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GENERAL ECONOMIC AND BUSINESS DEVELOPMENTS IN THE WORLD

IMF approves financial assistance plan for Portugal

WASHINGTON -- The International Monetary Fund (IMF) announced on Friday that its Executive Board has approved a three-year arrangement under the Extended Fund Facility (EFF) for Portugal in the amount of 23.742 billion IMF special drawing right (SDR), equivalent to about 26 billion euros, in support of Portugal's economic recovery.

This front-loaded program makes 5.6 billion SDR (about 6.1 billion euros) "immediately available" to Portugal from the IMF, the Washington-based financial agency said in a Friday statement.

In 2011, total IMF financing will amount to about 12.6 billion euros and will be partnered with about 25.2 billion euros committed by the European Union, noted the statement.

"The Portuguese authorities have put forward a program that is economically well-balanced and has growth and job creation at its center," said John Lipsky, IMF's acting managing director.

"It addresses the fundamental problem in Portugal, low growth, with a policy mix based on restoring competitiveness through structural reforms, ensuring a balanced fiscal consolidation path, and stabilizing the financial sector," Lipsky added.

He held that the latest IMF move to support Portugal will contribute to the broad international effort to help foster stability to the Euro Area and secure recovery in the global economy.

Established in 1974, the EFF mechanism is typically three years in duration and aims to provide assistance to countries experiencing serious medium-term payments imbalances due to structural impediments in production and trade.

http://news.xinhuanet.com/english2010/business/2011-05/21/c_13886406.htm

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Emerging economies deserve bigger role at global forums: U.S. expert

May 22, 2011

LOS ANGELES -- Emerging economies deserve a greater role at key global forums such as the International Monetary Fund and the World Bank, as they are projected to account for 70-80 percent of the world's economic growth in the next decade or so, said a U.S. expert.

However, a heavy reliance on energy imports could be a threat to the fast growth of some emerging economies, said Bernard Baumohl, chief global economist of the Economic Outlook Group, in a recent interview with Xinhua.

While some emerging economies are energy self-sufficient, others have to import lot of fuels, and those highly dependent on specific commodities will see more inflation, he cautioned.

The expert also argued that a stronger U.S. economy is in everyone's interest, including the emerging economies.

On the possibility that U.S. firms could pull manufacture bases back to their homeland from the emerging economies, Baumohl said generally speaking, U.S. companies do not make decisions on where to place their factories and plants for "national realistic reasons."

"They won't do it for altruistic reasons either. They will do it if they can achieve higher level of productivity to make a better and cheaper product," he said.

"That is the fact that could draw manufacturers to the U.S.," said the expert.

http://news.xinhuanet.com/english2010/business/2011-05/23/c_13888843.htm

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Mexico to nominate central bank governor for IMF post

May 22, 2011

MEXICO CITY -- Mexico will nominate the governor of the country's central bank, Agustin Carstens, for the top position in International Monetary Fund (IMF), the Finance Ministry said in a statement released on Sunday.

Agustin Carstens amply fulfils all skills and qualifications necessary for directing the International Monetary Fund, the Finance Ministry said.

The statement said that Finance Minister Ernesto Cordero will formally nominate Carstens for the IMF position recently vacated by former managing director Dominique Strauss-Kahn, who resigned last week after being charged with sexual assault in New York.

Strauss-Kahn's lawyers have said the allegations against him will be proven false.

The general director of the IMF is traditionally a European, but Mexico and other developing countries have called on the institution to abandon the practice and instead choose its new leader on the basis of merit.

Carstens, who served as finance minister in the administration of President Felipe Calderon, has been president of the Bank of Mexico for the past year. He worked in the World Bank and IMF as deputy managing director from 2003 to 2006.

http://news.xinhuanet.com/english2010/world/2011-05/23/c_13888719.htm

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Argentina praises Russia for market economy

May 23, 2011

BUENOS AIRES -- Argentina on Monday praised Russia for its transition to become a market economy, Argentina's Foreign Ministry said in a statement.

The observation was made during a bilateral meeting in Moscow where delegations from both countries agreed that a big potential remain open for exploration between Russia and Argentina in areas of bilateral trade. The two countries agreed on setting a target for bilateral trade to reach 5 billion U.S. dollars in the next five years.

The bilateral trade in 2010 was worth 1 billion dollars in favor of Argentina and this is in addition to a series of investment projects worth an estimated 18 billion dollars in fields such as energy, transportation and infrastructure sectors, the ministry said.

"Due to the favorable climate of the economic-trade relation and in order to continue expanding the trade horizon, the Argentine government officially notified to the Russian government its recognition as a market economy," the ministry said.

"In this way, Argentina joins other countries which have known how to recognize the efforts and advances done by the Russian Federation to fully integrate into a Multilateral System of Trade," it said.

Argentina "decidedly supports Russia's entrance to the World Trade Organization," the ministry also said.

The bilateral meeting was held to follow up on the strategic relationship between both countries in accordance with an agreement reached during the visit in December 2008 to Russia by Argentine President Cristina Fernandez which was followed up by the visit to Argentina in April 2010 by Russian President Dmitry Medvedev.

http://news.xinhuanet.com/english2010/business/2011-05/24/c_13890575.htm

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OPEC oil price keeps falling due to weak macroeconomic figures

May 23, 2011

VIENNA -- Impacted by the week global macroeconomic figures, the weekly average prices of the Organization of Petroleum Exporting Countries (OPEC) dropped again last week, falling to 107.42 U.S. dollars per barrel, the Vienna-based cartel said Monday.

OPEC oil price keeps falling for three consecutive weeks, falling by more than 10 percent or 12.37 dollars compared with the last week of April this year.

As three major oil consumers over the world, the economic trend of the U.S., Japan and the EU appeared unsatisfactory last week.

The figures released by the Conference Board showed that the U.S. leading economic indicators fell in April. Moreover, the latest report published by the Federal Reserve Bank of Philadelphia also showed that in May manufacturing industry of Atlantic region is not growing.

The public figures from the Cabinet Office of Japan also showed that in the first quarter this year, its real GDP continued to decline, falling by 0.9 percent compared with the fourth quarter of last year and 3.7 percent year on year, which was significantly lower than originally expected of 2.0 percent.

During this period, the debt crisis in the euro area is also growing serious.

At the same time, as the second round of the Federal Reserve's quantitative easing policy will be due in June, the concerns about a tightening monetary policy of the U.S. is increasing.

Coupled with the debt crisis in the euro zone, since May, the U.S. dollar has been rebounding, which has increased by nearly 5 percent so far. The concerns on the economic growth prospects of the three major economies of the world, as well as the strength of the U.S. dollar has definitely imposed a suppressive effect on global commodity prices including the international crude oil price.

Into May, the silver price declined by 30 percent in the international market, the crude oil price and base metals prices also fall more than 10 percent.

U.S. President Barack Obama has said high oil price will threaten the economic recovery. The U.S. government also once stated that, "the strategic oil reserve will be put to use if necessary," so that to stabilize oil price.

However, the latest figures showed the U.S. crude oil demand has not reached expectations.

The analysts believe, in the near future the international crude oil price may continue to unstable, and the trend of the U.S. dollar exchange rate will also greatly affect the oil price.

The resolution process of debt crisis in euro area, the monetary policy changes of the U.S. and Europe, as well as the development of the U.S. debt will remain as important factors affecting international oil price for a period of time in future.

http://news.xinhuanet.com/english2010/business/2011-05/23/c_13889896.htm

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Oil bounces after Goldman raises prices forecast

May 24, 2011

NEW YORK -- Crude prices bounced on Tuesday after Goldman Sach raised its forecasts for London Brent crude. Light, sweet crude for July delivery bounced 1.89 U.S. dollars, or 1.93 percent to settle at 99.59 dollars a barrel on the New York Mercantile Exchange. In London, Brent crude for July delivery also gained and last traded above 112 dollars a barrel.

Goldman Sachs on Tuesday raised its year-end forecast for London Brent crude to 120 dollars a barrel from 105 dollars a barrel and its one-year estimates to 130 dollars a barrel from 107 dollars. The bank also estimated the prices of London Brent will reach 140 dollars a barrel at the end of 2012, citing the loss of Libya's crude production would lead to a tightening supply-demand relation.

Morgan Stanley also increased its forecast for average Brent crude this year by 20 percent to 120 dollars a barrel and by 24 percent for 2012 to 130 dollars a barrel.

Their forecasts were echoed by JP Morgan Chase & Co. who estimated on Monday that London Brent would touch 130 dollars a barrel in the third quarter of 2011, citing "compelling evidence the global economy will bounce back from temporary setbacks."

And the weakening dollar also helped push oil higher. On Tuesday, the euro rebounded about 0.5 percent after a sharp drop on the previous trading session. The dollar fell about 0.4 percent against a basket of currencies. However, the investors still remained concerned about the European debt crisis, slowing U.S. economic growth and the demand from emerging markets, which resulted in a choppy trading day. The U.S. benchmark seesawed between 96.61 dollars to 100.09 dollars a barrel.

http://news.xinhuanet.com/english2010/business/2011-05/25/c_13892120.htm

Australia to discuss nominating candidate for IMF chief

May 23, 2011

CANBERRA -- Australian Foreign Minister Kevin Rudd said on Monday that he will use this week's cabinet meeting to discuss the possibility of Australia nominating its own candidate to take over the leadership of the International Monetary Fund (IMF). Members of the IMF is now finding a new managing director after Dominique Strauss-Kahn resigned to fight sexual assault charges in New York.

According to Australia Associated Press, Rudd was asked if Australia would be putting up its own candidate.

"I'll work through this issue in cabinet in the early days of (this) week," he said.

While the IMF has been headed by a European since 1946, Australian Federal Treasurer Wayne Swan earlier said for too long "the IMF's legitimacy had been undermined by the convention to appoint its chief on the basis of their nationality".

Swan said the IMF should consider giving developing nations, particularly in Asia, a bigger role governing the organization because of their increasing global importance.

Like Swan, Rudd believes a successor to Strauss-Kahn should be based on merit rather than nationality.

"I don't think it is productive to nominate individuals myself, but we believe that having the right person must have the support of the global financial community, the principal financial institutions and the regions of the world," he said, adding that it may be someone from the Asia-Pacific, or someone from elsewhere.

"But I think we all need to take a deep breath. Rather than turn this into some horse race, we should regard it as a serious question about appointing the best person based on merit."

According to the IMF website, Australia holds 1.32 percent of the votes on the IMF board of governors. It also has a director on the fund's executive board.

Strauss-Kahn, who had been widely seen as a potential candidate for France's presidency, resigned after being charged with trying to rape a hotel maid in New York on May 14.

http://news.xinhuanet.com/english2010/world/2011-05/23/c_13889510.htm

Malaysia wants new IMF chief who represents developing nations

May 23, 2011

KUALA LUMPUR -- Malaysia pushed for a new International Monetary Fund (IMF) chief who could represent the developing countries on Monday, as debate over Dominique Strauss- Kahn's successor heats up across the globe.

"Malaysia joins other developing countries in calling for an open, transparent and fair selection process in the appointment of a new managing director for the IMF," Malaysian Foreign Minister Anifah Aman said.

