

IMF cuts global growth forecasts



Olivier Blanchard

REJAUL KARIM BYRON, from Tokyo

THE International Monetary Fund (IMF) yesterday presented a gloomier picture of the global economy than a few months ago, saying prospects have deteriorated further and risks increased.

In its World Economic Outlook, the IMF slashed its growth forecast for large parts of the world economy and warned of a full-blown global slump if policymakers in Europe or the US mishandle serious threats.

"Risks for recession in the advanced economies are alarmingly high. The intensity of the euro area crisis has not abated as assumed in previous projections," it said.

The warning came from the Washington-based lender when it unveiled its outlook in Tokyo ahead of the IMF-World Bank 2012 Annual Meetings.

Overall, the lender's forecast for global growth was marked down to 3.3 percent this year and a still sluggish 3.6 percent in 2013.

The IMF said advanced economies are projected to grow by 1.3 percent this year, compared with 1.6 percent last year and 3.0 percent in 2010, with public spending cutbacks and the still-weak financial system weighing on prospects.

Growth in emerging market and developing economies was marked down compared with forecasts in July and April to 5.3 percent, against 6.2 percent last year. Leading emerging markets such as China, India, Russia, and Brazil will all see slower growth.

Growth in the volume of world trade is projected to slump to 3.2 percent this year from 5.8 percent last year and 12.6 percent in 2010.

In developing Asia, real GDP growth will average 6.7 percent in 2012 and is forecast to accelerate at 7.25 percent in the second half of 2012. The main driver will be China, where activity is expected to receive a

boost from accelerated approval of public infrastructure projects.

China, the world's second largest economy, will also see its economy to grow 7.8 percent this year and 8.2 percent next year. India will grow by 4.9 percent and 6 percent in 2012 and 2013 respectively.

The IMF said the outlook for India is unusually uncertain: for 2012, with weak growth in the first half and a continued investment slowdown, real GDP growth is projected to be close to 5 percent, but improvements in external conditions and confidence -- helped by a variety of reforms announced very recently -- are projected to raise the real GDP growth.

IMF Chief Economist Olivier Blanchard said the world economic recovery continues, but it has weakened further.

"In advanced economies, growth is now too low to make a substantial dent in unemployment, and in major emerging markets, growth, which had been strong earlier, has also decreased."

Blanchard said there are two forces -- fiscal consolidation and weak financial systems -- which continue to pull growth down.

"In most countries, fiscal consolidation is proceeding according to plan, and while consolidation is needed, there is no question that it is weighing on demand and, therefore, on output. And, the evidence increasingly suggests that in the current environment, the fiscal multipliers, the effect of fiscal consolidation on demand and output, are large."

"The financial system is still not functioning efficiently. In many countries, probably more so in Europe than either in the US or in Japan, banks are still weak, and their position is made worse by low growth. As a result, many borrowers still face tight borrowing conditions, decreasing their demand as well."

The forecast said that monetary policy in advanced economies was expected to remain supportive. Major central banks have recently launched new programs to buy bonds and keep interest rates low.

But the global financial system remains fragile and efforts in advanced economies to rein in budgetary spending, while necessary, have slowed a recovery.

The recovery is forecast to limp along in the major advanced economies, with growth remaining at a fairly healthy level in many emerging market and developing economies.

In the United States, growth will average 2.2 percent this year. Real GDP is projected to expand by about 1.5 percent during the second half of 2012, rising to 2.75 percent later in 2013.

In the euro area, real GDP is projected to decline by 0.4 percent in 2012 overall, about 0.75 percent (on an annualised basis) during the second half of 2012.

With lower budget cuts and domestic and euro area, wide policies supporting a further improvement in financial conditions later in 2013, real GDP is projected to stay flat in the first half of 2013 and expand by about 1 percent in the second half.

In Japan, growth is projected at 2.2 percent in 2012. The pace of growth will diminish noticeably as post-earthquake reconstruction winds down. Real GDP is forecast to stagnate in the second half of 2012 and grow by about 1 percent in the first half of 2013.

Thereafter, growth is expected to accelerate further.

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YUNUS CENTRE

Nobel Laureate Professor Muhammad Yunus speaks to British Council's regional team at Yunus Centre in Dhaka yesterday.

Yunus talks social business with British Council team

STAR BUSINESS DESK

NOBEL Laureate Professor Muhammad Yunus yesterday urged the senior officials of British Council for South Asia region to engage young people in the region to make them involved more in transforming their societies through tools such as social business.

Yunus spoke at a daylong meeting with the South Asia regional management team of British Council at Yunus Centre in Dhaka.

British Council Bangladesh organised the meeting that was attended by 35 participants from the senior management of the council in Bangladesh, Nepal, Sri Lanka, India, Iran, Afghanistan and Pakistan.

The meeting is held in every six months to review the

work and performance of British Council in the region.

The Nobel laureate interacted with the participants during a specially organised session on social business and its relevance to solve the society's pressing problems. The session was followed by a question and answer session, Yunus Centre said in statement yesterday.

