

US millionaires upbeat: Survey

AFP, Washington

More than four in 10 American millionaires say they now need \$7.5 million to feel wealthy, according to a survey that uncovered surprising levels of optimism about economic prospects.

Conducted by Fidelity Investments, the world's largest mutual fund firm, the poll analyzed the investing attitudes and behaviors of more than 1,000 millionaire households in the United States.

The 58 percent of millionaires who said they did feel wealthy said they began to feel so with \$1.75 million in investable assets, up from \$1.5 million in 2008.

Surprisingly, given the current economic climate, the poll revealed that the longer-term outlook was at its most positive since Fidelity began conducting the survey in 2006.

Millionaires' views of the current state of the US economy remained "very weak" at -54, on a +100 to -100 scale, but that was still up significantly from -91 less than two years ago.

And asked to look ahead to the fourth quarter of 2011, replies shifted dramatically in the positive direction (+37).

"Although millionaires are inherently optimistic, given their current views of the economy, we were surprised to see millionaires so optimistic about the future," said Michael Durbin, president of Fidelity Institutional Wealth Services.

Asia set for solid growth despite Japan quake

AFP, Singapore

Asia is poised for another year of solid growth in 2011 even if the impact of the killer earthquake and tsunami on Japan remains unclear, Standard and Poor's said Wednesday.

"We expect the region to record another year of solid growth in 2011 after 2010 proved that Asia is emerging from the (global financial) crisis in a strong position, even as the economic picture for Japan following the recent earthquake remains less clear," said Tom Schiller, a senior regional analyst.

"But growth presents a unique set of challenges for policy makers, officials, and investors across the Asia-Pacific region," he said.

However, growth for the region with the exception of Australia and New Zealand is expected to moderate slightly from last year because of ongoing worries over the US and eurozone economies, Standard and Poor's said.

Inflationary pressure is a key concern for the region, which faces the prospect of tighter monetary policies as authorities seek to temper price rises, it said in its twice-yearly regional outlook.

"Rising prices stem in part from rapid growth and the easy credit conditions that the region's governments put in place to support their economies during the global financial crisis," the credit ratings firm said.

"We expect the region's central banks to continue to tighten monetary policy this year," it said, referring to raising interest rates to fight inflation.

In a separate report, Moody's



A worker drinks water while resting at a construction site in Banda Aceh, Indonesia. Standard and Poor's said Wednesday that Asia will record another year of solid growth in 2011 despite quake in Japan.

Analytics said the global economy was not expected to be affected badly by the crisis in Japan.

"The world economy will feel the effects of Japan's disaster mainly through adjustments in financial markets, but the impact on global growth will be small," said Moody's Analytics, a division of Moody's Corporation.

Japan accounts for around seven percent of global output and "a near-term contraction in the Japanese economy thus will subtract little from global GDP (gross domestic product) growth", it said.

The subsequent rebuilding of damaged infrastructure financed by emergency public spending will boost long-term growth, it added.

"The destruction wrought by the earthquake, tsunami, and subsequent nuclear plant explosions will depress household and

business sentiment.

"Yet consumers will not hold back from reconstruction-related spending; this will add to economic activity later in the year," it said.

In its report on Asian economies, Standard and Poor's said regional central banks may also consider further capital control measures and other actions to prevent risky assets bubbles.

China is projected to grow 9.1-9.6 percent in 2011, lower than last year's 10.3 percent and this is expected to weigh on the rest of the region, it said.

"Chinese authorities are adopting measures to rein in expansionary monetary policy to help combat rising inflation, escalating asset prices, and higher wage inflation," it added.

"We expect these tightening measures are likely to prune

money supply and credit growth in 2011."

Japan, which is struggling to cope with the devastation wrought by a magnitude 9.0 earthquake and tsunami on Friday, that triggered a crisis at a nuclear power station, would grow 1.3-1.8 percent, slower than last year's 4.0 percent.

South Korea's economy is projected to grow 4.3-4.8 percent from 6.1 percent in 2010.

Within Southeast Asia, Singapore's growth is to moderate sharply to 4.5-5.0 percent from 14.5 percent last year, Malaysia is seen expanding 4.8-5.3 percent and Indonesia to grow 5.9-6.4 percent from 6.1 percent.

The Philippines is forecast to grow 5.1-5.6 percent from 7.3 percent and Thailand's economy would ease to 4.0-4.5 percent from 7.8 percent.

India set to hike rates again in inflation battle

AFP, New Delhi

India is set to raise borrowing costs on Thursday for an eighth time in just over a year as it struggles to bring down an inflation rate that is the highest of any major Asian economy.

Date earlier in the week showed that annual inflation unexpectedly accelerated to 8.31 percent in February from 8.23 percent the previous month, defying forecasts of a slowdown.

"The question for this policy meeting is by how much the Reserve Bank of India will raise rates -- not whether it will raise rates or not," said HSBC chief Indian economist Leif Lybecker Eskesen.

Across Asia, countries such as China, South Korea, Thailand and Vietnam have been tightening monetary policy to counter rising prices.

India's central bank has been the region's most active in raising rates as the South Asian giant powers out of the financial downturn with growth projected at nine percent for the next fiscal year starting April 1.

Inflation has been one of the biggest thorns in the side of the Congress-led government headed by Prime Minister Manmohan Singh whose coalition is also reeling from a slew of corruption scandals.

While food inflation has fallen from peaks of 20 percent in early 2010, it remains stubbornly high at 9.50 percent, causing hardship and resentment among the general public as it erodes purchasing power.