"Malaysia is of the view that the post should be filled by a candidate who would represent the growing role of developing countries in the global economy," he added.

He also said that the suggestion is in line with calls towards reforming the IMF, taking into account "in a meaningful manner" the views of the developing countries.

Strauss-Kahn resigned as the IMF's managing director following his arrest in New York for sexual harassment.

The battle of the top post, held by a European for six decades looms after the departure of Strauss-Kahn last Thursday as countries outside Europe challenged the convention of appointing a European as the head of IMF.

Australia and South Africa, with the backing of China, India and Brazil had called for IMF management to be chosen on merit rather than by nationality.

The European Commission president and leaders of several European countries on the other hand insisted on another European to lead the role, citing the urgency to solve problems in the Euro zone, such as the sovereign-debt crisis that threaten the global economy as a reason.

Mexico nominated its central bank chief Agustin Carstens in the race as Britain endorsed French finance Minister Christine Lagard as an "outstanding candidate" for IMF chief.

The Washington-based fund was reported to have planned to complete its search for a managing director by June 30.

http://news.xinhuanet.com/english2010/world/2011-05/23/c_13889943.htm

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IMF chief selection should reflect new realities of world economy: BRICS

May 24, 2011

WASHINGTON -- The selection of the next head of the International Monetary Fund (IMF) should reflect the changing realities of the global economy and not on the basis of nationality, meaning the tradition that requires a European chief, the fund's five key emerging market economies executive directors said on Tuesday.

"The convention that the selection of the managing director is made, in practice, on the basis of nationality undermines the legitimacy of the fund," said IMF directors for China, Brazil, India, South Africa and Russia, or BRICS countries in a joint statement, rejecting that the successor to former IMF head Dominique Strauss-Kahn should continue to be a European.

The recent financial crisis which erupted in developed countries, underscored the urgency of reforming international financial institutions so as to reflect the growing role of developing countries in the world economy, noted the statement.

The new global economy requires "abandoning the obsolete unwritten convention that requires that the head of the IMF be necessarily from Europe," it said.

"We believe that, if the fund is to have credibility and legitimacy, its managing director should be selected after broad consultation with the membership," the IMF directors said, adding that the new IMF boss should be chosen on the basis of competence, not nationality.
The directors said that they are concerned with public statements made recently by high-level European officials to the effect that the position of managing director should continue to be occupied by a European.
"These statements contradict public announcements made in 2007, at the time of the selection of Mr. Strauss-Kahn, when Mr. Jean- Claude Junker, president of the Euro group, declared that 'the next managing director will certainly not be a European' and that 'in the Euro group and among EU finance ministers, everyone is aware that Strauss-Kahn will probably be the last European to become director of the IMF in the foreseeable future'," said the directors.
The 187-member international financial institution initiated the nomination period to select its next leader on Monday and it will close on June 10, 2011.
Strauss-Kahn resigned on May 18 after being arrested and accused of sexually attacking a maid at the Sofitel New York hotel on May 15.
More and more people believe that emerging markets and developing economies should have bigger say in the international institutions.
Recent reports from the World Bank and the IMF showed that the world economy structure has been changing, with emerging markets and developing countries becoming the major engine of global growth.

http://news.xinhuanet.com/english2010/business/2011-05/25/c_13892108.htm

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Key emerging economies say IMF chief selection should reflect new realities of world economy

May 24, 2011

WASHINGTON -- The selection of the next head of the International Monetary Fund (IMF) should reflect the changing realities of the global economy, and should not be made on the basis of the tradition that requires a European chief, the fund's executive directors for five key emerging market economies said on Tuesday.
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Different leaders from Europe issued statements or expressed their tendency to chose the new IMF chief from European candidates, among whom French Finance Minister Christine Lagarde is considered as a top competitor.

However, more and more people believe that emerging markets and developing countries deserve a bigger say in the international institution.

Economists said that the world has changed, and antiquated, though unstated, arrangements dating from 1945, in which a European heads the IMF and an American heads the World Bank, must keep pace with reality.

Recent reports from the World Bank and the IMF showed that the world economy structure has been changing, with emerging markets and developing countries becoming the major engine of global growth.

The IMF predicted last month in its latest World Economic Outlook report that the world economy is expected to expand at about 4.4 percent in 2011, with advanced economies growing at only about 2.4 percent and emerging economies advancing at 6.5 percent.

The world's emerging economies as a group will grow 4.7 percent annually between 2011 and 2025 on average. This growth rate is twice as quick as a 2.3 percent to be registered by advanced economies over the same period, the World Bank projected in a report entitled "Global Development Horizons 2011," which was released on May 17.

The fast rise of emerging economies has driven a shift whereby the centers of economic growth are distributed across developed and developing economies, a truly multi-polar world, said Justin Yifu Lin, the World Bank's chief economist.

By 2025, six major emerging economies -- China, Brazil, India, Indonesia, South Korea and Russia -- will account for more than half of all global growth, and the international economic order currently based on the post World War II structure needs to be updated, according to the World Bank report.

"Europe no longer has the divine right to this job, irrespective of the circumstances of the European incumbent's departure," said Arvind Subramanian and Nicolas Veron, senior researchers from the Washington-based think tank Peterson Institute for International Economics, in a co-written article last week.

"The next MD must be selected on the basis of merit, which is not to be found only in Europe," they added.

http://news.xinhuanet.com/english2010/indepth/2011-05/25/c_13892671.htm

France Lagarde announces candidacy for IMF chief

May 25, 2011

PARIS -- French Finance Minister Christine Lagarde announced on Wednesday her candidacy for the managing director of the International Monetary Fund.

"I have decided to present my candidacy for the head of the IMF," Lagarde told a news conference. The IMF's former chief Dominique Strauss-Kahn resigned last week after being charged in the United States for sexual assault against a hotel maid.

The finance minister said she the decision was made after "mature reflection" and after consultation with French President Nicolas Sarkozy.

Lagarde said she will bring all her expertise "as a lawyer, a minister, a manager and a woman" to the job if elected.

http://news.xinhuanet.com/english2010/world/2011-05/25/c_13893673.htm

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World Bank provides 6 billion dollars in aid for Egypt, Tunisia

May 24, 2011

WASHINGTON -- The World Bank Group announced Tuesday up to 6 billion U.S. dollars in new support over the next two years for Egypt and Tunisia to modernize their economies.

"Our support, and that of others, can sustain momentum and accelerate progress," said Robert B. Zoellick, president of the Washington-based international financial institution ahead of this week's Group of Eight meeting in France.

He also emphasized that the bank's aid should be coupled with real reform in the two countries.

Zoellick said 4.5 billion dollars was available to Egypt over the next 24 months as part of a potential package including an International Monetary Fund program to address budget and reserve shortfalls and reforms that strengthen its credit and investment prospects.

For Tunisia, Zoellick said 1 billion dollars in support for the budget and for investment projects could be available in addition to the 500 million dollars already announced by the Bank as part of a 1.2 billion dollars package from the African Development Bank and European donors.

Zoellick said the World Bank was working closely with the IMF and other multilateral development banks on an integrated approach to stabilizing and modernizing the economies of the Middle East and North Africa region. These joint efforts will be discussed with the Group of Eight at its summit later this week in Deauville, France.

http://news.xinhuanet.com/english2010/business/2011-05/25/c_13892089.htm

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Brazil says selection of IMF head should be open race

May 25, 2011

BRASILIA -- Brazilian Finance Minister Guido Mantega said Wednesday the process to select a new IMF chief should be an open race that includes more than one formal candidate.

Brazil seeks a reform agenda that would ensure greater participation of emerging countries at the IMF, and selection from multiple candidates would allow comparison of various proposals, he said.

The minister made the remarks after the Mexican central bank's president Agustin Castens called him to ask Brazil's support for his bid for the top job at the global institution vacated by French Dominique Strauss-Kahn, who is embroiled in a high-profile sex scandal.

Castens would travel to Brazil next week to discuss the issue, the minister added.

Meanwhile, French Finance Minister Christine Lagarde, whose candidacy was backed by European countries, haven't talked to the Brazilian side on the issue after she launched her bid, according to Mantega. The minister also voiced concerns over the June 30 deadline set by the IMF board to choose its new leader, saying it would not allow "a proper evaluation of the proposals and commitments made by the candidates."

http://news.xinhuanet.com/english2010/world/2011-05/26/c_13895041.htm

OECD keeps forecast for growth in global output unchanged

May 25, 2011

PARIS -- The Organization for Economic Cooperation and Development kept its forecast for growth in global output in 2011 unchanged at 4.2 percent, saying uncertainties remain but the recovery base has become broader.

In 2012, the world's gross domestic product (GDP) will see a 4.6 percent increase, the Paris-based OECD predicted in its 2011 Economic Outlook issued Wednesday. Both numbers are the same as previously forecast in November for the recovery pace is different even in developed countries, the report said. "The global recovery is becoming self-sustained and more broad based," but unemployment remains high in most OECD countries, wide inflation is rising, some emerging countries slow down growth, and recovery and financial vulnerabilities are increasing in the euro zone, Pier Carlo Padoan, the OECD's chief economist and deputy secretary-general, said in the report.

OECD Secretary General Angela Gurria said when issuing the Economic Outlook that self-sustained means that the recovery "is less driven by governmental aid or extra command."

"Regarding some unchanged figures, clearly we are better off than we were a few months ago with negative growth," Gurria said.

For the OECD area as a whole, the regional output was expected to grow 2.3 percent in 2011 and 2.8 percent in 2012 as the United States and the euro zone gather more strength in recovery, but disaster-hit Japan faces a contraction of 0.9 percent over 2011.

The 2011 annual output growth rate of the United States was projected to perch at 2.6 percent, 0.4 point up from the last OECD prediction while the forecast for the euro zone increased 0.3 point to 2.0 percent. Japan was expected to see growth from the next half of this year and a growth rate of 2.2 percent for 2012.

For unemployment, one of the biggest challenges for OECD countries, the 2011 rate was expected at 7.9 percent on average across 34 members, 0.4 percentage points down from 2010, but still high above the pre-crisis average of 6.4 percent, the report showed.

Besides jobs, Padoan pointed out other three medium-term challenges facing the world economy: sustaining growth and avoiding stagnation; making progress in fiscal consolidation; and managing global imbalances while supporting orderly savings reallocation.

The cumulative impact of downside risks, if interact, could "weaken the recovery significantly, possibly triggering stagflationary developments in some advanced economies," though private sector final demand showed more momentum than projected, according to the report.

Calling on countries to be cautious and more coordinated when making macroeconomic and financial policies, the report, however, said "the forces acting on the OECD economies remain supportive" and the "global trade growth has rebounded."

http://news.xinhuanet.com/english2010/business/2011-05/25/c_13893585.htm

U.S. urges G8 to join efforts in Egypt's debt swap

May 25, 2011

WASHINGTON -- The United States on Wednesday asked its G8 partners to help Egypt convert the debts of the past into investments for the future as the most populous Arab state is undergoing transition.

"The United States is committed to a debt swap for Egypt and we are asking our partners to join us in this initiative," U.S. Secretary of State Hillary Clinton and Secretary of Treasury Timothy Geithner said in a letter to their G8 counterparts.

