GLOBAL POLITICAL ECONOMY - 183

BUSINESS AND POLITICS IN THE MUSLIM WORLD

Weekly Report on Global Economic and Business Developments
Period: July 31 – Aug 06, 2011

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Presentation: August 10, 2011

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GENERAL ECONOMIC AND BUSINESS DEVELOPMENTS IN THE WORLD

IMF chief urges U.S. to crack debt limit problem

WASHINGTON -- The United States should solve the debt ceiling problem in a timely manner to avoid negative global repercussions, IMF Managing Director Christine Lagarde said on Sunday.

"I am worried," the IMF chief said about the U.S. debt ceiling negotiation stalemate in an interview with CNN aired on Sunday.

The United States is the largest economy in the world, and the U.S. debt ceiling issue has big global spillover effects, Lagarde added.

With an Aug. 2 deadline approaching, U.S. policymakers are struggling to find a compromise plan on how to raise the nation's debt ceiling and cut spending.

The U.S. federal government's borrowing limit, currently at 14. 29 trillion U.S. dollars, was reached on May 16. The Treasury Department said the nation would begin to default on its debts unless Congress agreed to lift the limit by Aug. 2.

http://news.xinhuanet.com/english2010/world/2011-08/01/c_131021510.htm

U.S. agreement on debt limit good for Australian economy: treasurer

CANBERRA -- Australian federal Treasurer Wayne Swan on Monday said the agreement among U.S. congressional leaders will lift the cloud of uncertainty in global economy and will be good for Australian economy.

U.S. President Barack Obama said leaders in both houses of Congress had agreed to a plan that would initially cut about one trillion U.S. dollars from U.S. spending over a decade, allowing the debt limit to be raised.

U.S. local shares surged around two percent in relief that a U. S. default had been avoided.

Swan is pleased a deal had been struck after weeks of political wrangling, saying it was important for the global economy to see the United States is dealing with its deficit and debt.

"It's an important first step," ABC Radio quoted Swan as reporting on Monday.

"If they can demonstrate that, we'll see a lot more confidence in global markets and that can only be good for the global economy and, of course, the Australian economy."

The Australian share market rallied strongly on the announcement, with the All Ordinaries Index up 83 points to 4,583 and the ASX 200 two percent higher at 4,511.

The Australian dollar also lifted to 110.53 U.S. cents shortly after the announcement.

http://news.xinhuanet.com/english2010/business/2011-08/01/c_131022880.htm

U.S. House passes last-ditch debt ceiling plan

WASHINGTON -- The U.S. House of Representatives Monday passed a last-ditch bipartisan debt ceiling plan to avert a looming debt default crisis.

U.S. President Barack Obama announced Sunday night that he had reached a last-minute debt ceiling deal with Republican and Democratic leaders to avert a looming debt crisis.

The 269-161 vote in the Republican-held House cleared a key hurdle for the package to become law.

The passage of the bill in the lower chamber came after House Speaker John Boehner, a Republican, and Vice President Joe Biden, a Democrat, Monday struggled to get rank-and-file support from their parties and secure its passage.
The plan aimed at slashing deficit for more than 2 trillion dollars over the next decade, setting up a powerful new congressional bipartisan committee to find new ways on deficit cutting, and raising the U.S. borrowing limit through 2013.
The U.S. federal government's borrowing limit, currently at 14. 29 trillion U.S. dollars, was reached on May 16. The Treasury Department said that it would run out of cash to pay its bills unless the Congress agreed to raise the limit by Aug. 2.
"If the bill were presented to the president, he would sign it," the White House said in a Monday statement prior to the House vote.
This bill still needs to clear a Democratic-controlled Senate, where the passage is widely expected. The Senate is expected to vote on the bill Tuesday.

http://news.xinhuanet.com/english2010/business/2011-08/02/c_131023569.htm

New Zealand prepared to weather possible U.S. debt crisis: finance minister
WELLINGTON -- New Zealand Finance Minister Bill English Tuesday said the country was in relatively good shape to weather any fallout caused by the U.S. debt ceiling crisis, despite the fact that the crisis has hampered New Zealand's export- driven economy by driving up the currency.
English said the government's measures to rein in debt and country's sound financial system left the economy in "better shape than a few years ago to manage global uncertainties."
"Despite a compromise deal being reached in Washington, there is no doubt the situation in the United States is serious -- both for the U.S. itself and for the global economy," English said.
"However, New Zealand is relatively better placed than many other countries to manage in what will remain a pretty uncertain global environment. We're getting on top of debt by keeping it below 30 percent of GDP and we will be back in surplus by 2014- 2015."
He also credited the establishment of the Financial Markets Authority regulator and the introduction of minimum capital adequacy and credit rating requirements with raising investor confidence.
The Reserve Bank of New Zealand has introduced core funding requirements that require banks to have 70 percent of their funding from stable sources such as retail deposits and long-term wholesale fund, and ensured it can shore up sound financial institutions in the event of a crisis.
"The high Kiwi dollar is undoubtedly a headwind for New Zealand exporters, reflecting weakness in the U.S. dollar as well as a perception in financial markets that New Zealand remains a safe place to invest," said English.
"It means we need to do everything else we can to build on the resilience and higher business confidence we're seeing. That includes keeping on top of debt and building a faster-growing economy."

http://news.xinhuanet.com/english2010/business/2011-08/02/c_131024887.htm

Euro zone producer price index remains stable in June

BRUSSELS -- The industrial producer prices indices remained stable in the 17 euro zone nations and the 27 European Union (EU) nations in June, the EU's statistical office Eurostat said in a report.

Prices in total industry excluding energy sector increased by 0.1 percent in both euro zone and the EU on a monthly base. Prices in the energy sector in the meantime fell by 0.3 percent and 0.2 percent respectively.

In both zones capital goods gained 0.2 percent while non-durable consumer goods gained 0.1 percent monthly in euro zone and 0.2 percent in EU. Durable consumer goods remained stable in the euro zone and gained 0.1 percent in EU.

Year on year, the indices rose by 5.9 percent and 6.9 percent in the euro zone and the EU respectively in June, the report said.

Prices in total industry excluding the energy sector increased by 4.2 percent in euro zone and by 4.4 percent in EU year on year, whereas prices in the energy sector gained 10.7 percent and 13.0 percent respectively.

Prices for non-durable goods increased by 3.7 percent in euro zone and 4.1 percent in EU compared with the same month last year, while capital goods and durable goods gained 1.4 percent and 1.7 percent in both zones over the same period.

http://news.xinhuanet.com/english2010/business/2011-08/02/c_131025573.htm

Chinese credit rating agency Dagong downgrades Poland's credit rating with negative outlook

BEIJING -- Chinese credit rating agency Dagong Global on Tuesday downgraded the credit rating outlook for Poland from stable to negative.

The country's local and foreign currency long-term sovereign credit ratings remained unchanged at A and A-, respectively, the agency said.

The rating agency said the move reflects Poland's deteriorating foreign investment structure, as well as its large influx of short-term capital and climbing government debts.

The agency predicted that the country's economic growth rate will reach 4.2 percent this year and 3.9 percent next year.

The economic growth, however, will be impaired by imbalances in consumption and investment, as well as the country's aging population, according to Dagong.

http://news.xinhuanet.com/english2010/business/2011-08/02/c_131025643.htm

Greek economy to grow by 0.6 pct in 2012: OECD

ATHENS -- The Organization for Economic Cooperation and Development (OECD) gave a vote of confidence for the Greek ambitious austerity plan in Athens on Tuesday, saying the country's economy would grow by 0.6 percent in 2012.

Presenting the organization's latest economic survey of Greece, OECD Secretary General Angel Gurria expressed his optimism over the prospect of the debt-ridden economy.

"I am here to deposit a vote of confidence in Greece, Greek people, economy and the government," said Gurria in a press conference at the National Bank of Greece conference hall in central Athens.

