

India on track to grow 8.6pc in FY11

REUTERS, New Delhi

India's economy, Asia's third-largest and a driver of the world recovery, is expected to grow 8.6 percent in the year ending in March, but at the risk of high commodity prices widening the trade gap and exacerbating inflation.

The government estimate comes after a Reuters poll last month forecast the economy would grow 8.7 percent in the current fiscal year and 8.5 percent in the year that ends March 2012.

Prime Minister Manmohan Singh said last week rising prices were a serious threat to growth momentum, underscoring the worries of policymakers about headline inflation above 8.4 percent, driven by stubbornly high food prices.

India is the second fastest-growing major economy in the world, after China, and both countries are battling inflation.

India's trade gap and fiscal deficit also cloud the outlook for an economy that, along with China's, has been a key driver of recovery from the global downturn.

The trade gap hit a 23-month high of \$13 billion in August as imports backed by rising domestic demand far outstripped exports, which were crimped by sluggish recovery in advanced markets, but it shrunk to \$2.6 billion in December.

I get it, Obama tells business

AFP, Washington

President Barack Obama warmly courted top US executives Monday, pledging to scrap regulation and lay the groundwork for innovation in a bid to "make America the best place on Earth to do business."

But he also stressed the "mutual responsibilities" of business and government in his speech to the US Chamber of Commerce, saying corporate profits needed to lift the standard of living for American workers, not just meet the corporate bottom line and fatten the pockets of executives.

Obama and the chamber -- the most powerful business lobby in Washington -- have been at odds over economic policy in his first two years in the White House.

Their differences have narrowed in the months since Republicans handed Obama's Democrats a major defeat in November elections, and Obama's address Monday suggested he was keen to mend fences.

"I'm here today because I am convinced... that we can and we must work together," Obama told hundreds of business leaders at chamber headquarters, just a stone's throw from the White House.

"Whatever differences we may have, I know that all of us share a deep abiding belief in this country -- a belief in our people, and the principles that have made America's economy the envy of the world."

"I get it," Obama said of the challenges businesses face to cut costs and maintain profit margins amid ever-present pressure from shareholders in the aftermath of the worst recession in generations.

"But as we work with you to make America a better place to do business, ask yourselves what you can do for America. Ask yourselves what you can do to hire more American workers, what you can do to support the American economy, and to invest in this nation."

The president has sought to reach out to the business sector since a wave of anti-Washington anger swept Republicans to power in the House of Representatives.

He has reversed his position on the Bush-era tax cuts and placed business-savvy staff in key positions.

Last year, the chamber opposed Obama's



Protesters shout at US President Barack Obama across the street from the US Chamber of Commerce on Monday in Washington, DC. Obama warmly courted top US executives, pledging to scrap regulation and lay the groundwork for innovation in a bid to "make America the best place on Earth to do business."

health care reform, his drive to change Wall Street practices and other legislative initiatives. The group also gave millions of dollars in campaign donations to Republican candidates.

But the chamber has offered qualified backing for key legislative fights ahead, and said it would support Obama-backed moves to secure trade deals and reduce the soaring deficit.

The administration would upgrade transport and communications networks and "knock down barriers that make it harder for you to compete, from the tax code to the regulatory system," Obama said.

"We need to make America the best place on earth to do business."

US firms have reported soaring profits over the past year, but there has been no accompanying rush to hire new workers, and the jobless rate, while dipping recently, was still high at nine percent.

Obama said companies should unleash some of their reserves in order to create a "virtuous cycle" of increased sales, greater demand and higher profits to revive the economy.

But he was quick to stress that reforming the tax code and boosting exports should not just "translate into greater profits and bonuses for those at the top."

"We cannot go back to the kind of economy -- and culture -- that we saw in the years leading up to the recession, where growth and gains in productivity just didn't translate into rising incomes and opportunity for the middle class."

Chief executive Thomas Donohue, in introducing Obama, reaffirmed the business community's "absolute commitment to working with you and your administration to advancing our shared priorities."

The speech was met with disappointment by some liberals, including the group Public Citi-

zen, which blasted Obama's "mortifying" capitulation to big business.

"The US Chamber of Commerce audience must have been thrilled to have Obama push more of the trade agreements that both help them offshore American jobs and, given that most Americans oppose more of these job-killing trade pacts, can help them achieve their political goal of replacing Obama in 2012," Lori Wallach, the group's global trade watch director, said in a statement.

House Speaker John Boehner, a Republican, responded to the speech by rejecting Obama's "job-destroying policies," including imposition of "hidden taxes on employers and small businesses."

"It's clear from his policies that President Obama isn't as interested in winning the future as he is in rigging it for big government," Boehner said.



A young resident holds on to his mother near an informal settlers' area which was hit by a fire overnight in Manila yesterday. One in four people live on \$1 a day or less in the Philippines after economic growth over the past decade failed to make ease dire poverty. A total of 23.14 million Filipinos scrape by on \$1.04 a day or less, the National Statistical and Coordination Board said.