"A debt swap will enable Egypt to channel its debt payments toward underwriting swift, sustainable job creation," they said. " A shared response in the form of a multi-creditor debt swap for job creation would provide Egypt with financial relief while also ensuring that critical investments are made to improve the lives of Egyptian people."

In a major foreign policy speech last Thursday, U.S. President Barack Obama stated that it will be the policy of the U.S. to promote reform across the Middle East and North Africa and support transitions to democracy. He announced a set of initiatives in support of Egypt and Tunisia, including plan to ask the World Bank and the International Monetary Fund (IMF) to present a plan at the upcoming G8 summit for what needs to be done to stabilize and modernize the economies of Tunisia and Egypt, and relieving Egypt of up to 1 billion U.S. dollars in debt.

The Group of Eight's industrialized economies -- Britain, Canada, France, Germany, Italy, Japan, Russia and the United States will meet through Thursday to Friday in Deauville, France.

"We also should stand ready in the Paris Club to reinforce the forthcoming IMF package for Egypt. At the same time, we should collectively commit to helping newly democratic governments recover assets that were stolen," Clinton and Geithner said in their letter.

They said: "As our nations gather at Deauville, we should consider several steps to support these goals. We share a compelling interest in seeing the transitions in Egypt and Tunisia succeed and become models for the region. Otherwise, we risk losing this moment of opportunity."

http://news.xinhuanet.com/english2010/world/2011-05/26/c_13893965.htm

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Gold bounces off as dollar retreats

May 27, 2011

CHICAGO -- Gold futures on the COMEX Division of the New York Mercantile Exchange ended sharply higher on Friday, as the U.S. dollar extended losses and Europe's debt crisis increased investor demand for the precious metal as a safe-haven.

The most active gold contract for August delivery jumped 13.6 dollars, or 0.9 percent, to 1,537.3 dollars per ounce.

Analysts attributed most of gold's strength to the sagging greenback, which continued to lose ground on Friday. The dollar index, which measures the greenback against a basket of six currencies, dropped from 75.598 late Thursday to 74.904 during the session.

Precious metals, like other dollar-denominated commodities, benefited from the weakening U.S. dollar, as it made the futures cheaper for market participants holding other currencies.

Meanwhile, the Euro zone financial uncertainty also lent support to the precious metal, as Greek leaders held meeting on Friday in an attempt to agree on a plan to manage the beleaguered nation's debt crisis.

Gold also regained some ground as a report showed that consumer purchases in the U.S. rose less than forecast in April as food and fuel prices climbed, and pending sales of existing houses

plunged, indicating the U.S. economy was struggling to strengthen at the start of the second quarter.
Silver for July delivery jumped 53.3 cents, or 1.4 percent, to 37.863 dollars per ounce.

http://news.xinhuanet.com/english2010/business/2011-05/28/c_13897922.htm

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GLOBAL BANKING & FINANCE

Foreigner buyers hit record in Singapore's private home market in Q1
May 25, 2011
SINGAPORE -- Foreign buyers snapped up 16 percent of all private homes sold in Singapore in the first quarter, the highest quarterly percentage since data became available in 1995, local daily Straits Times reported.
Experts attributed the high foreign proportion in the market to the fact such buyers were less affected by the rounds of cooling measures.
Foreigners bought 1,028 units in the first three months of the year, real estate consultancy DTZ Research said in a report. The proportion of 16 percent being foreign buyers also hit a new record, and the previous record was 15 percent in the fourth quarter of 2007.
Foreigners were also active in the last quarter of 2010, buying 1,092 units or 13 percent of the total private homes sold.
Demand from holders of permanent residency -- those who are not citizens -- remained stable at 17 percent in both quarters.
Chinese buyers including permanent residents also set a record to account 24 percent of the total foreign buyers, overtaking Malaysians for the first time.

http://news.xinhuanet.com/english2010/business/2011-05/25/c_13893126.htm

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U.S. says China not currency manipulator
May 27, 2011
WASHINGTON -- The U.S. Treasury Department said Friday in a report that China was not manipulating its currency.
"In China, since the authorities decided in June 2010 to allow the exchange rate to appreciate in response to market forces, the renminbi (RMB) has appreciated by a total of 5.1 percent against the dollar in nominal terms through the end of April 2011, or at an annual pace of approximately 6.0 percent," said the semiannual report on international economic and exchange rate policies.
The Treasury said that as inflation in China is significantly higher than it is in the United States, the RMB has appreciated more rapidly against the dollar on a real, inflation-adjusted basis, at a rate of around 9 percent per year.
The appreciation of yuan, or RMB, has been one of the core disputes between Washington and Beijing in recent years.
Washington wanted the Chinese yuan to appreciate faster in hopes of increasing U.S. exports to China, thus reducing its overall trade deficit and increasing employment.
China, however, insisted that enormous trade surplus with the United States was largely caused by U.S. high-tech exports control towards China. Many economists believe that the appreciation of the RMB will do little to help U.S. employment.

China has long said it would like to increase the flexibility of the Chinese currency -- and so Beijing has been doing. Since 2005, the Chinese Yuan has risen nearly 30 percent against the U.S. dollar.
By far, the United States has avoided labeling China as a currency manipulator.
"No major trading partners of the United States" met the standards identified by the Congress as currency manipulator, the report concluded.
The Omnibus Trade and Competitiveness Act of 1988 requires the Treasury Secretary to provide reports on "whether countries manipulate the rate of exchange between their currency and the United States dollar for purposes of preventing effective balance of payments adjustments or gaining unfair competitive advantage in international trade."
With respect to exchange rate policies, ten economies were reviewed in this report, accounting for nearly three quarters of U.S. trade. Many of the economies have fully flexible exchange rates. A few have more tightly managed exchange rates, with varying degrees of management.
During the recent S&ED, China stressed that it "will continue to promote RMB exchange rate flexibility."
The U.S. Treasury added that it will continue to "closely monitor" the RMB appreciation pace.
The report meanwhile provided a general assessment of the U.S. and world economy. "The U.S. economy is recovering from its deepest recession in the post-war period," it said. "While recent growth is encouraging, the economy still faces significant challenges."
The number one challenge is still in the labor market. The U.S. unemployment rate, currently at 9.0 percent, is not expected to fall significantly this year.
Besides, the housing market and the long-term fiscal situation are "unsustainable," according to the report.
As for the world economy, the report noted that "the global economy recovered strongly in 2010, growing 5.0 percent compared to a contraction in output of 0.5 percent in 2009, according to the IMF."
The recovery pace across different economies, however, was uneven, with the advanced economies expanding by an estimated 3.0 percent and emerging markets and developing economies growing by 7.3 percent.
Advanced economies still face high unemployment and fiscal challenges, while emerging markets and developing economies are facing escalating inflation and a risk of overheating, the report said.

http://news.xinhuanet.com/english2010/business/2011-05/28/c_13898447.htm

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China Development Bank to buy stakes in U.S. private equity fund
May 27, 2011
BEIJING -- The China Development Bank (CDB), one of China's three policy banks, said on Friday that the China Development Bank Capital Co., Ltd., a wholly-owned subsidiary of the CDB, is planning to buy a minority stake in a leading U.S. private equity fund, TPG Capital.
The stake purchase will allow CDB Capital and the California-based TPG to establish a cooperative partnership, the said CDB in a press release.
The bank did not reveal the exact size of the stake to be purchased.
The two sides have agreed on the deal, but are still waiting for regulatory approvals, it said.

Established in August 2009, CDB Capital has focused on private equity, direct investment and investment consulting. Buying TPG's shares will help the company enhance its capability to directly invest, the press release said.

http://news.xinhuanet.com/english2010/business/2011-05/27/c_13897775.htm

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Chinese shares continue slipping on growth concerns

May 27, 2011

BEIJING -- Chinese shares dropped for the seventh straight day on Friday as growth concerns continued to weaken the market.

The benchmark Shanghai Composite Index fell 0.97 percent, or 26.58 points, to 2,709.95 points, its lowest level since Jan. 26. The key Shanghai index has declined 5.7 percent over the last seven trading days.

The Shenzhen Component Index dropped by 0.33 percent, or 37.99 points, to close at 11,492.71 points.

Combined turnover on the two markets reached 152.2 billion yuan (23.42 billion U.S. dollars), slightly down from 152.32 billion yuan on the previous trading day.

Losers outnumbered gainers by 753 to 122 in Shanghai and by 1,069 to 162 in Shenzhen.

Banking and coal producer shares outperformed the broad market, with sector indices up 0.19 percent and 0.4 percent, respectively.

PetroChina, the nation's largest oil producer, climbed 0.83 percent to 10.97 yuan per share. The gain was boosted by the news that PetroChina's parent company, the China National Petroleum Corp., has bought 31.08 million yuan-denominated A-shares in the company.

Water conservancy project-related stocks plunged, with the Chongqing Three Gorges Water Conservancy and Electric Power Co. dropping by 4.22 percent to 18.84 yuan. Shares of the Qianjiang Water Resources Development Co. plummeted 9.12 percent to 13.75 yuan. The Anhui Water Resources Development Co. dived 9.61 percent to 16.17 yuan.

http://news.xinhuanet.com/english2010/china/2011-05/27/c_13897648.htm

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China's yuan rises 23 basis points to new high at 6.4898 per USD Friday

May 27, 2011

BEIJING -- The Chinese currency Renminbi, or the yuan, appreciated 23 basis points to an all-time high at 6.4898 per U.S. dollar on Friday, according to the China Foreign Exchange Trading system.

The yuan's fresh central parity rate scrapped the previous record of 6.4921 per U.S. dollar set on May 26.

On China's foreign exchange spot market, the yuan can rise or fall 0.5 percent from the central parity rate each trading day.

The central parity rate of the RMB against the U.S. dollar is based on a weighted average of prices before the opening of the market each business day.

http://news.xinhuanet.com/english2010/business/2011-05/27/c_13896742.htm

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INTERNATIONAL TRADE

Afghan Cabinet discusses China's Aynak project investment

May 22, 2011

KABUL, Afghanistan -- Afghan Cabinet in its special meeting with President Hamid Karzai on the chair, held Saturday discussed China's Aynak project investment, an official with Chinese Embassy in Kabul told Xinhua on Sunday.

"Aynak Copper Mine is one of the most important economic projects in Afghan history, which has a great impact on the Afghan social and economic development, and it is necessary to put into operation as soon as possible," President Karzai said while chairing the Cabinet session.

Xu Feihong, Chinese Ambassador to Afghanistan also attended the meeting, according to the official. Several senior officials from Afghan government including Advisor to National Security, Minister for Mines and Industries, and the Minister for Agriculture attended the meeting.

All the concerned parties and officials at the meeting agreed to tackle the challenges encountered by the Aynak project and promised to provide all the necessary support to accelerate exploration process of the project.

The China Metallurgical Group Corp and China's top integrated copper producer Jiangxi Copper Co. started work in Logar Province in July 2009 to explore and develop the vast Aynak Copper Mine south of the capital Kabul. The project, with an investment of more than four billion U.S. dollars, is the biggest foreign investment in Afghanistan's history.

http://news.xinhuanet.com/english2010/china/2011-05/22/c_13888275.htm

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South Korea seeks to impose tariffs on rice imports

May 24, 2011

SEOUL -- The South Korean government has decided to pursue an early imposition of tariffs on rice imports in a bid to deal with its growing rice reserves, local media reported Tuesday.