"Reforms carried out over the past year are impressive. With improved competitiveness, we are seeing the first signs that the much needed macro-economic adjustment is gradually taking

place," he noted, referring to the reduction of the Greek budget deficit by 5 percent of GDP in 2010.
According to the survey, Greek economy would contract by further 3.5 percent this year, before recovering by 0.6 percent in 2012.
The crisis-hit country's economy shrunk by 2.0 percent in 2009 and 4.5 percent in 2010 respectively.
Meanwhile, the OECD report underlines the need to continue to cut the deficit and then reverse the rise in public debt, stressing that strengthening revenue collection and more transparency in the tax system are urgent to ease the reaction of Greek protestors.
"Social acceptability of adjustment demands a fair burden sharing, which requires a firm stance against tax offenders, and vested interests of groups of workers or owners of special rights protecting their rents," said the report.
The OECD report, the first positive assessment since its debt crisis, was warmly welcomed in Greek political arena.
"For the first time in many years an international organization records progress, shows that Greek economy starts generating positive results and this encourages us to continue," said Greek Development, Competitiveness and Shipping Minister Michalis Chrysohoidis.

http://news.xinhuanet.com/english2010/business/2011-08/03/c_131025699.htm

Moody's confirms U.S. triple-A rating, outlook negative

NEW YORK -- Moody's Investors Service confirmed its triple-A government bond rating for the United States on Tuesday but added to it a negative outlook.
In its statement released hours after U.S. President Barack Obama signed a debt-limit extension deal into law, Moody's said the initial increase of the debt limit by 900 billion dollars and the commitment to raise it by a further 1.2-1.5 trillion dollars by year end have virtually eliminated the risk of a default, prompting the confirmation of the rating at Aaa.
"Today's agreement is a first step toward achieving the long- term fiscal consolidation needed to maintain the U.S. government debt metrics within Aaa parameters over the long run," said the rating agency.
However, Moody's also warned that a downgrade is possible if there is a weakening in fiscal discipline in the coming year, or further fiscal consolidation measures are not adopted in 2013.
Besides, significant deterioration in the economic outlook and an appreciable rise in the U.S. government's funding costs can also lead to a future downgrade in the rating.
The Moody's move came immediately after another major rating agency Fitch Ratings confirmed its AAA rating for U.S. debt over the short-term, but warned of more tough choices coming soon.

http://news.xinhuanet.com/english2010/business/2011-08/03/c_131025710.htm

Obama signs debt ceiling bill, China vows to diversify forex investment

WASHINGTON -- U.S. President Barack Obama Tuesday signed a bipartisan bill on raising the nation's debt limit into law, hours before the federal government runs out of borrowing capacity, ending a month-long perilous stalemate.
Obama signed the bill into law less than two hours after the measure cleared the U.S. Senate with a 74-26 vote to avert a potentially catastrophic debt default risk.

The two-stage deal emerged Sunday and was sealed among Obama, Republican and Democratic congressional leaders, which aimed at slashing deficit for more than 2 trillion U.S. dollars over the next decade, setting up a powerful congressional bipartisan committee to find new ways on deficit cutting, and raising the U.S. borrowing limit through 2013.

The last-ditch bill sailed through the Democratic-led upper chamber as expected, and the Republican-controlled House approved it on Monday night on a bipartisan vote of 269 to 161.

The first part of the hard-bargained deficit cutting proposal will impose 917 billion dollars in discretionary spending cuts over the next decade, according to the latest analysis from the nonpartisan Congressional Budget Office.

The bill will also create a bipartisan and two-chamber committee to identify new deficit reduction in the amount of at least 1.2 trillion dollars, in tandem with the second tranche of debt limit increase by November.

Experts held that the deficit cutting in the deal will only go a short way toward slashing the spiking debt, but at least this austerity bill had changed the conversation dynamics in Washington and was a step in the right direction on the longer-term fiscal adjustment path.

The bill is an important first step for the nation's long-term fiscal consolidation, Obama said at a Tuesday White House press conference after the Senate voting.

The bipartisan agreement will slow down the "big government freight train" and the country is headed for the right direction, Senate Republican leader Mitch McConnell, a key player in the month-long partisan wrangling and negotiation, said Tuesday.

"It's an important first step to ensuring that as a nation we live within our means. Yet it also allows us to keep making key investments in things like education and research that lead to new jobs, and assures that we're not cutting too abruptly while the economy is still fragile," Obama told reporters.

Obama stressed that the nation needs a balanced way on deficit reduction and the wealthiest Americans should also sacrifice for slashing government deficit.

A balanced approach should include making adjustments to protect health care programs like Medicare for future generations and "reforming our tax code so that the wealthiest Americans and biggest corporations pay their fair share," Obama added.

Christine Lagarde, managing director of the International Monetary Fund (IMF), Tuesday said that the Washington-based agency welcomed the agreement to raise the U.S. government's borrowing limit and cut the government deficit.

By reducing a major uncertainty in the markets and bolstering U.S. fiscal credibility, this agreement is good for both the United States and the global economy, Lagarde noted in a statement.

"The challenge for policymakers is now to develop a consolidation framework that includes clear medium-term debt and deficit objectives. Putting public finances on a sustainable path will entail identifying further savings in entitlement spending as well as new revenues," she added.

Shortly after the bill cleared the Senate, China's central bank governor Zhou Xiaochuan voiced the central bank's welcome to the headway made in raising the U.S. federal government's debt limit, adding that the Chinese central bank will keep a close eye on the implementation of the package in different stages.

China is the largest foreign holder of U.S. Treasury securities, with its combined holding of U.S. government debt topping 1.15 trillion dollars by May.

The U.S. Treasury securities had been among the most actively invested and traded instruments in the global market, while large fluctuations and uncertainties in this market would undermine

the stability of international financial system and hinder global recovery, Zhou said in a statement.
"China hopes the U.S. administration and Congress would take responsible policy measures to handle its debt issue in light with the interests of the whole world including those of the United States," Zhou added.
"China would continue to seek diversification in the management of reserve assets, strengthen risk management, and minimize the negative impacts of the fluctuations in the international financial market on the Chinese economy," Zhou said.

http://news.xinhuanet.com/english2010/business/2011-08/03/c_131026762.htm

Moody's to maintain U.S. triple-A rating following debt ceiling deal
WASHINGTON -- Moody's Investors Service said on Tuesday that it will maintain its triple-A rating for the U.S. debts following a last-minute bipartisan deal to avert a possibly catastrophic default.
But Moody's, one of the three leading rating agencies, added that it put a "negative" outlook on the U.S. bond rating.
Moody's statement was issued after U.S. President Barack Obama signed into law a bipartisan bill of raising the nation's debt limit, hours after the Democratic-led Senate passed it in a 74-26 vote. The bill cleared the Republican-controlled House of Representatives on Monday on a bipartisan vote of 269 to 161, ending a month-long stalemate.
The legislation lifted the immediate threat of a U.S. debt default as Washington can raise its borrowing limit by 2.1 trillion U.S. dollars to sustain the payment of bond interests, welfare expenditures and operation of the government.
Meanwhile, it will impose 917 billion dollars in discretionary spending cuts over the next decade at the first stage. And a bipartisan and two-chamber committee will be created to identify new deficit reduction in the amount of at least 1.2 trillion dollars by November.
But Moody's put a "negative" outlook on the triple-A rating for U.S. bonds, indicating that it would still downgrade the rating if the U.S. economy deteriorates in the future.
Moody's has never given the U.S. credit rating lower than the triple-A, the highest rating of any kind, since it began the rating in 1917.
Experts have warned that a credit-rating downgrade of U.S. sovereign rating would lead to higher interest rates, inflicting adverse implications on the economy as the cost of borrowing will dramatically increase for the government, companies and consumers.
In another development, shortly after the debt ceiling bill was signed into law by Obama, Chinese rating agency Dagong downgraded the U.S. credit rating from A+ to A, with a negative outlook. China is the largest foreign holder of U.S. Treasury securities, with its combined holding of U.S. government debts topping 1.15 trillion dollars by May.
Two other major rating agencies, Fitch Ratings and Standard & Poor's, have not announced their decisions on their rating of U.S. debts after the debt ceiling deal was signed into law Tuesday.
Fitch Ratings welcomed the action by U.S. Congress as "an important first step," while warning that it is "not the end of the process." It expected the U.S. government to take further steps to tackle the mounting debt problems, including substantial cuts in its spending to help secure the triple-A rating.
Standard & Poor's has yet made comments on the U.S. deal to raise debt ceiling while promising to implement cuts to government spending in the next decade.

But the rating agency earlier demanded Washington cut at least 4 trillion dollars in government spending to retain its triple-A rating of its debts, an indication that it could still take the step of downgrading the U.S. credit rating.

http://news.xinhuanet.com/english2010/business/2011-08/03/c_131026812.htm

Brazil sees no quick improvement of U.S., European economies

RIO DE JANEIRO -- Brazilian Finance Minister Guido Mantega expressed Tuesday pessimism about the improvement of U.S. and European economic situations.

Mantega said the crisis in the developed nations is unlikely to be solved in the next two or three years, adding that the current economic problems faced by western countries are an extension of the global financial crisis in 2008.

"The developed countries do not show any signs that they will solve their problems. The U.S. is on the brink of a default. The European Union has problems," he said.

Mantega also noted that some of the measures taken by developed countries, such as encouraging the depreciation of their currencies, have jeopardized Brazilian economy.

