IMF sees faster economic growth

AFP, *Johannesburg*

The International Monetary Fund said on Tuesday the global economic recovery was gaining traction but warned that it was "still at risk" because of eurozone debt and a lack of financial reform.

The Washington-based institution said the two-speed global recovery -- with advanced economies growing significantly more modestly than emerging economies -- was shifting gears as the United States and Japan saw rising consumption.

The IMF projected the global economy's output would expand by 4.4 percent in 2011, slightly higher than 4.2 percent annual rate projected in the fund's October projection.

Its latest updates, released in Johannesburg, South Africa, highlighted an improving but mixed global economic picture.

"In advanced economies, activity has moderated less than expected, but growth remains subdued, unemployment is still high, and renewed stresses in the euro area periphery are contributing to downside risks," the IMF said.

"This reflects stronger-than-expected activity in the second half of 2010 as well as new policy initiatives in the United States that will boost activity this year," it added.

The annual pace of growth, however, would still be slower than the 5.0 percent seen in 2010. Bank funding remains volatile, Jose Vinals, the IMF's director of monetary and capital markets, told reporters in Johannesburg.

"More than two years after the onset of the financial crisis, global financial stability is still not assured. It is still at risk," he said.

"Banks face significant funding needs now and over the next two years. In many advanced economies, we need to deal with the legacy of the crisis by resolving financial fragilities once and for all," he added.

The IMF said a new US fiscal package passed in late 2010 was expected to boost growth in the world's biggest economy by 0.5 percent.

AFP

Olivier Blanchard, *right*, director for research of the International Monetary Fund (IMF), and Jose Vinals, financial counsellor and director of the monstary and capital markets department, address the media on the IMF's Global Financial Stability Report and World Economic Outlook Updates for 2011 in Johannesburg yesterday.

The US economy had the sharpest markup by far: a 0.7 point gain to GDP growth of 3.0 percent in 2011.

Olivier Blanchard, the IMF's director for research said faster appreciation of the yuan would benefit the global economy.

"It would be a good thing for China and for the rest of the world," he said in Johannesburg.

"China is moving in the right direction. It is focusing on increasing domestic demand. We think that sooner or later it will be the logical thing and the reasonable thing to appreciate."

There was no change in the 1.5 percent growth forecast for the 17-nation eurozone or for Japan, where 1.5 percent growth is predicted.

Growth in emerging economies remained "buoyant" but inflation pressures persist and there are signs of overheating in part from capital inflows as investors chase higher yields.

Growth in the top two Asian engines, China and India, was unrevised at 9.6 percent and 8.4 percent, respectively.

Sub-Saharan Africa is predicted to produce the strongest growth of any region, at 5.8 percent.

Policymakers in the emerging economies, which account for more than two-thirds of global growth, should take steps to keep overheating pressures in check, the 187-nation institution said.

The IMF also warned of risks from the financial and debt crises in eurozone countries such as Greece and Ireland, amid tepid progress in financial reforms.

"The most urgent requirements for robust recovery are comprehensive and rapid actions to overcome sovereign and financial troubles in the euro area and policies to redress fiscal imbalances and to repair and reform financial systems in advanced economies more generally," it said.

The IMF also called for stepped-up eurozone financial support for member countries in need, and better stress tests on banks.

"Markets remain skittish about potential losses in the region's banks and have not been assuaged by stress tests conducted to date."

The IMF forecast commodity prices would remain high in 2011 in response to strong global demand and it hiked its oil price per barrel estimate to nearly \$90, from the October number of \$79, citing robust demand.

China, India hit by regulatory overkill

AFP, *Singapore*

Rising economic giants China and India are caught in a web of strangling red tape where even getting a tourist visa is difficult, a survey of foreign business executives showed Tuesday.

The "Regulatory Overkill" report by the Political and Economic Risk Consultancy (PERC) contrasts the stifling regulatory environment in the two nations with streamlined systems in financial hubs Hong Kong and Singapore.

In a grading system with zero as the best possible score and 10 the worst, India struggled badly with a mark of 9.16, with China the second worst on 9.04.

"India is one of the most over-regulated countries in the world," the PERC report said, noting that even getting a tourist visa was cumbersome.

"In general, regulations are complex and non-transparent," the Hong Kong-based consultancy said, adding that procedures were onerous.

China's regulatory regime also came in for flak.

"Many of the reasons are the same (as in India), foremost among them being that interpreting regulations is a major source of power of bureaucrats," PERC said.

Hong Kong was perceived as having the simplest and most transparent regulatory environment in Asia, followed by rival global financial hub Singapore.

"Hong Kong and Singapore are really the only two economies that place a high priority on simplicity and transparency in regulations," PERC said.

"They write rules with more input from experts and businesses, and they make sure that government departments can be coordinated better by working online and that consumers can use this same technology to keep informed."

It said Hong Kong (0.98) and Singapore (1.08) "genuinely want to eliminate unnecessary paperwork, whereas many of the other countries view such paperwork as vital to justifying a role for the bureaucracy."

Sesa sees strong volumes in Q4

REUTERS, *Mumbai*

Indian iron ore exporter Sesa Goa expects to sell higher volumes of iron ore in the March quarter on strong demand from local and overseas steel firms and higher output in its home state of Goa.

Sesa, a unit of London-listed Vedanta Resources reported a 29 percent rise in third-quarter profit, late on Monday, but revenue growth was subdued due to lower volumes.