The Ministry for Food, Agriculture, Forestry and Agriculture is seeking to introduce tariffs on rice imports starting next year a plan initially scheduled for 2015as a way of controlling the amount of rice imports into the country, according to Yonhap News Agency.

South Korea has been importing a set amount of rice under the Minimum Market Access arrangement since 1995, but for the last few years, an increase in output and a decrease in consumption have destabilized the country's rice market.

The MMA arrangement requires South Korea to import an additional 20,000 tons of rice each year.

The ministry said that policymakers are weighing the pros and cons of imposing tariffs on rice imports, although no detailed plans have been drawn up to discontinue the present policy of regulating rice imports, said Yonhap News Agency.

http://news.xinhuanet.com/english2010/business/2011-05/24/c_13891627.htm

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China seeks to expand trade, investment ties with Cambodia

May 24, 2011

PHNOM PENH -- China sees Cambodia as one of the potential trade and investment partners among the Association of Southeast Asian Nations (ASEAN) and pledges to boost closer economic ties between the two countries, said a senior Chinese official on Tuesday.

During a meeting with Cambodian Prime Minister Hun Sen, Wan Jifei, visiting chairman of China Council for the Promotion of International Trade and president of China Chamber of International Commerce, said that his visit to Cambodia was to boost closer cooperation between China and Cambodia on trade and investment.

He has brought with a number of large Chinese companies to explore trade and investment opportunity in Cambodia.

"China is pleased to encourage Chinese investors to Cambodia in order to help Cambodia in its efforts for national development", he said.

Meanwhile, Prime Minister Hun Sen said, "To date, China is the largest investor in Cambodia," and that most of Chinese investments here are in infrastructure development, hydro-power dams, mineral resources exploration, irrigation system, and garment industry.

"These investment projects are very vital for sustainable and long-term development of Cambodian economy," he added.

According to the report from the Council for the Development of Cambodia, China is the largest investor in Cambodia with the accumulative investment of 8 billion U.S. dollars by the end of 2010.

Hun Sen said that Cambodia would try to boost bilateral trade with China to 2.5 billion U.S. dollars in 2012 from 1.4 billion U. S. dollars in 2010.

Wan Jifei will also hold meeting with Cambodian Minister of Commerce Cham Prasidh and officials at Cambodian chamber of commerce on Tuesday afternoon on trade and investment cooperation opportunity.

http://news.xinhuanet.com/english2010/china/2011-05/24/c_13891500.htm

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China reviews anti-dumping measures on imported Catechol from U.S., Japan

May 25, 2011

BEIJING -- China has started reviewing the anti-dumping measures it imposed in 2006 on catechol imported from Japan and the United States, the Ministry of Commerce (MOC) said Wednesday.

The MOC will examine the possibility of continuing the anti-dumping measures and evaluate any possible damage that might result if the measures are discontinued, according to a statement on the MOC's website.

The Lianyungang Sanjili Chemical Industry Co., Ltd. filed an application for the re-examination of the measures on March 21 on behalf of China's catechol producers, the statement said, adding that the review should be completed before May 22, 2012.

China slapped a five-year anti-dumping duty of 4 percent to 46.81 percent on catechol imports from the United States and Japan on May 22, 2006.

Catechol is a chemical material that can be used as an antiseptic or photographic developer.

http://news.xinhuanet.com/english2010/business/2011-05/25/c_13893770.htm

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EU firms say China increasingly becoming "strategic market": survey

May 25, 2011

BEIJING -- European companies said China is an increasingly important "strategic market," according to an annual business confidence survey released by the European Union Chamber of Commerce in China on Wednesday.

More European companies are planning for increased long-term investment in China, with 59 percent of surveyed companies planning on staying and growing in China in 2011, compared with 39 percent in 2009, according to the survey, which sampled 598 European companies in China.

Up to 78 percent of the companies surveyed registered significant revenue increases last year, while 71 percent reported a rise in net profits, said a report of the survey.

Davide Cucino, president of the EU Chamber of Commerce in China, said European companies are "well-positioned to contribute to China's aim to switch to a more balanced economic growth model."

According to the survey results, 70 percent of the respondents said they had benefited from China's economic recovery, while 65 percent are confident that the 12th Five-Year Plan, which focuses on promoting domestic consumption, will improve China's business environment and create further growth opportunities.

European companies are looking forward to more opportunities in China's budding clean energy industry, as well as its service industry, Cucino said. Both of these industries will receive boosts this year as the result of new policies included in the Five-Year Plan.

However, the report also pointed out that European firms are facing growing competition from domestic companies, which are catching up with their overseas counterparts.

Vast improvements have been seen from local competitors in brand recognition, marketing and sales capability, and product quality, said Charles-Edouard Bouee, Asia President of Roland Berger Strategy Consultants, which worked with the EU chamber on the survey.

"In order for European companies to stay competitive in China, they need to seek to understand what local clients and consumers demand and continue to differentiate their products and services," he said.

The report noted that such competitive environments required more "transparency and well-regulated markets" than ever before.

European companies expressed greater optimism regarding regulators' willingness to make changes in the spirit of the World Trade Organization Agreement, although many companies felt that actual implementation of policies continued to lag, it said.

http://news.xinhuanet.com/english2010/china/2011-05/25/c_13893625.htm

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Chile, Thailand conclude second round of FTA negotiations

May 26, 2011

SANTIAGO -- Chile and Thailand on Thursday concluded here the second round of negotiations on a free trade agreement (FTA).

During this round, both delegations discussed topics related to goods trade and cooperation, rules of origins, customs procedures, sanitary and phytosanitary measures, technical obstacles for trading, legal issues and services and investments.

Chief of the Chilean delegation Rodrigo Contreras said that "regarding goods, the result was very meaningful."

In the other sectors, there were no big differences, "but there was a great understanding between the countries, which is a very good signal for reaching an agreement in the short term," Contreras said.
The third round will be held in July in Thailand.
"Both countries have expressed their intention of closing the negotiations in the first half of 2012, so we will make our best efforts," Contreras added.
Chile currently has trade agreements with Brunei, Singapore and Malaysia, and it is also negotiating one with Vietnam.

http://news.xinhuanet.com/english2010/business/2011-05/27/c_13896654.htm

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South Korea's trade deficit with Japan declines since March quake: Nomura
May 26, 2011
SEOUL -- South Korea's trade deficit with Japan has reduced since March 11 when the deadly earthquake hit Japan's northeastern region, Nomura International said Thursday.
"Since the Japanese earthquake, South Korea's trade deficit with Japan declined 26 percent during the March-April period from a year earlier," Kwon Young-sun, an economist at Nomura in Hong Kong, said in a report.
According to the report, the nation's exports to Japan surged 58 percent on-year during the March-April period, with imports from Japan at a much slower rate of 6 percent.
Exports of petroleum and chemical products were particularly brisk over the cited period as Japan's petrochemical sector was crippled after the quake. Petroleum shipments to Japan skyrocketed 270 percent on-year between March and April, with chemical exports surging 54 percent.
Meanwhile, imports of machinery and transport equipment from Japan contracted 5.1 percent on-year over the same period largely due to the supply constraints and production cuts in Japan, according to Nomura.

http://news.xinhuanet.com/english2010/business/2011-05/26/c_13895694.htm

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Vietnam to promote trade with China: official
May 26, 2011
HANOI -- Vietnam attracts great attention from Chinese businesses, and in return, China sees Vietnam as potential market in the future, said Dao Ngoc Chuong, Deputy Head of the Asia-Pacific Market Division, under the Vietnamese Ministry of Industry and Trade (MIT).
Vietnam News Agency on Thursday quoted Chuong said that China is Vietnam's biggest neighboring market, with a similar structure of import-export goods. The two-way trade is implemented in diverse forms, including official routes, border trade, temporary import for export, transits, exchange of goods between people in the border areas.
Currently China is Vietnam's biggest importer, and the third biggest exporter, after the United States and Japan.
According to statistics from China-ASEAN Expo Secretariat, in the first quarter of 2011, China-Vietnam two-way trade has risen sharply, with total value of imports and exports up 42.3 percent to 7.9 billion U.S. dollars.
Chuong said that the two countries' legal framework for investment has been improved in lines with the international laws, which helped boost the bilateral trade. China supplied fuel and raw

materials of strategic significance to Vietnam's economy. In return, it needs a great amount of Vietnamese products, such as rubber, coffee, fruit, high-quality wooden ware, sea food and consumer goods, Chuong added.

http://news.xinhuanet.com/english2010/business/2011-05/26/c_13895223.htm

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New Zealand's F&P returns to profit, expects boost from Chinese partnership

May 27, 2011

WELLINGTON -- New Zealand home appliance manufacturer Fisher & Paykel Appliances, which is 20-percent owned by China's Haier white ware maker, has bounced back to a profit after reporting a loss of 83.3 million NZ dollars (67.49 million U. S. dollars) last year.

The company Friday reported an audited group net profit after tax of 33.5 million NZ dollars for the financial year ending March 31.

In a statement to the New Zealand Stock Exchange, the company said the results were attributed to improved operations, lower interest costs and "not having substantial abnormal charges compared to the previous year".

Net debt was reduced by 73 million NZ dollars to 100 million NZ dollars, due to strong operating cash-flows and property sales, and interest costs were down 46 percent to 15.4 million NZ dollars.

Group revenue fell by 4 percent to 1.12 billion NZ dollars, said the statement.

The appliances business reported normalized operating earnings before interest and tax for the full year of 23.7 million NZ dollars, with 71 percent of earnings in the second half. Last year 's full-year earnings before interest and tax were 29.4 million NZ dollars.

The group's finance business reported a strong result with full year earnings up 20 percent to 34.7 million NZ dollars.

The company had not declared a dividend for the 2011 financial year "due to an increase in growth-related capital expenditure for the coming year and a cautious approach to credit markets", it said.

The company had experienced "challenging trading conditions" in North America and sales were down in New Zealand due to a transition to new distribution arrangements, but these factors were offset by improved sales in Australia.

"The company has continued to make good progress in strengthening the relationship with Haier, including the signing of a long term technology supply agreement in February 2011. This contract will generate revenues of between 20 million (NZ dollars) and 35 million (NZ dollars) per annum.

Earnings are expected to commence in the first quarter of the 2013 financial year," said the statement.

Sales of Fisher & Paykel-branded products in China had begun, but delays in approvals for certain products, including gas cooktops, had resulted in sales being slower than expected.

"The full range of Fisher & Paykel-branded products for China will not be completed until December 2011," said the statement.

The business had laid the foundation for future growth and would explore further opportunities to leverage its technology capabilities, including the development of its new compressor technology, which, it claimed, was 35 percent more energy efficient than existing technologies.

However, market conditions for appliances were expected to remain challenging over the coming year, with rising costs, particularly raw materials.