In response, Brazil has taken a number of measures, including raising taxes over short-term investments, and halting excessive foreign capital inflows to Brazil and appreciation process of the real, which could be detrimental to local industry, the minister said.

http://news.xinhuanet.com/english2010/business/2011-08/03/c_131026847.htm

Dagong: U.S. sovereign debt crisis lingers despite increased debt ceiling

BEIJING -- The head of China's largest domestic rating agency said that although the U.S. Congress has approved a resolution to raise the U.S. government's debt ceiling, it does not mean the end of its sovereign debt crisis.

The lifted debt ceiling indicates that the U.S. government is legally allowed to continue operating by taking on new debts to repay the old ones, allowing it to temporarily avoid default, Guan Jianzhong, chairman of the Dagong Global Credit Rating Company, said on Wednesday.

However, this does not mean that the U.S.'s actual solvency has improved, as its sovereign debt crisis still lingers, Guan said.

Guan said that the U.S.'s economic growth continues to be weak and that there is little room for an economic growth model depending on expanding credit demand to stimulate consumption.

The slow growth of real wealth will directly limit the increase of national revenues, Guan said.

It is unrealistic to adjust the country's global strategy and damage the country's national welfare in order to reduce the fiscal deficit, Guan said.

The only choice is to rely on and add debt income, due to the government's inability to improve revenue and expenditure conditions, Guan said.

It will only be a matter of time for the sovereign debt crisis to break out, unless the U.S. introduces drastic economic and social reforms, said Guan, adding that "we should not be optimistic about it."

Guan said the excessive debt of the United States is tightly connected with its credit rating.

"Credit rating results haven't changed since Moody gave the United States a AAA rating in 1949. This is the highest rating possible, and that makes it easier for the United States to borrow money," Guan said.

"The United States transformed from a creditor country to a debtor country in 1985, then to a net debtor country with a larger scale of debt that reduced its debt solvency," Guan said.
"However, rating agencies can never disclose changes in credit risks in time. Incorrect ratings contribute to the inflow of global capital to America, which is conducive to debt growth," Guan said.
"The U.S. sovereign debt crisis has shown us again that an international rating system dominated by the largest debtor state cannot be responsible for rating other countries. We should take it as a sign that we must reform the current rating system in order to control and prevent future credit crises," said Guan.

http://news.xinhuanet.com/english2010/business/2011-08/03/c_131027663.htm

U.S. Treasury advisers see no "imminent" downgrade risk
WASHINGTON -- U.S. Treasury Department's private financial adviser saw no imminent downgrade risk for the United States, the department said Wednesday.
Minutes of a Tuesday meeting of the Treasury Borrowing Advisory Committee, released Wednesday, showed none of the committee members expected a downgrade in the near term.
Although U.S. President Barack Obama Tuesday signed a last-minute bipartisan debt ceiling deal to stave off a looming debt default crisis, the 2-trillion-dollar-plus deficit-cutting package still fell short of the 4 trillion dollars cited by Standard & Poor's to avoid stripping the nation of its triple-A credit rating.
The close-door meeting of the committee, which helps the U.S. Treasury formulate its financing plans, took place before leading credit rating agency Moody's reaffirmed the U.S. top-notch rating Tuesday afternoon.
Standard & Poor's has yet to comment on the bipartisan plan to raise debt ceiling.
Meanwhile, Chinese rating agency Dagong has downgraded the U.S. credit rating from A+ to A, with a negative outlook.

http://news.xinhuanet.com/english2010/business/2011-08/03/c_131027659.htm

Top U.S. Senator announces deal to end FAA impasse
WASHINGTON -- U.S. Senate Majority Leader Harry Reid announced Thursday that an agreement has been reached between House and Senate leaders to put the Federal Aviation Administration (FAA) back to work, two weeks after thousands of the agency's employees were furloughed due to a funding impasse.
"I am pleased to announce that we have been able to broker a bipartisan compromise between the House and the Senate to put 74, 000 transportation and construction workers back to work," Reid said in a statement.
"This agreement does not resolve the important differences that still remain. But I believe we should keep Americans working while Congress settles its differences, and this agreement will do exactly that," he said.
The FAA partially shut down on July 23 due to an impasse over temporary funding for the agency. The Senate failed to approve an extension of taxes that help fund the agency, which was passed by the House.

The stalemate centers on disagreements between Republicans and Democrats over a program that subsidizes commercial air service to rural airports. But reports indicated the real fight is over federal rules on labor elections in the airline industry.
Under the arrangement, the Senate will pass the House bill by unanimous consent that temporarily allows the FAA to restore normal operation and cuts subsidies paid to rural airports.
Transportation Secretary Ray LaHood will then use his authority to waive the subsidy reduction.
President Barack Obama welcomed the deal, calling it "an important step forward."
"I'm pleased that leaders in Congress are working together to break the impasse ... We can't afford to let politics in Washington hamper our recovery, so this is an important step forward," Obama said in a statement.

http://news.xinhuanet.com/english2010/world/2011-08/05/c_131030161.htm

Brazil's ready if financial crisis worsens: finance minister
RIO DE JANEIRO -- Brazil is well prepared to deal with a possible worsening of the global financial crisis, Finance Minister Guido Mantega said Thursday.
"In case of escalation of the world crisis, Brazil has never been more prepared to deal with the consequences," said Mantega, adding that Brazil not only has more foreign exchange reserves, but also measures introduced during the 2008 financial crisis, such as credit-easing and tax cuts, to minimize the damage.
Mantega expressed concern over the U.S. economy and the euro zone debt crisis, adding that more financial turmoil may hit emerging economies.
He pointed out the financial crisis will affect Brazil by leading to the fall of stocks and a decrease in trade and credit.
The Brazilian government has already ordered a series of tax breaks, and the Central Bank lowered reserve requirements to increase the amount of money in circulation.
Brazil's Bovespa stock index fell 5.72 percent Thursday, together with global stock markets, which registered sharp falls that day.
Bovespa's indicator has accumulated a fall of 10.2 percent this week and 23.7 percent in 2011.

http://news.xinhuanet.com/english2010/business/2011-08/05/c_131031266.htm

Study shows Philippine has highest income inequality rate in ASEAN
MANILA -- The Philippines has the highest income inequality rate among members of the Association of Southeast Asian Nations (ASEAN), a recent study made by a local research firm has revealed.
The study, conducted by the Stratbase Research Institute, showed that the Philippines registered a Gini coefficient of 44 percent last year, higher than Thailand's 42.5 percent, Indonesia's 39.4 percent, Malaysia's 37.9 percent and Vietnam's 37.8 percent. "Gini coefficient" is the most common measure of income inequality developed by Italian statistician and sociologist Corrado Gini.
According to Victor Andres Manhit, Stratbase president, the result of the study showed that the gap between the rich and the poor in the Philippines is more pronounced than in the other countries in Southeast Asia. Manhit said that the present government should address this huge disparity of income because this would breed "social tension and even political instability."

If left unchecked, Stratbase said, this wide chasm could cause "the polarization of society and the creation of social tensions that would eventually undermine the process of growth and development."

It said that inequality and marginalization can worsen without proper policies in place.

"The elected leadership must firmly hold the line against vested interests and political machinery that are poised to advance their position to the grave detriment of the majority," Stratbase said.

Studies conducted by multilateral lenders such as the Asian Development Bank and the World Bank, as well as the United Nations Development Program, National Statistics Office and National Statistical Coordination Board also showed grave income inequality in the Philippines.

In a study, the ADB said that the vast inequality in the Philippines is not only in income but also in land distribution, welfare and human development.

The ADB study showed that the richest 10 percent of Filipino families were "raking in more than a third of the country's total income."

The World Bank report also showed that the richest 20 percent of the population in the Philippines "outspent" the poorest 20 percent by more than eight times.

"This huge disparity in expenditures can cause problems such as the lack of legitimacy, the weakening of social cohesion and the outbreak of social strife. [It can] exacerbate the existing differences and conflict between the poor and the non-poor," the World Bank report said.

In another study unveiled on Tuesday in Tokyo, the ADB said that countries in Asia could be as wealthy as Europe by the mid- century, but only if it tackles key challenges from income inequality, corruption and climate change.

The latest ADB report, entitled "Asia 2050: Realizing the Asian Century," said that based on current trends, Asia will make up half the world's economic output by 2050, and another 3 billion people will have joined the ranks of the affluent, their incomes matching those of Europe today.

But the ADB study also pointed to a paradox -- the fact that the world's fastest-growing region, dubbed "Factory Asia", is still home to almost half the world's absolute poor, who earn less than 1.25 U.S. dollars a day.

Asia's decades-long march to prosperity, the study said, is being led by seven economies with more than three billion people between them -- China, India, Indonesia, Japan, South Korea, Thailand and Malaysia.

Under the best-case scenario, Asia's combined gross domestic product (GDP) -- also including poorer nations such as Laos and Pakistan -- will rise from 17 trillion U.S. dollars last year to 174 trillion dollars in 2050, with per capita GDP of 40,800 dollars in current terms.