Poorer households, the backbone of the Congress party's support, have been specially hard hit by the rising cost of living.

Inflation is a traditional lightning rod for political discontent in the country of 1.2 billion people of whom three-quarters live on less than \$2 a day, according to the World Bank.

In a worrying development, economists now also say that inflation, initially fuelled by spiralling food prices, has spilled over into the general economy.

"There is a new story for inflation," said HDFC Bank chief economist Abheek Barua. "Inflation is no longer a play on food prices -- it has somewhat rapidly become a more generalised phenomenon."

Japanese disaster a factor in ECB rate decision: governor

AFP, Frankfurt

Financial and economic turmoil caused by the Japanese earthquake and nuclear crisis will be a factor in whether the European Central Bank raises interest rates next month, an ECB governor said Wednesday.

"We will always consider all new information available and it (Japan) will be part of our global assessment," Bank of France governor Christian Noyer told the German business daily Handelsblatt in an interview.

Noyer is a senior member of the ECB's 22-person governing council that is expected to raise the bank's main interest rate in April from the current record low of 1.0 percent to curb the threat of inflation from high oil prices.

Some analysts have questioned however whether events in Japan might slow global economic activity and thus ease inflation pressures, allowing the ECB to keep its focus on helping weaker peripheral eurozone economies.

Asked if higher oil prices also threatened eurozone economic activity, Noyer said only that "the current course of action of the ECB greatly supports the economy and will continue to do so."

According to Capital Economics bond specialist John Higgins, the disaster in Japan has "caused a reassessment of the outlook for ECB policy."

Financial markets have been slammed this week by fears over the impact of the disaster in Japan, with investors piling into safe-haven assets like US and German bonds.

Oil and other commodity prices have also declined, "which should dampen policymakers' concerns about rising inflation," Higgins said.

"Investors may also believe that the ECB will be reluctant to tighten monetary policy at a time when the Bank of Japan is doing the opposite," he added.

ECB president Jean-Claude Trichet told media and markets early this month that while a rate hike in April "was possible, it is not certain."

Japan faces five-year road to reconstruction

REUTERS, Tokyo

Japan will take at least five years to reconstruct its earthquake and tsunami afflicted regions as it balances the need to rebuild houses, roads and power grids with planning for disaster-proof infrastructure.

As the world's third largest construction market, Japan has the resources, skills and social cohesiveness required to rebuild quickly, but that the disaster will spur it to think even harder about urban planning and protection, experts say.

"Reconstruction after the 1995 Kobe earthquake in Japan took a bit less than five years, I would expect reconstruction here to last five years," said Abhas Jha, programme leader at the East Asia disaster risk management unit of the World Bank.

The world's third-largest economy, already saddled with public debt double the size of its \$5 trillion output, must rebuild its infrastructure -- from roads and rail to power and ports -- on a scale not seen since World War Two.

Some cost estimates put the recovery and reconstruction bill at \$180 billion, or 3 percent of Japan's annual economic output, but the World Bank's Jha cautioned that such initial numbers usually get revised.

"This is a disaster of once in 100 or 200 years," said Hirokazu Anai, senior analyst at J.P. Morgan Securities in Japan. "This will force us to change the thinking of infrastructure and safety regulations and that will take time."

The extension of damage from the 9.0-magnitude quake is still unclear. Planned blackouts including in the capital city of Tokyo aimed at saving energy in the wake of crisis at quake-hit nuclear plants are delaying economic activities as well.



A quake survivor pushes his bicycle through remains of devastated town of Otsuchi, Japan, March 14.

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Anai said it might take at least three months to be able to rebuild minimal roads to distribute water, food, and fuel to the quake-hit northeastern Japan, with some towns completely wiped out by the tsunami. After that, the construction of temporary homes for survivors begins before starting a real rebuilding process, he added.

The rebuilding will give a short-term jolt to Japan's construction industry, which faces a bleak future of declining population, slow economic growth and high public debt that hampers future investment in major infrastructure projects.

This will buoy Japan's construction groups such as Kajima Corp and Taisei Corp as well as engineers who specialize in seismic -- and increasingly tsunami -- protection.

The market is also likely to keep

an eye on Penta-Ocean Construction, which specialize in shoreline and river protection work.

But the quake could also cool interest in investing in Japan and is likely to hurt corporate capital spending in the construction sector in the coming months, analysts said.

While the short-term needs of the population, from sanitation to a reliable power supply, will have to be quickly addressed, social planning takes longer, said David Alexander, professor of disaster management at the University of Florence.

"Few are the cases where reconstruction takes less than five years, because it's a case of not just physically doing it but also planning it, which requires things such as geotechnical surveys and sorting out land ownership," he said on Tuesday.

Standard & Poor's said on Tuesday that Japan's central government will play a major funding role in the reconstruction drive but that local governments will also need to finance the efforts with their own bond issues.

"Research seems to show that building in safety into new investments adds about 5 to 7 percent over the regular costs, but you more than make that up in terms of future reconstructions costs," Jha said.

But the government will need to be careful not to make devastated regions too reliant on the construction sector.

"It is good practice not to have a boom and bust situation in which the only motor of the local economy is the construction industry. Reconstruction can finish without any other viable themes for the local economy," Alexander said.



Workers destroy a Lamborghini Gallardo L140 luxury sports car to mark World Consumer Rights Day in Qingdao, eastern China's Shandong province on Tuesday. The car's owner hired people to publicly destroy the vehicle when it failed to function after a service by an official Lamborghini service station. The protest was made to provoke public support and goad the manufacturer to respect his consumer rights.