"The appliances' business is committed to pursuing opportunities to growing component and technology revenues. For this reason, capital expenditure is expected to be approximately 44 million (NZ dollars) in the 2012 financial year. The business is investing primarily in new product development and the technology supply agreement with Haier," said the statement.
Directors were committed to resuming dividends as soon as financial and operating conditions permitted.
An update on trading and market conditions would be provided at the annual shareholders meeting in August.

http://news.xinhuanet.com/english2010/business/2011-05/27/c_13896328.htm

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Myanmar's trade with Hong Kong rises sharply
May 27, 2011
YANGON -- Myanmar's trade with China's Hong Kong hit 1.7 billion U.S. dollars in the fiscal year of 2010-11 ending in March, a sharp increase of 79 percent year on year, according to Myanmar's monthly economic indicators Friday.
Of the total, Myanmar's exports to the Hong Kong Special Administrative Region amounted to 1.69 billion dollars, while its imports from the region took 4.7 million dollars.
Hong Kong stood third in Myanmar's trading partner line-up after Thailand and Chinese mainland, according to the figures.
In 2009-2010, Myanmar-Hong Kong bilateral trade was registered at 949 million dollars, with Myanmar's exports to the region at 938 million dollars and its imports from the region at 10.9 million dollars.
According to Chinese official figures, China-Myanmar bilateral trade hit 4.44 billion U.S. dollars in 2010, a 53.2-percent increase over the previous year. For the first quarter of 2011, it has broken a figure of 1.6 billion dollars, increasing by 70 percent correspondingly.

http://news.xinhuanet.com/english2010/business/2011-05/27/c_13897046.htm

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Russia to lift grain export ban from July 1: Putin
May 28, 2011
MOSCOW -- Russian Prime Minister Vladimir Putin announced on Saturday Russia will lift from July 1 its grain export ban which was imposed last year in the wake of a severe drought, according to a government release.
"From July 1, we will lift the ban on grain exports," said Putin at a meeting with his first deputy, Viktor Zubkov.
Putin's decision was made after Zubkov's work report. Zubkov told Putin that spring planting this year was 10 percent higher than the previous year and the winter wheat harvest was "quite good."
He added that the lifting of Russia's export restrictions could only benefit farmers.
"Considering that we really do have grain now and the state of winter grain crops is quite good ... I think that we can lift the export restrictions on July 1," the release quoted Zubkov as saying.
Meanwhile, Putin also noted that the lifting of the export ban is one of the measures to tap the potential of Russian agricultural producers.
He instructed Zubkov to closely monitor the situation in agricultural sector and "use all our mechanisms" to support domestic agricultural producers.

Russia stopped its grain exports on Aug. 15, 2010 after a severe drought destroyed crops in the majority of the country's agricultural regions. The harvest in 2010 was 60.9 million tons, down 37 percent compared with 2009.
The ban was initially due to expire at the end of 2010. However, the government decided to continue restricting exports in order to determine whether the new harvest could afford the exports.
Earlier this month, Putin said resumption of Russia's grain exports depends on this year's harvest and domestic demands.

http://news.xinhuanet.com/english2010/business/2011-05/28/c_13898774.htm

WORLD ECONOMIES

Mild inflation may be long-term trend in China: economists

May 22, 2011
BEIJING -- Taming China's inflation has topped media headlines over the past months. However, economists said instead of coming down, mild inflation would accompany China for a relatively long period of time.
China's inflation stayed stubbornly high in April, in spite of the government's efforts. The consumer price index, a main gauge of inflation, rose 5.3 percent in April from one year earlier, slightly lower than March's 5.4-percent rise, but still higher than expected.
Inflation, however, was an inevitable result for China's current stage of development, said Zhang Xiaojing, a researcher with the Chinese Academy of Social Sciences, a government think tank.
China's rapid industrialization and urbanization have pushed up prices of resources, such as labor and land, which then fuels inflation, Zhang said.
Meanwhile, external factors, including rising prices of grain, resources and energy on the global market, causes imported inflation, and a sign of easing is expected to be seen in the short run, he said.
Xu Lianzhong, director of the Analysis and Prediction Office of the National Development and Reform Commission (NDRC), voices similar ideas as Zhang, but chose wages as the major cause for the mild inflation trend.
Over the past decades, China's economic boom has largely been built on cheap labor and excessive use of resources. But a new generation of migrant workers demanded higher pay and better treatment, which adds to labor costs at home.
In an effort to shift the economy to a more domestic consumption-driven growth, the government has been striving to raise farmers' incomes and those of low and medium-income groups in cities. The move would help enhance the public's purchasing power and also boost consumer prices, Xu said.
In the past year, the per capita income of China's urban residents grew 7.8 percent year on year. As a new emphasis, laid out in the country's 12th Five-year Plan (2011-2015), the government vowed to make wages outpace economic growth.
China should endure an inflation rate between five percent and 10 percent in the long term, which might be a necessary precondition for China to maintain relatively quick economic growth, said Wang Jian, secretary general of the NDRC's China Society of Marcoeconomics.
Although China faces a daunting battle against inflation, economists said the economy would not spiral out of control.

Wang noted that China would not descend into an inflation spiral because the country's inflation is mainly caused by imported inflation and rising food prices and wages, which would not contribute to an inflation rate of above 10 percent.
China's bumper grain harvest for seven straight years, overall balanced industrial market and overcapacity of production in some sectors would also reduce the chances for hyperinflation in China, economists said.

http://news.xinhuanet.com/english2010/indepth/2011-05/22/c_13888124.htm

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U.S. economic confidence spikes, but could prove temporary
May 24, 2011
WASHINGTON -- Gallup's economic confidence index this week reached its highest level since mid-February, continuing along a positive trend that started in the week after the death of top terrorist Osama bin Laden earlier this month.
Still, confidence could wane if consumer sentiment is not reinforced by additional positive economic reports, Gallup reported on Tuesday.
Indeed, the U.S. economy is by no means out of the danger zone, and a number of factors could thwart confidence: The U.S. and global economies seem to be slowing, according to a number of economic reports. The Dow Jones Industrial Average has been down for three weeks in a row and jobless claims continue to run above 400,000, suggesting that job growth is insufficient to put a dent in the U.S. unemployment rate.
The battle over raising the U.S. federal debt limit seems to be heating up as U.S. Treasury Secretary Timothy Geithner warns of dire financial consequences if Congress does not act. Moreover, there exists a feeling of deja vu as the European debt situation has surfaced once more, as it did about this time a year ago, Gallup said.
The recent heightening in economic confidence may also be the continuation of a "halo effect" from the bin Laden news, reinforced by a surprisingly quick decline in gas prices. So if this spike in confidence turns out to be transitory, these gains could dissipate quickly in the weeks ahead, according to the renowned survey company.

"POOR" RATINGS CLIMBED IN MAY
Forty-two percent of Americans rated current economic conditions "poor" in the week ending May 22 -- essentially the same as during the prior two weeks, and an improvement over April. Thirty-seven percent of Americans have said the U.S. economy is "getting better" in each of the past three weeks, the highest level since mid-February.
Readings for the weeks ending May 8 and 15 are similar to those of comparable weeks in 2010. While this trend continued in the week ending May 22, 2011, the percentage of poor responses increased in the week ending May 23, 2010, before returning to trend in the following week. As a result, May 2011 trends seem generally consistent with the trend during the same weeks of May 2010, Gallup said.

THIS WEEK'S POSITIVE NEWS BADLY NEEDED
In spite of what happens going forward, the current news is welcome, Gallup said.
"Whatever the sources, improved economic confidence is something the U.S. economy badly needs right now," Gallup said.

Gallup's economic confidence index peaked this year in February and later trended downward through the week ending April 24, when gas prices surged and economic activity slowed.

U.S. economic confidence, however, rebounded the week after the White House announced the death of bin Laden, terrorist mastermind and leader of al-Qaida, the organization behind the 9/11 attacks that killed nearly 3,000 people in New York and Washington.

The increase also coincided with Mother's Day celebrations and what was generally interpreted as a good jobs report may have also helped ramp up confidence, despite a jump in unemployment figures from 8.8 percent in March to 9 percent in April.

The recent decline in oil and gas prices could also bode well for an economy in which the high unemployment rate -- up from 8.8 percent in March to 9 percent in April -- points to a sluggish recovery.

Over the past week, gasoline prices dropped 10 cents -- a modest decline given current gas prices near 4 U.S. dollars per gallon -- but a gain, however small, for consumers.

"Americans expect that gas prices will hit 4.52 U.S. dollars per gallon this year, so any movement in the opposite direction clearly qualifies as positive reinforcement toward improved economic confidence," Gallup said.

Gallup's Economic Confidence Index consists of two measures: one involving Americans' views about whether the U.S. economy is "getting better" or "getting worse," and the second based on Americans' ratings of current economic conditions as "excellent," "good," "only fair," or "poor"。

The improvement in economic confidence found so far in May is apparent in both measures, it noted.

http://news.xinhuanet.com/english2010/business/2011-05/25/c_13892728.htm

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"Hard landing" imminent in China's economy

May 24, 2011

BEIJING -- Even with first-quarter growth at 9.7 percent, worries of a "hard landing" of the world's second largest economy begin to emerge, as the government switches from stimulating to deflating the economy.

Private businesses aren't making the money they used to. Production costs are rising and borrowing has become harder as the government has hiked interest rates and raised the reserve ratio for banks amid high inflation.

The manufacturing sector PMI released by the National Bureau of Statistics, a key measure of the outlook for industrial growth, dropped to 52.9 percent in April, down from 53.4 percent in March.

The value-added industrial output grew 13.4 percent in April, 1 percentage point lower than a month earlier.

The economic data suggests the probability of hard landing is building in China, according to JPMorgan Chase.

However, Fan Jianping, chief economist with the State Information Center, contended a hard landing is unlikely.

The situation in China is not like that which followed the U.S. credit crisis in 2008, rather it's the result of the macro-economic regulation, he said.

China's growth decelerated to 6.7 percent in the first quarter of 2009, as the global financial crisis sapped demands for Chinese exports.

"Such drastic slowdown would not repeat today, as the global economy is on the track of mild recovery and the external demand is at a healthy level," said Peng Wensheng, chief economist with the China International Capital Corporation.

He predicted China's GDP growth would slow to 8.4 percent in the fourth quarter of the year. However that can not be recognized as a hard landing.

Lian Ping, chief economist with the Bank of Communications, said robust growth in the fixed-assets investment and trade surplus do not support the possibility of hard landing.

He estimated the economy would grow by nearly 10 percent in the second quarter from a low comparison basis a year ago.

Fears of hard landing drove China's stock market down by nearly 3 percent on Monday after the China Manufacturing Purchasing Managers' Index compiled by HSBC fell to a 10-month low of 51.1 in May.

Qu Hongbin, HSBC's Chief Economist for China, said that the PMI data was consistent with the growth of industrial output and GDP, while the "hard landing" concern is unnecessary.

Economists agreed the top priority of Chinese economy is to fight against inflation.

The Consumer Price Index (CPI) was 5.3 percent in April, slightly down from March's 32-month high of 5.4 percent.

The central bank has raised the reserve requirement ratio (RRR) of commercial banks five times this year, and also hiked the benchmark interest rates four times since last October.

Market analysts expect another rates hike in June.

Zhang Yansheng, a researcher with the National Development and Reform Commission (NDRC), said inflation pressure would stay for some time, and enterprises should prepare for that.