Aside from rising income inequality within and among countries, the ADB report also highlighted other key challenges, such as poor governance and corruption in many of them, and intensifying regional competition for finite natural resources.

In the worst case, it warned, Asia could face "a perfect storm" of bad macro-economic policies, unchecked financial sector exuberance, conflict, climate change, natural disasters, changing demography and weak governance.

To make growth sustainable, the study said, Asian countries must address poverty, equality of access and opportunity, and focus on education, entrepreneurship, innovation and technological development. The ADB study said that countries in the region must emulate the past successes of top performers Japan, South Korea and Singapore by promoting inclusive and equitable growth.

http://news.xinhuanet.com/english2010/business/2011-08/05/c_131031951.htm

Debt financing unlikely to save Western economies

BEIJING -- The Dow Jones industrial average tumbled more than 500 points Thursday, exposing the plight of western economies and their deep structural defects, notably a heavy dependence on debt financing.

Two factors contribute to the panic in the stock exchange: market concerns over a lasting depression and the struggling U.S. economy, and uneasiness about the possible impact of the sovereign debt issues in nations such as Italy and Spain on the world economy.

Investors are rightly pessimistic about the prospects of the U.S. economy. The United States has long been maintaining economic growth and excessive consumption by means of debt financing, hence masses of economic bubbles, which eventually triggered the financial crisis.

Weak consumer demand leads to a slowdown in economic growth. And the only way the Americans have come up with to improve economic growth has been to take on new loans to repay the old ones. "To eat May's grain in April," however, will never be a permanent solution to a problem.

Chances are slim that the Congress-mandated debt ceiling will be further raised. And, even if it is, lack of momentum for economic growth will bring the risk of debt default back again. Under such circumstances, how can the market calm down? As a matter of fact, the New York Stock Exchange bared its teeth before the ink had dried on the debt ceiling bill.

Some European countries, plagued with sovereign debt issues, are now resorting to debt financing from the market as well as international organizations. It is admittedly an expedient, but definitely not an ultimate solution.

The European Union (EU) has noted the key factor behind sovereign debt issues is that some of its members recklessly ran up debts to retain their national welfare. In contrast with a rise in welfare and costs, efficiency and competitiveness are on the decline. The current bailouts offered by international bodies such as the EU are, in a sense, to "rob Peter to pay Paul."

As big economies, the United States and the EU wield an enormous influence on and shoulder a great responsibility for the world economy. Faced with a series of debt crises, they need to reflect on their economic and social development modes and take concrete steps to help solve the "imbalance" problem of the world economy.

Only by introducing reform can they save themselves; only with a sound economic structure can they assume responsibility for the world economy.

http://news.xinhuanet.com/english2010/business/2011-08/06/c_131032330.htm

Debt, growth fears weigh down stock market globally

PARIS -- Like other stocks, France's shares tumbled on Friday as concerns on weakening economy and doubts over Europe's ability to tackle debt crisis shadowed the battered markets.

French benchmark index CAC fell by 1.26 percent to 3,278.56 points for the 10th successive session at Friday closing time, despite better-than-expected U.S. jobs data which slightly buoyed the market in the afternoon but failed to ease economic worries and convince morose investors.

A day before, shares fell by 3.9 percent. The index plunged 10.65 percent in a week and 13.75 percent since Januray.

Fears of economic recession and contagion of the Greek debt crisis to neighboring economies also shook world stocks this session with London and Frankfurt shares falling by 1.91 and 2 percent respectively. The European index, the EuroStoxx, lost 0.79 percent after decreasing by 3.32 percent on Thursday, its worst loss since 2009.

"Given concerns about a global economy recession and risks of refinancing debts of Spain and Italy, investors' sentiment remains fragile and they wait for clearly identified support factors to invest again," Anne Charlotte Com, analyst at BGC Aurel, told Xinhua.
"Markets are under pressure of fear and the decision of the European Central Bank (ECB) to provide banks additional liquidity and U.S. jobs data were not enough to reassure markets," she added.
The ECB on Thursday said to buy Irish and Portuguese bonds and called Spain and Italy to take tough austerity measures before buying their bonds. The decision disappointed investors and deepened their fears, according to Francois Chaulet from Montsegur Finance.
"The investors are throwing the papers through the window so today traders are ready to sell almost all the shares. What's lacking is a clear outlook of Spain, Greece, Portugal and Ireland and that fact disrupts heavily the European stocks," he said.
Friday afternoon, French President Nicolas Sarkozy was to discuss the financial markets with German Chancellor Angela Merkel and Spanish Prime Minister Jose Luis Rodriguez Zapatero.
China and Japan called for global cooperation highlighting the growing concerns about a major contagion in Asia.
"Today, fear has seized all stakeholders. States are obliged to save money and the weakening economy does not allow them to repay the debts which are generating all the stress in the markets," Olivier Lazare, manager of Olympia Capital Management, told Europe1 radio.
"Unfortunately, when we creep in fear, we can go on for a few days or weeks. The tensions will be present throughout the month of August," he said.

http://news.xinhuanet.com/english2010/business/2011-08/06/c_131032340.htm

S&P, in historical move, downgrades U.S. credit rating
NEW YORK -- Standard & Poor's (S&P) Friday downgraded the U.S. credit rating from its top-notch AAA to AA-plus for the first time ever, just days after the U.S. government narrowly escaped an unprecedented debt default.
S&P cut the long-term U.S. credit rating on concerns about growing budget deficits, saying the freshly passed debt reduction plan by U.S. Congress wasn't enough to stabilize the country's debt situation.
"The downgrade reflects our opinion that the fiscal consolidation plan that Congress and the Administration recently agreed to falls short of what, in our view, would be necessary to stabilize the government's medium-term debt dynamics," S&P said in a statement.
It was the first time that the U.S. credit rating was downgraded since it received an AAA rating from Moody's in 1917. The United States has held the S&P rating since 1941.
The debt downgrade was a blow to and an embarrassment for U.S. President Barack Obama, his administration and the country, and could raise costs of U.S government borrowing.
The U.S. government instantly challenged the downgrade by saying S&P's analysis of its economy was deeply flawed.
The U.S. Treasury said there was a 2-U.S.-trillion-dollar error in the analysis, but stopped short of elaborating.
President Obama signed on Aug. 2 legislation to reduce the fiscal deficit by more than 2 trillion dollars over the next 10 years and raise the U.S. borrowing limit through 2013 after months of wrestling with Congress.

This week, the failure to effectively deal with the political gridlock and address a slowing down economy has led to the worst weekly losses in the U.S. stock markets in two years.

S&P placed U.S. government bonds on review last month and warned there was a 50 percent chance it would downgrade the U.S. rating in the following three months unless the U.S. government and Congress reached a reliable agreement to reduce federal debt.

U.S. Treasuries bonds used to be considered the safest investment worldwide. The downgrade is expected to further spook global investors as they are already struggling to deal with financial turmoils in recent weeks amid an escalating euro zone debt crisis and a stagnated world economic recovery.

While the uncertainty created in Washington contributed significantly to the bad economy, the most fundamental problem continues to be a lackluster housing market, Barry Bosworth, a senior fellow at the Brookings Institution said recently.

Although the United States still boasts a vital economy in the global system, sluggish consumer spending would drag down the economic performance of emerging countries, Bosworth added.

The Wall Street closed mixed on Friday amid positive non-farm payroll data and concerns over euro zone, with the S&P suffering its worst week since November 2008.

The U.S. Labor Department said that the U.S. economy added 117,000 jobs to nonfarm payrolls in July, with the unemployment rate falling slightly to 9.1 percent from 9.2 percent. The job report helped to lift the dollar in early trading on Friday.

Investors were slightly relieved on the data, but they didn't think the number was strong enough to rally the stock.

Meanwhile, Chinese rating agency Dagong Global Credit Rating Co. Wednesday cut the U.S. credit rating from A+ to A with a negative outlook after the U.S. government raised its debt limit.

The decision to lift the debt ceiling wouldn't change the fact that the U.S. national debt growth has outpaced that of its overall economy and fiscal revenue, which would lead to a decline in its debt-paying ability, said Dagong Global.

The downgrade is a result of fights between U.S. political parties over debt issues, which reflects the government's inability to completely solve the debt problem, said Dagong Global.

The interests of the country's creditors are short of systematic protection both politically and economically, said the agency.

China is by far the largest foreign holder of U.S. debt, with holdings amounting to 1.15 trillion dollars as of the end of April.

In Europe, as the bond yields of Italy and Spain, two major euro-zone economies, soared quite a lot, investors worried the two countries will be about to default on their debt without the help of the European central bank (ECB).

Investors fear the debt problems in Italy and Spain, if unchecked, could prove to be far more nastier than those in some peripheral countries like Greece, Ireland and Portugal.