ArcelorMittal sees global steel rebound

REUTERS, Brussels

ArcelorMittal, the world's largest steelmaker, forecast a faster than expected recovery in demand and prices at the start of 2011 after a margin squeeze in the fourth quarter.

The Luxembourg-based company, which makes 6-7 percent of the world's steel, said on Tuesday core profit would improve in the first quarter by more than the market consensus, following an unexpected net loss in the final three months of 2010.

Chief Financial Officer Aditya Mittal said ArcelorMittal was seeing a strong recovery in the United States, moderate growth in China and restocking in Europe even though end-user demand was barely increasing there.

Mittal said the company expected 2011 to be a better year than 2010 and would raise capital expenditure by more than 50 percent this year.

He said the second quarter should be stronger than the first, when ArcelorMittal's furnaces would run at 76 percent of capacity, compared with 69 percent at the end of 2010.

"There is some risk that in the second half of 2011 the strength that we are seeing in the first half will not repeat, but I still expect overall the year to be better," he said.

ArcelorMittal, whose production is more than double that of its nearest rival, said it expected core profit (EBITDA) to rise to between \$2 billion and \$2.5 billion in the first quarter after a slump to \$1.85 billion in the final quarter of 2010.

The market had been expecting a first-quarter figure of \$2.15 billion, according to a Reuters poll.

Analysts said the outlook and fourth-quarter core profit were higher than expected and that the net loss at the end of last year was largely the result of one-offs.

ArcelorMittal shares were the strongest performers in the FTSEurofirst 300 index of leading European shares, hitting a nine-

month high of 28.55 euros, a gain of 4.8 percent

The \$500 billion steel sector has been caught in a margin squeeze since the middle of 2010, when raw material costs began to steadily increase but steel prices dropped as activity slowed for the industry as a whole.

Since mid-November, ore costs have risen by about 22 percent, but hot rolled coil steel prices in the United States are 49 percent higher, according to Platts.

However, the full impact of this reversal is only likely to be felt from the second quarter, given it typically takes four months for price changes to feed into ArcelorMittal's results.

ArcelorMittal's northern European rivals such as ThyssenKrupp and Voestalpine are running at near-

capacity.

They have had more success raising prices for their higher grade steels to customers, benefiting from higher exposure to German carmakers and engineering firms -- currently more buoyant sectors than construction, steel's other main market.

However, should a broader steel recovery take hold, ArcelorMittal has the potential to make gains, analysts say.

Tuesday's figures were complicated by last month's spin-off of ArcelorMittal's stainless steel business, Aperam, which also reported its results for the first time.

It also forecast volume and pricing improvements in the first quarter after a final quarter of 2010 just in profit.

Toyota nine-month profits quadruple

AFP, Tokyo

Japan's Toyota said Tuesday its net profit for the nine months to December nearly quadrupled and upped its outlook, saying the "wounds" from a massive recall crisis and spate of lawsuits had partly healed.

However, the maker of the popular Prius hybrid saw a 39 percent fall in third quarter net profit year-on-year as sales slipped and operating profit tumbled at a time when the yen hit 15-year highs versus the dollar.

Previously lauded for its safety, Toyota became mired in crisis when it recalled nearly nine million autos between late 2009 and February last year due to brake and accelerator defects alleged to have caused dozens of deaths.

The crisis dealt a huge blow to the firm's reputation, prompting predictions it would lose market share as it tightened its recall policy to encompass around 16 million vehi-

cles between late 2009 and January this year.

But despite a plunge in third quarter profits, Toyota joined rival Honda in predicting a brighter picture for the year as a whole thanks to strong demand in emerging markets.

In the nine months to December, Toyota sold more than 910,000 units in China and Asia excluding Japan, a 30 percent increase on the same period a year earlier.

Net profit for the period soared 293.7 percent to 382.7 billion yen and the car giant raised its annual net profit forecast to 490 billion yen (\$5.95 billion) from an earlier 350 billion yen.

"I think half of the wounds (from the recalls) have been healed," senior managing director Takahiko Ijichi told reporters, adding that cost cuts and efforts to improve profitability were bearing fruit.

"We are achieving large profit gains and are on a steady recovery path by more than offsetting the

negative effects of the rapid rise of the yen," he said.

However, third quarter net profit fell to 93.6 billion yen from 153.2 billion yen a year earlier, a result that nevertheless beat expectations of an 89.7 billion yen profit, according to a Nikkei poll of analysts.

In the three months ended December, sales fell nearly 12 percent to 4.6 trillion yen while operating profit tumbled 48 percent to 99 billion as a stronger yen made its exports vulnerable.

Japan's automakers have returned to profitability since the financial crisis but a pick-up in demand has been overshadowed by the impact of the strong yen, making their products more expensive overseas and eroding profits.

The expiry in September last year of Japanese government subsidies to encourage consumers to buy more environmentally friendly cars has also weighed on the nation's automakers, hitting domestic demand.



Chief Financial Officer Aditya Mittal presents the year 2008 results of ArcelorMittal steel group during a news conference in Luxembourg.