Fan noted the slowdown momentum is a good thing since it is a necessary condition to tame consumer prices, and could also make way for economic restructuring.

The Chinese government is taking steps to change China's growth pattern to one based on innovation and domestic demand.

"In the days of fast growth, businesses felt good about their strategy. That has protected the outdated capacity," Fan said.

He said although the present slowdown is intended by the government and within control, the macro-policy should be forward-looking to avoid a real recession.

"The monetary tightening should fade before the price increase is curbed. Otherwise a deep slowdown will hurt the next round of growth," he said.

http://news.xinhuanet.com/english2010/indepth/2011-05/24/c_13892023.htm

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Japan logs 1st trade deficit in three months in April

May 25, 2011

TOKYO -- Japan's exports fell 12.5 percent in April from a year earlier, marking the second consecutive monthly decline, and posted a trade deficit for the first time in three months, the Ministry of Finance said Wednesday.

The ministry said in a preliminary report that the trade balance was tipped by the adverse affects of the March 11 disasters on production and shipping of goods.

The trade balance fell into a deficit of 463.7 billion yen (5.7 billion U.S. dollars) in the recording period, compared with economists' expectations for a 12.4 percent fall and following a 2. 3 percent revised decline logged in the previous month.

The figure also compares with a 729.2 billion yen surplus logged a year earlier.
The ministry said it was the first time since a 479.41 billion yen deficit booked in January that the balance has swung from a surplus.
The government figures revealed that exports totaled 5.156 trillion yen in the recording period and imports added up to 5.619 trillion yen, marking an 8.9 percent rise from a year earlier as commodity prices increased.
By region, export to the United States fell sharply by 23.3 percent, with the import to the nation increased only 1.8 percent. (One U.S. dollar is equivalent to 82 yen).

http://news.xinhuanet.com/english2010/business/2011-05/25/c_13892986.htm

Egypt unemployment rate rises to 11.9% after protests

May 25, 2011

CAIRO -- Egypt's unemployment rate has risen to 11.9 percent in the first quarter under the impact of the political unrest, head of the Central Agency for Public Mobilization And Statistics (CAPMAS) Abu Bakr el-Gindi said Wednesday.
Egypt's unemployment rate in the last quarter of 2010 was 8.9 percent, he told a press conference, describing the sharp increase as "a very big jump."
Out of the total workforce that exceeds 26 million people, 3.1 million are jobless, el-Gindi said, blaming the rise on the negative consequences that followed the protests and led to slowdown in economic activities.
Unemployment in Egypt, the most populous Arab country with a population over 80 million, was among the top complaints of protesters who joined the anti-government demonstration.
Egypt is faced with a deteriorating economy caused by the political turmoil after the protests that toppled former President Hosni Mubarak.
El-Gindi said that Egypt's tourist revenue, one of the country' s economic pillar, dropped by 60 percent after the protests. Hotel occupancy rates decreased in the first four months of this year by 16 percent compared with the same time in 2010.
"Tension, destabilization and sectarian sedition lead to the drop in tourist reservation by 20 percent this month," he said.
Egypt has lost around two billion U.S. dollars in tourism revenues due to the political unrest, according to official estimates earlier this month.
El-Gendi said revenues from exports and the Suez Canal were not affected as the tourism sector.

http://news.xinhuanet.com/english2010/business/2011-05/26/c_13894090.htm

Environment damage eats up 8% of Mexican GDP

May 26, 2011

MEXICO CITY -- Environmental damage and drying-up of resources such as water and minerals are costing Mexico nearly 90 billion U.S. dollars annually, equal to almost 8 percent of its GDP, according to a new report.
Among the total, air contamination represents 4.4 percent of the GDP, while rapid extraction of the country's proven oil and gas reserves account for 1.5 percent of the GDP, and exploitation of rapidly-shrinking aquifers and deforestation eat away another 0.5 percent of its GDP, according to report issued by the National Statistics and Geography Institute (INEGI).

Mexico, the world's seventh-largest petroleum producer, has undergone sharp decline in both oil output and proven reserves over the past five years.
Deforestation was deteriorating with increased number of wild fires and illegal logging for commercial and agricultural interests, INEGI said.

http://news.xinhuanet.com/english2010/business/2011-05/27/c_13896828.htm

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U.S. house price down 2.5 percent in first quarter
May 25, 2011
WASHINGTON -- U.S. house price declined 2.5 percent in the first quarter of 2011 from the previous quarter, according to data released Wednesday by the U.S. Federal Housing Finance Agency (FHFA).
The price was 2.5 percent lower on a seasonally adjusted basis in the first quarter than in the fourth quarter of 2010, the largest quarterly decline since the fourth quarter of 2008, said the FHFA.
With respect to March, house price dipped slightly 0.3 percent from last month. Still, March's house price was 19.8 percent below its peak value from April 2007.
Moreover, the previously reported 1.6 percent decrease for February has been revised to a 1.5 percent decline.
"House price in the first quarter declined in most parts of the country," said FHFA Acting Director Edward J. DeMarco. "In many local real estate markets, particularly those hit hard by this cycle, foreclosures and other distressed properties are still a key factor in recorded and anticipated future sales and may be delaying price stability or recovery. Fortunately, serious delinquency rates also are declining."

http://news.xinhuanet.com/english2010/business/2011-05/26/c_13893996.htm

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China preparing for effects of population trends
May 26, 2011
BEIJING -- The National Bureau of Statistics recently highlighted some significant results from China's Sixth National Population Census that point to some major changes in the country's population trends - changes that will affect the economy.
First, the annual growth rate of China's population has slowed remarkably in the past 10 years compared with the previous decade. Second, the percentage of both the working age population and the aged population have grown, while the proportion of children aged under 14 has declined, indicating an overall aging of the population. Third, education levels rose during the decade and literacy rates have continued to increase. Fourth, the urbanization process has been faster than expected, with almost 50 percent of the total population living in urban environments and an increase in the percentage of permanent residents in developed coastal provinces, while the population has fallen in the underdeveloped heartland provinces.
These trends make it necessary to explore the likely effects of the changing population structure on economic growth, inflation, property prices and the development of financial markets.
A reduction in the labor force will affect the potential growth rate, which is predicated on the consistent supply of workers, capital and productivity. Over the past 30 years, China's economic growth has been around 10 percent per year, due largely to the rapid growth of labor supply,

capital resources founded on high domestic savings rates, and the rising efficiency of production.
As many developed countries have found - especially Japan with its seriously aging population - a reduction of labor supply affects economic growth. The saving grace may be that China is somewhat different, adding uncertainty to the plotting of future economic growth trends. For example, the increasing level of urbanization is good for economic growth. It means that rural labor is migrating from agricultural areas of low productivity to modern manufacturing and service industry zones of higher productivity.
The census results show that China's urban population had reached 666 million, or 49.68 percent of the total population, and reveal that China still has a long way to go to reach standards of both developed countries and other emerging market economies.
Also, the income disparity between city and rural workers continues to grow. The figures indicate that there is considerable capacity for improvement, and further urbanization. But conversely in comparison to capacity, the urbanization rate will slow in the near future, thus decreasing its contribution to economic growth.
The influence of the labor shortage in recent years is a good indicator, as is the growth in labor quality due to better education. The census shows that the illiteracy rate fell from 6.72 percent in 2000 to 4.08 percent by 2010 and the number of people with university standard education increased from 3,611 people in every 100,000 to 8,930.
Better educated workers mean that, with a consistent labor supply, there should be productivity growth. It also means an adjustment to the economic structure from the labor-intensive, sustained growth pattern of the past 30 or so years. During the adjustment period, however, the labor market may suffer from imbalances caused by mismatching of skills to necessary and/or available tasks.
All in all, the reduction in the number of working age people - expected to fall sharply in absolute number in the next two to three years - will result in a remarkable slowdown in China's economic growth in the next 10 years. Redundant rural labor released from urbanization and the growth of labor quality will partly, though not completely, offset the effect of the reduced total working age population.
According to our estimates for China's economy, potential yearly growth over the 12th Five-Year Plan (2011-2015) period will be between 8 percent and 9 percent taking into account labor trends, capital and productivity, and it is expected to slip still further during the 13th Five-Year Plan (2016-2020).

(Source: China Daily)
http://news.xinhuanet.com/english2010/indepth/2011-05/26/c_13894608.htm

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U.S. economy grows 1.8 percent in first quarter
May 26, 2011
WASHINGTON -- The U.S. economy expanded slightly in the first quarter, mainly reflecting government spending cuts, the Commerce Department reported Thursday.
U.S. real gross domestic product rose at an annual rate of 1.8 percent in the January to March quarter, according to the Commerce Department's second estimate.
Thursday's report confirmed the initial estimate issued last month and was weaker than the pace of 3.1 percent in the fourth quarter of 2010.

Consumer spending grew at just half the rate of the previous quarter. And a surge in imports widened the U.S. trade deficit.

Federal spending decreased 7.9 percent in the first quarter, compared with a decrease of 0.3 percent in the fourth. Local government spending decreased 3.2 percent, compared with a decrease of 2.6 percent.

From January to March, the U.S. exported more goods and services to foreign buyers, but its contribution to GDP was offset by the increase of imports.

Real exports of goods and services grew at a 9.2-percent pace, higher than a 8.6 percent growth in the fourth quarter in 2010. Imports, however, increased 7.5 percent in contrast to a decrease of 12.6 percent in the October-December quarter.

Consumer spending, which accounts for roughly 70 percent of overall economic activity, increased at just half the rate of the previous quarter. Imports, which are a subtraction in the calculation of GDP, increased.

The housing sector remained weak. Nonresidential fixed investment increased 3.4 percent in the first quarter, lower than the 7.7 percent advance in the fourth quarter. Residential fixed investment decreased 3.3 percent, in contrast to an increase of 3.3 percent.

In the latest estimate, the Federal Reserve lowered its growth estimate for the whole year to 3.1 to 3.3 percent, from its January projection of 3.4 to 3.9 percent.

Many economists believe the economy is growing only slightly better in the current April-June quarter. Consumers remain squeezed by relatively high gas prices near 4 U.S. dollars a gallon (1 U.S. dollar per liter) and renewed threats from Europe's debt crisis.

http://news.xinhuanet.com/english2010/business/2011-05/26/c_13895910.htm

U.S. consumer spending, personal income up in April

May 27, 2011

WASHINGTON -- U.S. consumer spending and personal income both increased in April, but the savings rate dropped, a sign of continuing economic recovery, the Commerce Department reported Friday.

Consumer spending gained 41.5 billion U.S. dollars, or 0.4 percent in April, after a revised 0.5 percent increase in March.

Personal income increased 46.1 billion dollars, or 0.4 percent last month, the same level as the previous month. Disposable personal income increased 35.1 billion dollars, or 0.3 percent, the department said.

Last month, the U.S. savings rate, personal saving as a percentage of disposable personal income, remained unchanged at 4.9 percent. The rate remains well above the 2.1 percent average savings rate for all of 2007.

In the first quarter of this year, the savings rate was recorded at 5.1 percent, the lowest level in more than two years. In the second quarter of 2010, the U.S. savings rate reached 6.2 percent, the highest quarterly level in recent years.