They also worried this might lead to a shrinking liquidity situation in global markets.

To comfort the market, the ECB said Friday that it would buy Italian and Spanish bonds in exchange for fiscal reforms.

However, markets were unconvinced the ECB bond buying would be effective in stopping the debt crisis contagion, while some were disappointed Italian and Spanish bonds, whose yields climbed above 6 percent recently, were not the target of the purchases.

http://news.xinhuanet.com/english2010/business/2011-08/06/c_131032871.htm

S&P's rating downgrade highlights U.S. fiscal, economic headwinds

WASHINGTON -- Standard and Poor's decision to lower the United States' sterling credit rating for the first time in history shows that Washington faces strong headwinds in putting its fiscal house in order and bolstering economic growth.

The global rating agency, which said Friday it was dissatisfied with the plan Congress came up with earlier in the week to reduce the country's debt, stripped the world's largest economy of its AAA long-term sovereign credit rating and lowered it by one notch to AA-plus.

This was the first time U.S. credit rating has fallen below the highest level, triple A. The U.S. had held that rating since 1917. The move came just days after a gridlocked Congress finally agreed on spending cuts that would reduce the debt by more than 2 trillion U.S. dollars.

"The downgrade reflects our opinion that the fiscal consolidation plan that Congress and the administration recently agreed to falls short of what, in our view, would be necessary to stabilize the government's medium-term debt dynamics," S&P said.

U.S. President Barack Obama on Tuesday signed a bill that raises the nation's debt limit through 2013 and cuts the deficit by more than 2.1 trillion dollars, hours before an Aug. 2 deadline to avoid a catastrophic default.

The deficit-cutting package put together by lawmakers and the White House, however, fell far short of the 4 trillion dollars cited by S&P to avoid a downgrade.

The package is far from sufficient to solve the U.S. fiscal problem, said William Gale, a senior fellow at the Brookings Institution.

"We are not out of the woods, though we may be a little closer to finding a path," he said.

In a similar move, the Chinese rating agency Dagong downgraded the U.S. credit rating from A+ to A with a negative outlook, due to lingering debt crisis risk in the nation.

The U.S. government has relied on borrowing to fund its operations in recent decades and has seldom carried out a serious fiscal austerity plan. That's why its debt ceiling has been raised 78 times to 14.29 trillion dollars since 1960.

The U.S. federal debt limit to the gross domestic product (GDP) ratio has surged to an alarmingly high level of 100 percent.

Jon Huntsman, a Republican contender for the 2012 presidential nomination, attributed the downgrade to "out-of-control spending and a lack of leadership in Washington."

The International Monetary Fund has repeatedly warned in recent months that the fiscal policy consolidation needs to proceed as debt dynamics are unsustainable in the United States and losing fiscal credibility would be extremely damaging.

Experts believed the downgrade might further change the political conversation dynamics in Washington and prod policymakers to focus on longer-term deficit cuts and putting the nation's government spending back on a sound trajectory.

The U.S. federal budget deficit is approaching 1 trillion dollars in the first nine months of the 2011 fiscal year through June, which will make the annual fiscal deficit exceed the 1-trillion-dollar threshold for the third consecutive year in Obama's tenure.

Analysts said the months-long perilous stalemate and partisan wrangling were evidence of Beltway politicians' ineffectiveness in tackling the nation's long-term fiscal challenge. That's because many of the lawmakers are focused on getting re-elected and maximizing their short-term partisan interests.

"More broadly, the downgrade reflects our view that the effectiveness, stability, and predictability of American policymaking and political institutions have weakened at a time of ongoing fiscal and economic challenges to a degree more than we envisioned when we assigned a negative outlook to the rating on April 18, 2011," S&P said.

Some economists believed the loss of a top credit rating might push up borrowing costs for Washington, rattle global financial markets and slow the U.S. economic recovery. That's as the nation deals with a continuing string of weak economic data and lackluster economic growth in the first half of this year.

Experts said that without strong economic growth and job creation, it would be difficult for the United States to generate robust revenue increases and improve its fiscal condition over the long run.

Job creation and growth are pressing tasks for the nation, Lawrence Summers, the former U.S. Treasury secretary said earlier this week.

Summers, who served in the Clinton administration, said the U.S. economy has at least a 1-in-3 chance of falling back into recession if nothing is done to spur demand and growth.

The U.S. Treasury hit back at the soundness of the rating agency's decision late Friday, saying S&P's judgment was flawed.

S&P disagreed. There might be some calculation difference due to the use of different baselines, "but it does not make a material difference," John Chambers, head of sovereign ratings for S&P, told CNN.

Chambers said the United States should not only raise the debt ceiling in a speedier way, but also put forward a credible plan to tackle its long-term debt problem to avoid a rating downgrade.

http://news.xinhuanet.com/english2010/business/2011-08/06/c_131033306.htm

U.S. Treasury hits back against S&P rating downgrade

WASHINGTON -- The U.S. Treasury Friday night hit back against a Standard and Poor's downgrade of U.S. top-notch credit rating, saying that the agency's judgment was flawed.

"A judgment flawed by a 2 trillion U.S. dollars error speaks for itself," a spokesperson of the Treasury said in a short statement.

The global rating agency stripped the world's largest economy of its AAA long-term sovereign credit rating and lowered it by one notch to AA-plus.

"The downgrade reflects our opinion that the fiscal consolidation plan that Congress and the administration recently agreed to falls short of what, in our view, would be necessary to stabilize the government's medium-term debt dynamics," the S&P said in a research report.

"The outlook on the long-term rating is negative," noted the agency, which means that it might further lower the U.S. credit rating.

"The downgrade reflects our opinion that the fiscal consolidation plan that Congress and the administration recently agreed to falls short of what, in our view, would be necessary to stabilize the government's medium-term debt dynamics," added the S&P.

"More broadly, the downgrade reflects our view that the effectiveness, stability, and predictability of American policymaking and political institutions have weakened at a time of ongoing fiscal and economic challenges to a degree more than we envisioned when we assigned a negative outlook to the rating on April 18, 2011," according to the report.

U.S. President Barack Obama Tuesday signed a bipartisan bill on raising the nation's debt limit and cutting the deficit by more than 2.1 trillion dollars into law, hours before a crucial deadline to avoid a catastrophic default, ending a months-long perilous stalemate.

But the 2-trillion-dollar-plus deficit-cutting package put together by lawmakers and the White House still fell short of the 4 trillion dollars cited by S&P to avoid a downgrade of the top-notch credit rating.
The U.S. Federal Reserve said Friday night that the downgrade of S&P would not affect the treatment of Treasury securities for risk-based capital purposes or under other bank rules.
"For risk-based capital purposes, the risk weights for Treasury securities and other securities issued or guaranteed by the U.S. government, government agencies, and government-sponsored entities will not change," the Fed said in a statement.

http://news.xinhuanet.com/english2010/business/2011-08/06/c_131032665.htm

Italy, France agree to hold G7 meeting on debt crisis

ROME -- Italy and France agreed to hold an emergency G7meeting on the prolonged debt crisis plaguing Europe, Italian Prime Minister Silvio Berlusconi said here Friday.
Berlusconi told a press conference that he and French President Nicolas Sarkozy agreed during a telephone conversation to hold a G7 Finance Ministers meeting in a few days.
He also made phone calls to other European leaders, including German Chancellor Angela Merkel and President of the European Council Herman Van Rompuy to discuss measures to tackle the debt crisis.
The press conference was held after the Italian main FTSE Mib stock market index closed Friday down 0.70 percent, hitting a new record low at 16,015 points.
The country's stock market has suffered a heavy blow for five consecutive trading days since last Monday and the index dropped 5.16 percent on Thursday.
The spread of Italian 10-year government bonds over benchmark German Bunds rose to 416 basis points Friday, a new record since the euro was introduced, before it fell to 375 basis points when the market closed.
"There is a very particular attention from international speculation on us that we must try to counter," Berlusconi.
The prime minister promised to bring forward an austerity budget plan, aiming to achieve a balanced budget by 2013, a year ahead of the original schedule.
The austerity plan, worth over 70 billion euros (about 99 billion U.S. dollars), was approved by the Italian parliament last month to secure public finances and reassure global markets of the country's financial solidity.

http://news.xinhuanet.com/english2010/business/2011-08/06/c_131032798.htm

France has "total confidence" in US economy

PARIS -- France has "total confidence in the solidity of American economy," the Economy Minister Fracois Baroin was quoted by AFP on Saturday.
"France has a total confidence to the solidity of American economy and its fundamentals, as well as to the determination of American government to implement the educing deficit plan approved by the Congress this week," Baroin said.
His comments came after the rating agency Standard & Poor's downgraded the US rating from "AAA" to "AA+", owning to the market concerns over the widening American budget deficit.