"We are glad to hold our meeting at Yunus Centre today, and pleased to get an opportunity to hear first hand about Professor Yunus' work in Bangladesh and around the world," said Rosemary Arnott OBE, director of British Council Bangladesh.

The British Council is the UK's leading international organisation for educational and cultural relations between the United Kingdom and 110 other countries. It has been operating in Bangladesh for more than 60 years.

Facebook partners with retailers to test "want" button

REUTERS, San Francisco

FACEBOOK Inc is testing a feature that lets users of the social network create "wishlists" of home furnishings, clothing and other retail products, laying the groundwork for what some believe could be an eventual push into e-commerce.

Facebook said it is working with seven retailers, including Pottery Barn and Victoria's Secret, to test the new feature that will allow certain users to flag images of desired products by clicking a special "want" button.

"People will be able to engage with these collections and share things they are interested in with their friends. People can click through and buy these items off of Facebook," Facebook said in a statement.

The feature, which Facebook has dubbed Collections, could help Facebook play a bigger role in the online commerce market by encouraging its 1 billion users to buy products for their friends and by sending shoppers directly to online stores.

A Facebook spokeswoman said the company does not receive a fee when someone purchases a wishlist item on Facebook from a retailer's site.

But Robert W. Baird analyst Colin Sebastian said the new Collections feature could open up new sources of revenue for Facebook, whose stock has taken a drubbing as concerns about its long-term money-making prospects have mounted. "E-commerce is one of the best ways to monetize the Internet," said Sebastian.

"Thinking about how large they are as a platform and how engaged people are, there are lots of levers they haven't pulled yet in terms of monetization," he said. In addition to potentially collecting a transaction fee for referring users to an e-commerce site, Sebastian said that retailers might also pay Facebook to promote products featured on users' wishlists, similar to the way the Facebook's current ads function.

Shares of Facebook, finished Monday's regular session down 2.4 percent at \$20.40. Earlier on Monday, BTIG analyst Richard Greenfield downgraded Facebook to a "Sell" rating.

In a note to investors, Greenfield cited concerns about the company's advertising business, particularly Facebook's nascent efforts to expand the business onto the mobile devices that its users increasingly access the service from.

China options limited as US panel outcasts Huawei, ZTE

REUTERS, Washington

CHINA'S leading telecom equipment makers accused in a US congressional report of being a potential security risk may face fresh scrutiny in other markets, while American firms operating in China could be vulnerable to retaliation.

The US House of Representatives' Intelligence Committee on Monday warned that China could use equipment made by Huawei Technologies Co Ltd and ZTE Corp -- the world's second- and fifth-largest makers of routers and telecoms gear -- for cyber-espionage through software embedded in Chinese-made network equipment.

In its 52-page report, the committee noted that "China's military and intelligence services, recognising the technological superiority of the US military, are actively searching for asymmetrical advantages that could be exploited in any future conflict with the United States. ... Malicious implants in the components of critical infrastructure, such as power grids or financial networks, would also be a tremendous weapon in China's arsenal," it stated.

China's official People's Daily newspaper accused the committee on Tuesday of acting on a "presumption of guilt" against Huawei and ZTE. "This foolhardy political step ... will impede the healthy development of Sino-American trade cooperation," said a commentary in the newspaper, which generally reflects government thinking.

It added that the committee had produced "not an iota" of evidence to back its accusation that Huawei and ZTE products were used for espionage in the United States. "This report, which spurns the facts and is suffused with prejudice, is a vicious expansion of trade protectionism," it said.



AFP

Mobile devices are displayed on a ZTE sales counter in Wuhan, central China's Hubei province.

The blow-up -- a Xinhua English-language commentary spoke of "a Cold War mentality" in the United States -- comes at a sensitive time for US-China relations, ahead of US presidential and congressional elections and a leadership transition in China.

Tensions have ratcheted higher with a series of trade actions against China by President Barack Obama, including his blocking of a privately owned Chinese firm from building wind turbines close to a US military site, and his challenge of Chinese auto and auto-parts subsidies in a World Trade Organisation (WTO) case.

His Republican opponent, Mitt Romney, says if elected he will label China a currency manipulator from day one.

Ed Snyder, an analyst at Charter Equity Research in San Francisco, said the committee's report could lead to retaliation against US companies that sell products in China in the telecommunications industry and beyond. He mentioned Cisco Systems Inc, Google Inc, Qualcomm Inc, Apple Inc as examples, but said non-tech US companies could also be hit.



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Time: 10 AM - 5 PM
Date: 13th October, 2012
Venue: Spectra Convention Center
Entry: Open for Corporate Professionals and Teachers

Inspiration from 59th Cannes Festival

- Award Winning Creative Works- Print, Design, Outdoor, Mobile and Other Categories
- Best of Cannes Seminar Videos (Twitter, BBDO, Google, Unilever, P&G, JWT and Others)
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