Consumer spending accounts for 70 percent of total U.S. economic activity. Experts expect a rebound in consumption will strengthen the economic recovery in 2011.

http://news.xinhuanet.com/english2010/business/2011-05/27/c_13897877.htm

Japan consumer prices rise for 1st time in more than 2 years in April

May 27, 2011

TOKYO -- Japan's core consumer prices rose 0.6 percent in April from a year earlier, reversing 25 consecutive months of decline, the Ministry of Internal Affairs and Communications said on Friday.

According to the ministry, the fall in the core consumer price index, which excludes volatile prices of fresh fruit, vegetables and seafood, matched median market expectations for a 0.6 percent rise and follows a 0.1 percent fall logged in March, standing at 99.8 against the 2005 base of 100.

The government said the rise in CPI was partly attributable to the government's halting of high school tuition fees a year earlier, with economists saying this alone likely pushed prices down by some 0.5 percent.

In addition rising commodity prices also applied pressure to the index in the recording period, the government data revealed.

In Tokyo alone CPI, which is considered a leading indicator for the wider nation, rose 0.1 percent on year in May, after rising 0. 2 percent a month earlier.

May's figure was marginally higher than the market forecast for a 0.2 percent increase and marked the second annual rise since March 2009, the ministry said.

http://news.xinhuanet.com/english2010/business/2011-05/27/c_13896515.htm

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Brazil's GDP growth to slow down: finance minister

May 27, 2011

RIO DE JANEIRO -- Brazilian Finance Minister Guido Mantega said on Friday that the country would see a slowdown in gross domestic growth (GDP) starting in the second quarter.

"We will not stop growing, (and) we will grow moderately," he said during a lunch with businessmen in Sao Paulo.

The minister said Brazil would grow at 4.5 percent this year, which he considers ideal.

Mantega also talked about the possibility of reducing corporate payroll taxes and tax reform.

Commenting on the public sector's primary surplus, Mantega said it reached some 60 billion reais (about 37.5 billion U.S. dollars) in the first four months of this year, surpassing the previous projection.

"We are strengthening the country's fiscal results and reducing the demands of the state," he said.

http://news.xinhuanet.com/english2010/business/2011-05/28/c_13898519.htm

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ARTICLES/COMMENTARIES

Global economy and markets: Speed bumps

May 23, 2011

YET more signs of a global slowdown today. The Chinese purchasing managers' index dropped to 51.1 in May (from 51.8) in April, prompting the Shanghai stock market to lose its gains for the year. In Europe, the composite index fell to a still-healthy 55.4 but the drop was greater than expected; it looks as if the strong momentum in the first quarter is fading.

The euro zone debt crisis looks no nearer resolution. Greece was downgraded three notches by Fitch while Standard & Poor's placed Italy on negative watch. (Italy has avoided the kind of negative scrutiny showed Spain although it has a much higher government debt-to-GDP ratio.) More seriously, perhaps, the last week has highlighted a huge rift in the European establishment. Some politicians have been edging towards the possibility of restructuring of Greek debt, by floating the idea of re-profiling the debt, i.e. giving the Greeks longer to pay on the hope, like Mr Micawber, that "something will turn up". This has outraged the ECB, which has bought acquired Greek debt and provided loans to Greek banks, with such debt as collateral. But the Greeks cannot pay their debts on their own; the choice is between default and subsidy from other European countries. If the first is unacceptable to the ECB, then the second may prove unacceptable to European voters. The euro zone crisis is, in a sense, the unfinished business of 2007-2008. Debt was passed up the chain, from individuals to banks to governments and now from poor governments to rich ones. But the slowdown may also turn out to be a postscript to the sub-prime crisis.

The global scale of the easing of monetary and fiscal policy was probably unprecedented. Risk assets rallied in the spring of 2009 when it was clear what the authorities were doing. This easing had a lagged effect which was probably at its strongest in 2010; now the effects may be fading. Homeowners benefited once from lower mortgage rates but they cannot benefit any further since there is no scope to lower official rates. Fiscal policy is only stimulative if governments are spending more (or taxing less) than they were a year ago; again there is little more than the authorities are willing to do. Here the link between the Chinese and American economies may be crucial. We know that the Chinese have been doing - tightening policy. This may be why commodity prices have been falling. And slower Chinese growth would in turn affect the German export machine. Meanwhile US policymakers have reached an impasse on fiscal matters while, on monetary policy, the Fed looks set to wait and see what happens after the end of QE2. In short, official policy has turned from a tailwind into a headwind. Add in Europe's mess and it is hardly surprising that equity markets are heading lower today.

UPDATE: There is an interesting piece in American Prospect which suggests that, even after August 2 when the Treasury may run out of wiggle room on the debt ceiling, the Fed may be forced to extend an overdraft to the Treasury. That is because of the 14th amendment which says that; *The validity of the public debt of the United States, authorized by law, including debts incurred for payment of pensions and bounties for services in suppressing insurrection or rebellion, shall not be questioned.*

In other words, the Fed would be breaching the Constitution if it didn't allow the government to meet its debts. Mind you, there isn't much sign as yet that the markets are worrying too much about this issue, on the assumption that the politicians will cobble together a deal.

http://www.economist.com/blogs/buttonwood/2011/05/global_economy_and_markets

China: Putting the lid on inflation

May 24, 2011

BEIJING -- China's new round of inflation pressures is a combination of a variety of complicated internal and external, short-term and long-term factors.

While China's economy was hit by the global financial crisis, it quickly regained momentum following a series of stimulus packages and its average annual growth rate was 11.2 percent over the 11th Five-Year Plan (2006-2010) period.

But in order to fend off the harmful effects of the global financial crisis, China has pumped a large amount of monetary supply into the market over the past two years, brewing excessive liquidity in its economy.

Statistics show that the country's total financing volume, an important index to measure market fluidity, amounted to 15.1 trillion yuan ($2.3 trillion) in 2009 and 14.6 trillion yuan in 2010. This huge scale of financing is yet to unfold its full influence on the current level of prices, although the Chinese government has adopted a series of macroeconomic measures to tame inflation.

At the same time, liquidity in the global market has also caused speculative international hot money to flow to China, which, together with its large trade surplus and bulging foreign reserves, has resulted in a large scale of excess liquidity in the domestic market.

Imported inflation has been a leading external factor fuelling China's inflation pressures. China is currently highly dependent on the import of some bulk commodities, especially energy and some primary raw materials, to fuel its fast-growing economy. It is more than 50 percent dependent on imports of oil, bronze and iron ores.

Since last year, prices of some bulk commodities have continued to rise in the international market with the considerable depreciation of the dollar, the resumption of global demand, excessive global liquidity and political turbulence in the Middle East, leading to increased import costs that further push up China's consumer price index (CPI).

The nation's accelerating urbanization and its pricing reforms have also served as middle- and long-term factors affecting China's ever-growing inflation pressures.

As the result of its rapid urbanization, the country's costs of labor, land, energy and other materials have continued to rise in recent years.

Since 2009, when different local governments began to raise their minimum wage standards, labor costs in parts of the country have increased by more than 20 percent, which, together with the rising prices of resources and growing distribution costs, has contributed to the recent price rises for domestic agricultural products.

China should regard stabilizing the current price level as its top priority this year. Besides necessary measures to increase and guarantee supply and distribution and to tighten market supervision, the country should also put in place a series of middle- and long-term policy strategies to defuse inflation pressures.

The Chinese government has lowered its gross domestic product (GDP) growth target to 8 percent for the year 2011 and to 7 percent on average for the 12th Five-Year Plan (2011-2015) period. The lower economic growth target demonstrates the high degree of attention the government is paying to better balancing the country's economic growth and inflation and to improving the quality and efficiency of its economic growth.

However, local governments are expected to have unprecedented enthusiasm for investment as a means of raising their political performance. This move, if not effectively curbed, will likely add to the nation's inflation pressures. Thus, China should take some pre-emptive measures to

curb such an investment impulse in a bid to create favorable conditions for a soft landing of its economy.
Also the management of liquidity should be tightened to undercut the monetary factors behind the country's latest round of inflation pressures. China should further reduce its credit scale, which rocketed following its adoption of a series of large-scale stimulus packages aimed at easing the impact of the global financial crisis.
At the same time, effective measures should be taken to stop the continuous inflow of international hot money. As a move toward this end, the country should pay attention to imports and try to strike a balance in its international payments.
To acquire sustainable and rapid economic growth, China should also further deepen its pricing reforms and expedite the transformation of its long-controversial extensive development mode that is heavily dependent on simple investment expansion in a bid to form a market-based resources pricing mechanism.
Considering that price rises remain a long-term irreversible tendency, the government should refrain from excessive administrative intervention into the current management of inflation pressures, a move that could result in the distorting of prices and cause the market to fail to play its role.

The author is a researcher with the Institute of Economics under the Chinese Academy of Social Sciences.
(Source: China Daily)
http://news.xinhuanet.com/english2010/indepth/2011-05/24/c_13891019.htm

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The IMF: Time for a change
Why a euro-zone finance minister, even a talented one, should not lead the IMF
May 26, 2011
OFFICIALLY the search for a new head of the IMF, to replace Dominique Strauss-Kahn, who awaits trial on charges of sexual assault, has barely begun. The fund’s member governments have until June 10th to propose candidates, after which a shortlist will be drawn up. But in practice the race seems all but over. That is because European countries, which hold over a third of the votes on the IMF’s board, have rallied around a single contender: France’s finance minister, Christine Lagarde.
In contrast, emerging economies, which have long argued that the fund should have a non-European boss, have so far conspicuously failed to fix on an alternative candidate. The Americans, kingmakers in this contest, have said little in public but in private seem happy with Ms Lagarde, not least because they hope to keep both the deputy’s job at the fund and the presidency of the World Bank. Barring embarrassments, one French politician is likely to succeed another.
Ms Lagarde has many strengths. She has been a steady and successful finance minister, no mean feat with a boss as mercurial as Nicolas Sarkozy. A lawyer by profession, she lacks the technical background that the IMF’s best bosses have had, but she is a superb communicator, a good negotiator and, by all accounts, an excellent manager. Given the circumstances of Mr Strauss-Kahn’s departure, the fact that she is a woman is a bonus. It is not hard to see why even Western finance ministers with a low opinion of Mr Sarkozy have rushed to anoint her.

But it is still wrong. To begin with, the stitch-up, whereby the head of the IMF is a European and the head of the World Bank is an American, is a disgrace. International posts should be filled according to merit. And the growth of emerging economies makes it even less defensible.

Not exactly Europe’s moment

Moreover, the case against appointing a euro-zone finance minister as head of the IMF now is overwhelming. The main issue facing the fund is the euro zone. The fund is supposed to be an impartial arbiter of good economic policy. It is the only organisation likely to force a rethink of the euro zone’s failed strategy towards Greece, Ireland and Portugal. There were already fears that Mr Strauss-Kahn’s presidential ambitions led the fund to be too soft on Europe. Ms Lagarde has played a central role in forming the euro zone’s response to its debt crisis, and whatever her private views, she has a public record of defending the indefensible. Staggeringly, some Europeans have tried to argue that only one of their own can understand their continent’s complex politics; imagine the laughter if somebody had made the same argument for Argentina’s finance minister in the 1980s or Thailand’s in 1997.