Referring to the degrading, Baroin said Standard & Poor's rating is just one element to appreciating the US financial situation, as the other two major agencies Moody's and Fitch both "confirm their triple A for the United States."
According to AFP, Baroin is the first voice of European official reacting to the US debt degrading news.
Citing the rating change, he pointed out that all developed countries today have to deal with two major priorities: "boost the growth and reduce public and private debt."
Finance ministers of all the group of Seven are said Friday to have a meeting soon to discuss current economic and financial problems, according to the announcement made after the telephone talks between French President Nicolas Sarkozy, German Chancellor Angela Merkel and Italy Prime Minister Silvio Berlusconi.
"The G7 ministers are in constant contact to monitor the market situation and discuss necessary actions," Baroin said, confirming Sarkozy's position mentioned by Italian Berlusconi's government on Friday.
Sarkozy and Merkel also had telephone conversations with US President Barack Obama on Friday night, discussing global economic situations, according to Elysee Palace.

http://news.xinhuanet.com/english2010/business/2011-08/06/c_131033427.htm

Russia to stick with U.S. dollar reserves despite downgrading
MOSCOW -- Russia would not review the amount of reserves it holds in U.S. dollars after the United States lost its AAA credit rating, Russian Deputy Finance Minister Sergei Storchak said Saturday.
"We will not review it, because there is not much difference between AAA and AA+," Storchak was quoted by Interfax news agency as saying.
Meanwhile, Pavel Medvedev, a member of the State Duma's financial market committee, told RIA Novosti news agency the U.S. downgrading would not influence Russia.
"I don't think this will have any consequences for us. Any rating is, in fact, a sort of prediction, which can or cannot come true," he said.
Standard and Poor's said Friday it was dissatisfied with the plan Congress came up with earlier in the week to reduce the country's debt and stripped the world's largest economy of its AAA long-term sovereign credit rating, lowering it one notch to AA+.

http://news.xinhuanet.com/english2010/business/2011-08/06/c_131033524.htm

GLOBAL BANKING & FINANCE

ING profit rises despite write-down for Greece

THE HAGUE -- ING Group announced on Thursday that its net profit increased to 1.51 billion euros (2.16 billion U.S. dollars) for the second quarter, compared with 1.21 billion euros last year.

In total, the Dutch bank and insurance company wrote off 310 million euros of Greek government bonds, as a result of its participation in European banks' latest rescue plan for Greece.

The ING bank division reported an underlying result before tax of 1.30 billion euros, including 187 million euros impairment of Greek government bonds, which is almost 20 percent lower than the result in the same period last year.

The underlying result before tax of insurance was strong at 673 million euros, despite 123 million euros of impairments on Greek government bonds, compared with 18 million euros in 2010.

Given the uncertain financial environment no interim dividend will be paid in 2011, but CEO Jan Hommen stayed positive. "ING reached important milestones in the second quarter as we work towards the separation of the group and the establishment of strong stand-alone banking and insurance companies," he declared.

"In May we paid 3 billion euros to the Dutch State, while maintaining strong capital buffers to withstand potential shocks given the uncertain economic environment," added Hommen.

ING also announced that it will appoint Dutchman Koos Timmermans as vice-chairman of the management board banking as of October 1 this year.

Eric Boyer will retire at the same date. Koos Timmermans is currently chief risk officer and member of the executive Board of ING Group. He will be succeeded by Wilfred Nagel, currently CEO of ING Bank Turkey.

http://news.xinhuanet.com/english2010/business/2011-08/04/c_131029825.htm

ECB keeps key interest rate unchanged

BERLIN -- The European Central Bank (ECB) keeps the key interest rate unchanged at 1.50 percent on Thursday as the momentum of economy slows down with high uncertainty in the next half year.

"As expected, recent economic data indicate a deceleration in the pace of economic growth in the past few months, following the strong growth rate in the first quarter," Jean-Claude Trichet, President of the ECB, said in a press conference.

"Continued moderate expansion is expected in the period ahead. However, uncertainty is particularly high," He said. "The ongoing tensions in some segments of the euro area financial markets" would intensify the downside risks.

Trichet's words echoed market previous expectations believing the ECB would keep its key interest rate as the world economy slows down and the risks of debt crisis spreading to Italy and Spain increases.

Analysts also forecasted the ECB may recently resume purchasing the bonds of troubled member states, which has been stopped 18 weeks ago, to reduce market worries that Italian and Spanish governments' debt burden rise further.

The yield on 10-year Italian bonds surged to 6.26 percent on Wednesday, the highest since the birth of euro in 1999, while the yield on Spanish 10-year debt reached 6.46 percent this week.
Trichet confirmed the possibility of the ECB would take that non-standard measure in case the market needs, saying "I will not interrupted ... We are fully transparent and you'll see what we do."
He also called on euro member states to "adhere strictly to the agreed fiscal targets" of renewed commitment of euro zone leaders and "put public debt ratios and public finances on a sustainable path as soon as possible," which is a decisive element in ensuring financial stability in the euro area as a whole.
On the current high inflation in the euro zone, which was 2.5 percent in July following 2.7 percent in June, Trichet said although the current monetary policy remains "accommodative," the ECB would continue to monitor very closely all developments with respect to risks of price rise and prevent it from upgrading to "broad-based inflationary pressures."
According to the median of 33 forecasts in a July 29 survey, the ECB is expected to raise the key rate in October this year.
At Thursday's meeting of the ECB Governing Council, the interest rates on the marginal lending facility and the deposit facility were also remained unchanged at 2.25 percent and 0.75 percent respectively.

http://news.xinhuanet.com/english2010/business/2011-08/04/c_131030008.htm

Britain's interest rate remains record low of 0.5 %
LONDON -- The Bank of England said Thursday its Monetary Policy Committee (MPC) has decided to hold Britain's interest rate at 0.5 percent.
The MPC's decision came after Britain's CPI inflation fell slightly to 4.2 percent in June, which was nonetheless more than twice of the central bank's target of 2 percent.
The Bank Rate has been at 0.5 percent since March 2009, when the recession was at its worst.
Economists polled by BBC have mostly expected the central bank to keep the interest rate unchanged this year due to sluggish GDP growth. But more than half of the 32 economists, who are regularly polled by HM Treasury, have predicted the rate could rise to at least 1.5 percent by the end of 2012.
The central bank will release its latest inflation and economic growth forecast next Wednesday, and it is expected to lower its previous growth forecast of 1.75 percent.

http://news.xinhuanet.com/english2010/business/2011-08/04/c_131029999.htm

Reserve Bank of Australia leaves cash rate unchanged at 4.75%
CANBERRA -- Despite recent strong inflation data, the Reserve Bank of Australia (RBA) on Tuesday announced the cash rate remained unchanged at 4.75 percent.
The decision to leave rates on hold did not come as a surprise to financial markets, with 21 out of 25 economists surveyed by Bloomberg expecting rates to remain steady.
Interest rates have now been on hold for the past nine months. RBA governor Glenn Stevens earlier said Australia is in the most stable period for interest rates in the past five years.
Most analysts predicted that ongoing sovereign debt issues in the U.S. and Europe, combined with unrelenting weak economic data across most sectors of the Australian economy, would stay the RBA' s hand, at least for another few months.

Official Bureau of Statistics data on Wednesday showed Australia's annual rate of inflation rises to 3.6 percent for the year to June, up from 3.3 percent in the March-quarter reading, which is the fastest pace since late 2008.
The annual inflation level at 3.6 percent is outside the RBA's two to three percent target band, and economists said RBA will draw little comfort in the decision on interest rate when the board sits down for its monthly board meeting next Tuesday.

http://news.xinhuanet.com/english2010/business/2011-08/02/c_131024854.htm

Australia's credit rating safe and secure: treasurer
CANBERRA -- Australian federal Treasurer Wayne Swan on Saturday assured that Australia's own gold-plated AAA credit rating is safe and secure.
His comments come after Standard & Poor's (S&P) on Friday night downgraded its credit rating for the U.S. from AAA to AA+, the first time in history the U.S. rating has been downgraded.
Swan said Australia has known for some time the U.S. faced a long and painful adjustment to get its budget back on a sustainable medium-term footing.
Swan added that Australia was not immune from events in the rest of the world but the Australian economy's fundamentals remained strong, pointing to low unemployment, strong public finances, with very low debt and a huge pipeline of mining investment.
Swan said Australian net debt would peak at less than one-tenth of the major advanced economies, and Australia's budget would be back in the black in 2012/13.
Meanwhile, Prime Minister Julia Gillard, who made the comments with Swan, said Australia has its best terms of trade figures in 140 years thanks to China's demand for resources.
"We are in the right part of the world, the part of the world that continues to grow. That means we will continue to see economic growth in our region," she said.

http://news.xinhuanet.com/english2010/business/2011-08/06/c_131033336.htm

INTERNATIONAL TRADE

China-Costa Rica FTA takes effect on Monday
BEIJING -- The Free Trade Agreement between China and Costa Rica, signed in April last year, was put into effect Monday, China's Ministry of Commerce said. The agreement is the 10th of its kind signed by the world's second largest economy, the ministry said in a statement on its website.
As for the trade of goods, at least 90 percent of the goods from both sides will gradually enjoy zero tariff access to each other's markets. The goods which will benefit from tariff reductions mainly include China's textile raw materials and products, light industrial products, machines, electrical equipment, vegetables, fruits, automobiles, chemical products, unprocessed fur products, leather products, as well as Costa Rica's coffee, beef, pork, pineapple juice, frozen orange juice, jams, processed fish products, mineral products and rawhide.
As for the service trade, Costa Rica will further open 45 sectors to China, including the telecommunications, education, and tourism sectors, while China will further open seven service sectors to Costa Rica.
Meanwhile, the two sides have achieved consensus on rules of origin, customs procedures, technical barriers, sanitary regulations and trade remedies.

