 75 basis points in 2011.

"I don't think this will change

RBI's inflation equations. However, the only downside of a spike in food prices is that the RBI may signal to the markets that we may not be nearing the peak of the interest rate tightening cycle," said Bhanumurthy.

Following a series of rate hikes by the central bank and tight liquidity conditions, banks have raised their deposit rates by up to 100 basis points last month and lending rates by up to 75 basis points.

In a recent pre-policy meeting with central bank deputy governor Subir Gokarn, bankers expressed concern over liquidity conditions and the lukewarm pace of deposit growth, despite increases in retail deposit rates and their growing reliance on wholesale deposits at higher rates to fund a robust loan growth.

"We have analysed the situation. We have indicated what further steps we are going to take. We have also indicated there could not be any unnecessary panic," said Finance Minister Pranab Mukherjee.

## Smooth start for new Laos bourse

AFP, Hanoi

Communist Laos launched its first stock exchange on Tuesday, with securities officials reporting a smooth start to the latest step by the impoverished nation to spur development with free-market reforms.

Turnover was higher than expected on the Lao Securities Exchange (LSX), so far home to just two listed companies, said Hinhphet Chanthalangsy, deputy managing director of local brokerage firm BCEL-KT Securities.

An excited Hinhphet, who has a master's degree in business administration from Japan, pronounced it "quite a good start for me", but said he is still adjusting to the world of buying and selling equities.

It's "very new for us," he said after the ceremony led by Laos's Deputy Prime Minister Somsavat Lengsavat, who is also chairman of the Securities Exchange Commission.

Around 314,500 shares - worth 2.14 billion kip (about \$250,000) -- were traded in the two firms: EDL-Generation Public Company and Banque Pour Le Commerce Extérieur Lao (BCEL).

Normal trading hours at the LSX are from 8:30 am to 11:30 am.

EDL-Generation closed at 4,700 kip, against its issue price of 4,300 kip. BCEL closed at 8,000 kip, up from an issue price of 5,000 kip, according to an LSX official who preferred not to be named.

"Trading was smooth," said the official, noting that investors must open an account with a brokerage firm in order to buy or sell

# India to ban wheat products export

REUTERS, New Delhi

India may ban wheat product exports in a series of measures to tame spiralling food prices that have fuelled rapid inflation and increased pressure on an embattled ruling Congress party, local media said.

India currently allows up to 650,000 tonnes of wheat product exports until March 31.

Prime Minister Manmohan Singh is expected to announce measures including banning the export of wheat products and removing essential commodities from the futures market after a cabinet meeting on Thursday, the Press Trust of India reported without naming its sources.

Traders say banning exports of wheat products would not help tame food inflation, as the country has huge wheat stocks.

On Jan. 1, India's wheat stocks were at 21.5 million tonnes against a target of 8.2 million tonnes.

Analysts say food inflation is largely stoked by soaring vegeta-

ble and dairy prices.

"Not much is happening on the wheat product export front as inconsistency in its export policy hold us from entering into long-term export contracts," Veena Sharma, secretary of the Roller Flour Millers Federation of India, told Reuters.

Food inflation in the year to Jan. 1 stood at 16.91 percent, data on Thursday showed, easing marginally from 18.3 percent recorded in late December, which was the highest in more than a year. [ID:nDEL003849]

High food inflation is a major headache for a government already battling multi-billion dollar corruption cases that have emboldened the opposition.

Rising prices of vegetables including onions and dairy products could threaten the Congress party's chance in elections in states like West Bengal and Tamil Nadu that are key for Singh's coalition to keep a majority in parliament.

India, which has already suspended wheat exports since 2007, banned onion exports last month after prices rose by 83 percent since June, the Economic Times reported, forcing the government to request imports from neighbouring Pakistan.

A policeman keeps order in the main ticketing office of Indonesian budget airline PT Mandala Airlines in Jakarta yesterday after the troubled carrier suspended operations as it seeks to restructure debt and secure strategic backers.

AFP