Besides, there are people who could do the job well who do not happen to be euro-zone finance ministers. Stanley Fischer, the governor of Israel’s central bank and former number two at the IMF, has vast experience of international economics and financial crises. Agustín Carstens, head of Mexico’s central bank and also a former official at the fund, is another safe pair of hands. Tharman Shanmugaratnam, Singapore’s finance minister and head of the IMF’s policy advisory committee, is widely admired for his technical and political skills. Among central banker types, Mark Carney (currently at the Bank of Canada) and Arminio Fraga (formerly president of Brazil’s outfit) have stood out. Admittedly, none of these men is perfect: Mr Fischer, for instance, is too old under existing rules and had a patchy record as deputy head of the fund. But none of them is as compromised as Ms Lagarde.

It is still not too late for emerging economies to unite around a different candidate, and for America to support their choice. Europe’s monopoly of the IMF’s leadership has long been an anomaly. It is time that it ended.

http://www.economist.com/node/18744017?fsrc=nwl|wwp|05-26-11|business_this_week

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Drain or gain: Poor countries can end up benefiting when their brightest citizens emigrate

May 26, 2011

WHEN people in rich countries worry about migration, they tend to think of low-paid incomers who compete for jobs as construction workers, dishwashers or farmhands. When people in developing countries worry about migration, they are usually concerned at the prospect of their best and brightest decamping to Silicon Valley or to hospitals and universities in the developed world. These are the kind of workers that countries like Britain, Canada and Australia try to attract by using immigration rules that privilege college graduates.

Lots of studies have found that well-educated people from developing countries are particularly likely to emigrate. By some estimates, two-thirds of highly educated Cape Verdeans live outside the country. A big survey of Indian households carried out in 2004 asked about family members who had moved abroad. It found that nearly 40% of emigrants had more than a high-school education, compared with around 3.3% of all Indians over the age of 25. This “brain drain” has long bothered policymakers in poor countries. They fear that it hurts their economies, depriving them of much-needed skilled workers who could have taught at their universities, worked in their hospitals and come up with clever new products for their factories to make.

Many now take issue with this view (see article). Several economists reckon that the brain-drain hypothesis fails to account for the effects of remittances, for the beneficial effects of returning migrants, and for the possibility that being able to migrate to greener pastures induces people to get more education. Some argue that once these factors are taken into account, an exodus of highly skilled people could turn out to be a net benefit to the countries they leave. Recent studies of migration from countries as far apart as Ghana, Fiji, India and Romania have found support for this "brain gain" idea.

The most obvious way in which migrants repay their homelands is through remittances. Workers from developing countries remitted a total of $325 billion in 2010, according to the World Bank. In Lebanon, Lesotho, Nepal, Tajikistan and a few other places, remittances are more than 20% of GDP. A skilled migrant may earn several multiples of what his income would have been had he stayed at home. A study of Romanian migrants to America found that the average emigrant earned almost $12,000 a year more in America than he would have done in his native land, a huge premium for someone from a country where income per person is around $7,500 (at market exchange rates).

It is true that many skilled migrants have been educated and trained partly at the expense of their (often cash-strapped) governments. Some argue that poor countries should therefore rethink how much they spend on higher education. Indians, for example, often debate whether their government should continue to subsidise the Indian Institutes of Technology (IITs), its elite engineering schools, when large numbers of IIT graduates end up in Silicon Valley or on Wall Street. But a new study of remittances sent home by Ghanaian migrants suggests that on average they transfer enough over their working lives to cover the amount spent on educating them several times over. The study finds that once remittances are taken into account, the cost of education would have to be 5.6 times the official figure to make it a losing proposition for Ghana.

There are more subtle ways in which the departure of some skilled people may aid poorer countries. Some emigrants would have been jobless had they stayed. Studies have found that unemployment rates among young people with college degrees in countries like Morocco and Tunisia are several multiples of those among the poorly educated, perhaps because graduates are more demanding. Migration may lead to a more productive pairing of people's skills and jobs. Some of the benefits of this improved match then flow back to the migrant's home country, most directly via remittances.

The possibility of emigration may even have beneficial effects on those who choose to stay, by giving people in poor countries an incentive to invest in education. A study of Cape Verdeans finds that an increase of ten percentage points in young people's perceived probability of emigrating raises the probability of their completing secondary school by around eight points. Another study looks at Fiji. A series of coups beginning in 1987 was seen by Fijians of Indian origin as permanently harming their prospects in the country by limiting their share of government jobs and political power. This set off a wave of emigration. Yet young Indians in Fiji became more likely to go to university even as the outlook at home dimmed, in part because Australia, Canada and New Zealand, three of the top destinations for Fijians, put more emphasis on attracting skilled migrants. Since some of those who got more education ended up staying, the skill levels of the resident Fijian population soared.

Passport to riches
Migrants can also affect their home country directly. In a recent book about the Indian diaspora, Devesh Kapur of the University of Pennsylvania argues that Indians in Silicon Valley helped shape the regulatory structure for India's home-grown venture-capital industry. He also argues that these people helped Indian software companies break into the American market by vouching for their quality. Finally, migrants may return home, often with skills that would have been hard to pick up had they never gone abroad. The study of Romanian migrants found that returnees earned an average of 12-14% more than similar people who had stayed at home. Letting educated people go where they want looks like the brainy option.

http://www.economist.com/node/18741763?story_id=18741763&fsrc=nlw|hig|05-26-2011|editors_highlights

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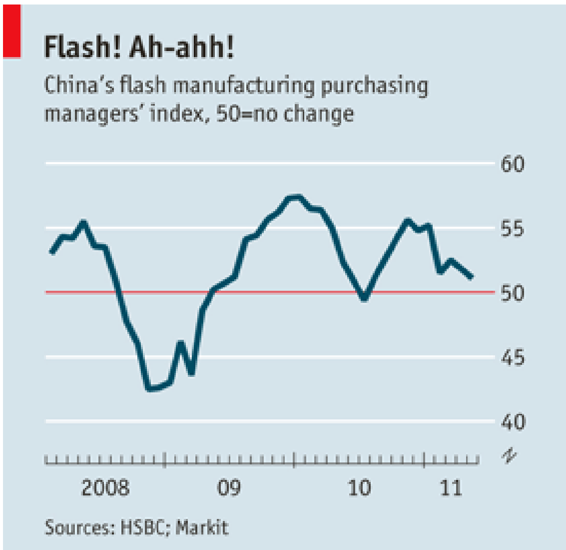
China and the world economy: Cross-town traffic
The global economy is slowing. For one of its biggest members, that is good news
May 26, 2011
FOR the past year or two, the big economies have experienced a "multi-speed" recovery, as the IMF calls it. The recovery has resembled third-world traffic, where juggernauts and rickshaws, cars and cycles ply the same lanes at different speeds, often getting in each other's way.
But for the past month or two, this traffic has slowed in unison. The deceleration is evident in the prices of commodities, which have fallen by 8.6% since mid-February, according to *The Economist*'s commodity-price index. It is also reflected in American manufacturing. New orders for durable goods, such as engines and cars, fell by 3.6% in April (albeit after a strong rise the month before). Factory output is still growing modestly, according to the Philadelphia Fed's latest survey, but has lost more momentum since March than in any two months since November 2008.
America's recovery relied for longer than most on fiscal injections. But by early August the federal government will bang up against a debt limit imposed by Congress. Any deal to raise the limit would almost certainly require spending reductions, and failure to strike a deal at all would require drastic cuts as the government stops selling debt. Even if the government is allowed to keep selling debt, the Federal Reserve will soon stop buying it, as it reaches the end of its latest round of "quantitative easing", a programme to buy longer-dated paper with freshly printed money.
The euro zone's prospects of growing its way out of trouble are receding, according to surveys of purchasing managers by HSBC and Markit, an information provider. Their "flash" (ie, preliminary) index for the euro-area economy fell sharply from 57.8 in April to 55.4 in May, a drop not seen since late 2008. In services the pessimism expressed about the coming year was reminiscent of mid-2009, before the recovery had picked up any speed at all.



The "flash" causing the biggest splash this week was, however, not in Europe but in China. HSBC's preliminary estimate for Chinese manufacturing fell to 51.1 (see chart), well below the long-term average of 52.3, confirming a slowdown evident in April's industrial-production figures. The release hurt stock markets worldwide. In a single day the Shanghai Composite index gave up its gains for the year.

This strong reaction was curious. In China, unlike the euro area or America, a slowdown is overdue. Its growth in the past two quarters was too fast to sustain, resulting in a worrisome rise in inflation. The government has been trying to slow the economy, by reining in runaway lending. The industrial slowdown is welcome evidence that these measures are working.

A PMI reading above 50 indicates rising output; one of 51.1 is consistent with GDP growth of 9%, says HSBC. But the figure immediately raised fears of a much harder landing. Observers may worry that inflation has already got out of hand, forcing the government to hammer the economy to bring prices back under control. At the end of 1994, for example, China faced inflation of over 25%. In the next two years, tight macroeconomic controls knocked 4.6 percentage points off its growth rate.

But inflation in China is now only 5.3%. Vegetable prices have fallen, and non-food inflation may be easing. China's inflation has proved more stubborn than expected. But growth will not have to slow by four points to quell it.

Some observers worry that the economy will run out of steam because coal is increasingly costly and electricity in short supply. In recent months Chinese industry has suffered power cuts reminiscent of 2004. But China had outages then because its power stations could not make enough power, points out Mark Williams of Capital Economics. It suffers cuts now because they cannot make enough money. The government has not allowed electricity tariffs to rise in step with coal prices, forcing producers to operate at a loss. Raising tariffs is the solution, even if it adds temporarily to the inflation figures.

The final reason to worry is also the most grave. Many fear that China's overstretched property market will collapse, leaving insupportable debts in its wake. The government's curbs on mortgage borrowing and speculative home buying are having some effect on sales (down by 10% in the year to April) but not yet on "starts", or new homebuilding, points out Tao Wang of UBS Securities. Perhaps the government's drive to build more affordable housing is offsetting a slowdown in unaffordable housing.

If the bubble were to burst, developers would suffer horribly. Recent homebuyers would also find themselves out of pocket. But in China, unlike America, housing is a vehicle for saving, not for borrowing. Householders are not up to their necks in mortgage debt, although it has risen quickly to about knee height: over a third of disposable income last year, compared with less than a quarter two years before. If prices fell heavily, the damage to households' wealth might dampen spending. But they would not be submerged in debt.

Banks also say their exposure to property is manageable, at about 20% of loans. Their indirect exposure might go much deeper. But if their ratios of non-performing loans (NPLs) ever rose too high, the government would step in. As Stephen Green of Standard Chartered puts it, "small NPLs are a bank's problem; big NPLs are the government's problem."

Given the improbability of a hard landing in China, the swings of sentiment towards its economy are difficult to understand. Ms Wang suggests one explanation: "Outside China most people's exposure to the country is through the commodities market," she says. "In that market, things tend to get accentuated…[they] are either great or they are a disaster." It is like the little-known tale of Goldilocks and the Two Pandas. The Chinese economy is either too hot or too cold, but never just right.

http://www.economist.com/node/18744283?