Costa Rica has become one of China's major trading partners and investment destinations in central America.
Bilateral trade between the two nations increased 19.2 percent year-on-year to 3.8 billion U.S. dollars in 2010.
So far, China has reached free trade agreements with ASEAN member countries, Chile, Pakistan, New Zealand, Singapore, Peru and Costa Rica.
The Chinese mainland has also signed FTAs with Hong Kong, Macao and Taiwan regions.

http://news.xinhuanet.com/english2010/china/2011-08/01/c_131022511.htm

Indonesia mulls to stop mineral commodity export by 2014
JAKARTA -- In a bid to protect national industry and preserve the country's natural resources deposit, Indonesia plans to stop mineral commodity export by 2014.
A senior official at Indonesian government said that the ongoing massive mineral commodity export would drain out natural resources deposits and exacerbate national industry due to the lack of fuel originated from natural resources to run manufactures.
Director General International Industry Cooperation at the industry Ministry Agus Tjahajana said that the plan to stop mineral resources export would be applied to all countries to which Indonesia used to export its mineral commodities, including China, India, Japan, the United States and South Korea.
Agus said that the ministry is recommending an issuance of particular regulation that charges higher levies for mineral commodities export before the policy to stop mineral commodity is imposed in 2014.
"We need to charge higher exit tariff during the transition period until the policy is implemented," Agus said on Monday.
He said that Indonesia's mineral commodities exports mainly went to China due to massive growth of China's industry in the last few years.
They country's statistic central bureau (BPS) recorded that mineral exports to three largest importer countries that consisted of China, Japan and the United States stood at 1.94 billion U.S. dollars, 1.63 billion U.S. dollars and 1.34 billion U.S. dollars as of last month.
The BPS also learned that mineral resource commodities have been the backbone of the country's export. It accounted for 15.40 percent, or equals to 12.18 billion U.S. dollars to the country's total export in the first half of this year that reached 98.64 billion U.S. dollars.
The mineral resource commodity export figure in the first half of this year was 32.27 percent higher than the 9.21 billion U.S. dollars recorded in the first half of last year.

http://news.xinhuanet.com/english2010/business/2011-08/02/c_131025109.htm

Nigeria foresees end to importation of cement
LAGOS -- The importation of cement would soon be over with the level of operation at cement factories in Nigeria, a top government official has said.
Minister of Trade and Investment Olusegun Aganga said this on Monday while inspecting the Dangote Cement Plant in southwest Ogun State. Nigeria was on the verge of being self-sufficient in cement production, the minister said.
According to him, the Ibeshe plant was capable of producing six million tones of cement per annum when completed.

"My intention of coming here is to know about where we are in the concept of backward integration policy of government so that government can set a target for the indigenous manufacturers," he added.
"From what I have seen here, Dangote Cement is a success story. I am pleased and satisfied with the high pace of work and very optimistic that Nigeria will soon become self-sufficient in cement production," the minister said.
"I must say that much has been achieved by Dangote Cement in an attempt to meet local demands and government will like to replicate these exploits in the production of rice, sugar and wheat," he added.
Aganga urged other businessmen to emulate the entrepreneurship skills of Aliko Dangote by setting up firms that would create jobs and boost the economy.
Earlier, the President of Dangote Group, Dangote, said the company's investment in the Nigerian economy was part of its strategy to move away from outright importation to local manufacturing.
Dangote said the strategy had drastically reduced the country's import bill.
The Ibeshe plant is an automated factory with constant online monitoring equipment to guarantee high quality cement, he added
According to him, the two line plant has a 70 kilometer cable linking the production process from limestone crushing to the bagging of the finished products.

http://news.xinhuanet.com/english2010/business/2011-08/02/c_131025492.htm

WTO chief in New Zealand to discuss trade in hard economic times
WELLINGTON -- World Trade Organization Director-General Pascal Lamy will arrive in New Zealand Wednesday to discuss with government officials the stalled Doha Round of trade negotiations and the WTO's work in the difficult economic climate.
Trade Minister Tim Groser, who will host Lamy in Wellington from Aug. 3 to 5, said New Zealand was "strongly committed" to the multilateral trading system embodied in the WTO.
"Director-General Lamy's visit comes at a critical point, when members of the WTO are considering how to progress the currently stalled Doha Round of multilateral trade negotiations," said Groser.
"We are actively supporting efforts to advance the Doha Round and I will be reinforcing this commitment to Director-General Lamy and offering what help I can."
Lamy, who has been WTO Director-General since 2005 and last visited New Zealand in the role in March 2009, will also meet with Prime Minister John Key and Leader of the Opposition Phil Goff, as well as government officials and business leaders.
The Doha Round was launched in Doha, Qatar, in 2001 to lower trade barriers and to help developing countries, but negotiators have failed to agree on measures.

http://news.xinhuanet.com/english2010/business/2011-08/03/c_131026972.htm

Bangladesh's imports reach nearly 32 billion USD in 2010-11 FY
DHAKA -- Bangladesh's imports in the immediate past 2010-11 fiscal year surged 38.60 percent to nearly 32 billion U.S. dollars, the central bank data showed Wednesday.
According to statistics of the Bangladesh Bank (BB), the settlement of letters of credit (LCs), generally known as actual imports, stood at 31,952.18 million U.S. dollars in July-June period of the 2010-11 fiscal year.

During the last fiscal year, the BB data showed Bangladesh's overall import orders, however, increased by around 34.04 percent, compared to that in the same period a year ago.
The overall import orders, officially known as opening of fresh LCs, increased to 38.581 billion U.S. dollars in July-June period against 28.783 billion U.S. dollars in the same period of the previous fiscal, it showed.
The South Asian nation's actual imports grew 7.11 percent to 22.969 billion U.S. dollars in the last 2009-10 fiscal year.

http://news.xinhuanet.com/english2010/business/2011-08/03/c_131027511.htm

Iran-Turkey trade value surpasses 7 billion USD
TEHRAN -- Iran's ambassador to Turkey Bahman Hosseinpour said the total value of Iran-Turkey trade exceeded 7 billion U.S. dollars during the first five months of 2011, the English-language Tehran Times daily reported Thursday.
Given the 80-percent growth in trade between the two countries, it is expected that the bilateral trade will go over 13 billion U. S. dollars by the year's end, Hosseinpour was quoted as saying on Wednesday.
Hosseinpour said in July that the value of trade exchanges between the two neighbors reached about 11 billion U.S. dollars in 2010 from 7 billion U.S. dollars in 2008.
According to a report by Turkish Statistical Institute in April, the trade volume between Iran and Turkey surpassed 2.144 billion U. S. dollars in the first two months of 2011, showing a 70-percent growth.

http://news.xinhuanet.com/english2010/business/2011-08/04/c_131029710.htm

Bangladesh's Railway inks train procurement contract with Chinese company
DHAKA -- Bangladesh's Railway signed a 58.31 million U.S. dollars contract on Thursday with Tangshan Railway Vehicle Co. Ltd. of China for procurement of 20 sets commuter trains.
Abu Taher, Director General of Bangladesh's Railway, and Zhen Dawei, Deputy General Manager of Tangshan Railway Vehicle, signed the contract on behalf of their respective sides here.
According to the contract, Bangladesh's Railway will purchase 20 sets Meter Gauge Diesel Electric Multiple Units (DEMU). The contract value will be 58.31 million U.S. dollars including spare parts, tools and equipment, training and services.
Syed Abul Hossain, Bangladesh's Communications Minister, Zhang Xianyi, Chinese Ambassador in Dhaka, among others, were present at the contract signing ceremony.
According to Tangshan Railway Vehicle, each set of DEMU, which consists of three units, can carry 300 passengers. The service speed of DEMU is 80 km per hour.
Bangladeshi Communications Minister said at the ceremony that introduction of railway commuter train in the form of DEMU is a special version of train service aiming at reducing traffic congestion of urban and suburban areas and eventually render safe, better and comfortable services to the passengers.
He said that by introducing DEMU, Bangladesh's Railway will enter into a new era of modern train service.