It sold about 5.4 million tonnes of iron ore in the quarter, down a fifth from a year ago, as an export ban in the southern state of Karnataka and an extended monsoon hit operations at its home base of Goa, during the quarter.

Volumes were down 18 percent in Goa, 26 percent lower in neighbouring Karnataka, while logistical constraints pulled down volumes 32 percent in eastern Orissa state.

"Volumes should be much better this quarter. We are reasonably confident of achieving 8 million tonnes," Managing Director Prasun Mukherjee told Reuters in an interview.

"Monsoons will not impact operations this quarter. We are also trying to impress on the Goa government to ease transport restrictions," he said.

The company reported volumes of 7.4 million tonnes for the March quarter a year ago.

Iron ore prices are expected to remain firm due to improving sentiment on steel demand globally, Mukherjee said. Sesa currently earns profit of between \$65 and \$70 per tonne of ore.

"At this rate, it is a very lucrative business," said Mukherjee, whose company sells most of its output near spot market rates.

Global crude steel production touched a new record in 2010, driven by growth in emerging regions and improving manufacturing in the developed world, the World Steel Association said on Monday.

India is the world's third largest supplier of iron ore, with about half of its total output of more than 200 million tonnes landing in China, which houses the world's largest steel industry.

AFP

A vendor sells fish at a market at Siliguri yesterday. India's central bank hiked interest rates by 25 basis points, its seventh increase in less than 12 months in a bid to tame rising inflation as economy booms. The Reserve Bank of India has been one of the most aggressive central banks in raising the cost of borrowing as the nation has powered out of the global downturn with economic growth of nearly nine percent.

Dubai port business jumps 14pc

AP, *Dubai*

DP World said Tuesday business rose 14 percent last year, reflecting the expansion of the Dubai port operator's global network and a resurgence in trade as the world economy picks up steam.

The world's third-largest seaport operator said its ports handled the equivalent of 49.6 million standard 20-foot cargo containers, up from 43.4 million in 2009.

CEO Mohammed Sharaf said the growth puts the firm on track to report financial results in line with analysts' expectations and ahead of last year's figures. Full earnings are expected in the coming weeks.

"We remain confident about the long-term outlook for the container terminal industry and our strong competitive position within it," Sharaf said in a statement.

DP World's results offer a snapshot of growth in world trade levels, particularly in fast-growing emerging markets where the company increasingly has its focus. It currently operates 49 sea cargo terminals on six continents, including the Middle East's busiest in Dubai.

The 2010 gains include the addition of new ports in Vietnam and Peru to DP World's portfolio. Not counting those, DP World said container volumes were up 10 percent.

Also included in the 2010 results is the Mina Zayed terminal in the Emirati capital Abu Dhabi. DP World handed over control of that facility to Abu Dhabi Terminals at the

Resurgent GM nips at Toyota's heels in sales race

AP, *Michigan*

General Motors has a shot at being No. 1 again.

The resurgent automaker reported Monday that its worldwide sales last year came within 30,000 of beating Japanese rival Toyota, which took a big hit because of safety recalls.

GM is hiring, producing more and basking in a better reputation for quality. It expects to sell even more cars and trucks this year, putting it within reach of the title of biggest in the world - an honor it held for 76 years before losing it in 2008.

Regaining the global lead means a lot to workers on the assembly line in Flint, a town devastated by years of auto industry job losses. Just two years ago, they didn't know if their factory or even their company would survive.

Dana Rouse, a union official at the pickup truck factory here, called overtaking Toyota the Heisman Trophy of the auto business.

"We're going to take Toyota on, and the people in Flint are going to be a part of that," he said. "This is the birthplace of General Motors. We kind of take it a little more seriously than maybe some other towns."

GM executives say they are focused on keeping customers happy, not on the title. They remember the company's disastrous recent history, when it sold cars at a loss just to hold on to market share.

"Satisfying and retaining our customers and delivering world-class products is pretty much the fundamental business that we're in," GM North America President Mark Reuss said Monday at the factory. "The rest of it may come, may not."

Now GM is outselling Toyota in fast-growing China, and its US business is bouncing back. To overtake Toyota, it needs a sales increase of half a percentage point, about the number of Chevy Silverado pickup trucks it sells per month in the US.

Toyota is still wounded from recalls of more than 10 million vehicles, mainly to fix gas pedals and floor mats that could make cars speed out of control. It was the only major automaker with lower US sales in December, and it's uncertain when sales will recover.

Toyota said it was not concerned with beating GM.

"Our objective is to become No. 1 with the customers," spokesman Paul Nolasco said.

Dethroning Toyota, experts say, might also help GM with marketing, even if it adds little value to the business. Their advice: GM, which has shed four of its weaker brands in recent years, should focus not on size but on making money.

"The game plan has changed enormously," said Howard Wheeldon, senior strategist with BGC Partners in London. "Its future is not to be all things to all men in every part of the world. Its concentration is now related to the ability to make profits."

And taking the lead by growing too fast can be bad. Fast growth brought global leadership but ultimately cost Toyota, which has admitted it lost focus on quality as it overtook GM for the global sales lead.

Toyota sold 8.42 million vehicles worldwide in 2010, barely ahead of GM's 8.39 million. GM made an impressive turnaround from 2009, when it was forced to take nearly \$50 billion in government help and go through bankruptcy.

AFP

Two women work on a Chevy truck on the assembly line of the General Motors plant in Michigan on Monday. In response to customers' demands GM announced adding a third shift and an estimated 750 jobs at the plant.