Zhang Xianyi, the Chinese ambassador, said these trains will not only help to improve the railway system of Bangladesh, but also will help to speed up the development of the Bangladeshi economy.

http://news.xinhuanet.com/english2010/business/2011-08/04/c_131029747.htm

Chinese company to supply silicon batteries to Republic of Korea

WUHAN -- A Chinese company would likely supply silicon storage batteries to automakers in the Republic of Korea (ROK) for the production of electric cars, according to a framework agreement signed between the company and an ROK trade delegation.

SSG Energy in Jingzhou city in central China's Hubei Province would supply batteries worth 250 billion yuan (38.83 billion U.S.dollars) over the next five years, said Chen Hong, president of SSG Holding Group, the parent company of SSG Energy.

The silicon storage batteries will mainly be used to produce electric cars in the ROK, said Cho Dong-Sung, head of the delegation and a member of the Presidential Council on National Competitiveness, on Wednesday when the agreement was signed in Jingzhou.

He said batteries made by SSG are durable, pollution-free and quick-charging.

The company also claimed on its website (www.ssghg.com) that the patented battery could be reused for over 700 times, and it only takes half an hour to one hour to recharge the battery.

Chen Hong said the company currently has three production lines with daily production capacity of 7,000 batteries.

http://news.xinhuanet.com/english2010/china/2011-08/04/c_131030083.htm

Russia may lift ban on EU vegetable imports on Monday

MOSCOW -- Russia may lift its ban on fresh vegetable imports from all European Union (EU) states on Monday if no new cases of E. coli infection are reported, health officials said Friday.

Russia banned vegetable imports from the EU in early June following an outbreak of a highly virulent strain of the E. coli bacteria that has killed some 40 people in Europe.

The ban has been gradually lifted as measures have been taken to prevent the infected vegetables from supplying to Russia. So far, more than 10 countries have been allowed to resume their vegetable exports to Russia.

Five EU countries -- Estonia, Germany, Lithuania, Latvia and Slovenia -- are still waiting for Russia's sanitary watchdog's permits to sell vegetables to Russia, said Gennady Onishchenko, Russia's chief sanitary inspector.

Russia is the EU's largest market for vegetable exports. It annually purchases 1.1 million tons of vegetables, worth 600 million euros (858 million U.S. dollars) from the 27-nation bloc, accounting for a quarter of the EU's total vegetable exports.

http://news.xinhuanet.com/english2010/business/2011-08/05/c_131032068.htm

France's trade gap narrows in June for less buying

PARIS -- Less purchasing abroad has made France record a smaller June trade deficit to 5.6 billion euros (7.9 billion U.S. dollars) despite of soaring energy prices and slack industry production, customs figures showed on Friday.

After record high trade deficit in April and May, French export remained almost stable in June while import fell significantly due to less buying in energy product, oil and petroleum product in particular.

The customs figures recorded 34.58-billion-euros foreign sales in June thanks to favorable performance in aeronautical and pharmaceutical sales and slightly better trade results within European Union, while the import cost fell to 40.173 billion euros versus 40.998 billion euros in May.

French trade gap however for the first half of this year widened to 37.5 billion euros, up by nearly 10 billion euros from the second half of 2010, according to French customs data.

Some local economist warned that France might see an annual trade deficit around 70 billion euros as its overall export value hadn't any remarkable improvement for the first six month of this year.

http://news.xinhuanet.com/english2010/business/2011-08/05/c_131032313.htm

Australian trade minister to visit China to promote service exports

CANBERRA -- Australian federal Trade Minister Craig Emerson on Tuesday said he will lead the biggest-ever business delegation to China to promote Australian service exports.

Dr Emerson and parliamentary secretary Richard Marles will travel to China on Aug. 4-9 to explore greater opportunities for Australia exports and investment.

The pair will bring with them about 100 Australian companies' representatives from services industries in green building and design, education, financial and professional services, IT, health, culture and logistics.

"Here's a great opportunity for Australia to put our best foot forward in high-end service exports," Emerson told reporters in Canberra on Tuesday. "This is the biggest business delegation to leave our shores."

Emerson said China is moving from an export-led growth model to one driven more by consumer demand and rapid urbanization.

He added that the size and scope of the mission reflected China's importance to Australia's economic future.

"While resources will remain a key component of our trade, there is growing demand for a range of other products and services that Australia is well-placed to supply."

During the six-days trip, Emerson, Marles and the Australian representatives will travel to five of China's cities -- Chengdu, Chongqing, Wuhan, Changsha, Guangzhou and Shanghai.

http://news.xinhuanet.com/english2010/china/2011-08/02/c_131024801.htm

South Korea to add tariff-free import items to tame inflation

SEOUL -- South Korea plans to add tariff-free import items in a bid to tame inflation caused by torrential rain and the outbreak of the food-and-mouth disease (FMD), the finance ministry said Tuesday.

The 30 percent import tariffs on bananas, pineapples and radishes will be removed until the end of September, with the 27 percent tariffs on imported white cabbages cut to zero percent over the same period, the Ministry of Strategy Finance said in a statement.

The move came amid growing concerns that the heavy rainfall over the past few days may bring about supply disruptions in farming goods. According to the Korean Meteorological Administration (KMA), Seoul received a total of 301.5 millimeters of rain last Wednesday, the largest single-day rainfall in July since the weather agency began records in 1907.

In addition, the finance ministry said it will expand the zero- tariff quota for refrigerated pork imports without limit by the end of September. Previously, 130,000 tons of fresh and frozen pork were subject to zero-tariff imports.

The move was aimed at curbing price hikes stemming from the spread of foot-and-mouth disease (FMD), which led the government to cull millions of pigs along with thousands of head of cattle.

South Korea's consumer prices jumped 4.7 percent in July from a year earlier, surpassing the upper end of the Bank of Korea (BOK)' s inflation target band of 2-4 percent for the seventh consecutive month.

http://news.xinhuanet.com/english2010/business/2011-08/02/c_131024888.htm

EU extends duties on Chinese bikes, introduces barriers on its ceramic tiles

BRUSSELS -- The European Union will extend anti-dumping duties on bicycles imported from China, and impose trade barriers on Chinese ceramic tiles, according to a document obtained by Xinhua on Wednesday. The EU is set to introduce a five-year import duties of up to 69.7 percent on Chinese bathroom, kitchen and paving tiles, which will take effect starting from mid-September.

Meanwhile, EU will extend anti-dumping duties of 48.5 percent on Chinese bicycles and bicycle parts till 2016.

It is said that major bicycle producers in Europe, such as Germany, France and Italy, were the driving force for the decision to extend the punitive duties until 2016 instead of originally planned for 2014. "It is a bad time for EU-China trade ties," Robert Maclean, partner with Squire, Sanders & Dempsey Law Firm, said on Wednesday. It's a pity to see the anti-dumping duties extended from three years to five years, he said.

Robert Maclean, who has been conducting the case on behalf of Chinese Chamber of Commerce for Imports and Exports of Machinery and Electronic Products for many years, said the EU's case was weak. "The EU has made a terrible decision," he said, recommending China to submit the case to the World Trade Organization.

Meanwhile, the European Commission, the EU's executive arm, is also investigating alleged "market dumping" by Chinese exporters of certain types of fiberglass used in the production of high-tech goods such as light-weight cars. If acknowledged, the Commission could introduce temporary tariffs on the Chinese imports by the end of March 2012, and permanent five-year duties by September 2012.

http://news.xinhuanet.com/english2010/business/2011-08/03/c_131027662.htm

WORLD ECONOMIES

Australian inflation gauge up in July: survey

SYDNEY -- Consumer prices in Australia are rising at the fastest pace in three months, led by higher costs of fruit, vegetables, and utilities, according to the TD Securities- Melbourne Institute inflation Gauge released on Monday.

The TD Securities-Melbourne Institute inflation Gauge, a monthly survey by the investment dealer of TD Securities and the Melbourne Institute of Applied Economic and Social Research, rose by 0.3 percent in July, following no change in June and the 0.2 percent rise in May.

The price of fruit and vegetables rose by 1.8 percent in July while the prices of utilities rose by a strong but seasonal 4.0 percent in July, the survey showed.

However, automotive, rents, clothing and footwear and computing prices were lower in July.

In the year to July, the inflation gauge rose by 3.2 percent, compared to a 2.9 percent rise in the year to June.

The result was above the Reserve Bank of Australia's target band for inflation of two to three percent over the course of the economic cycle.

"For months now our Gauge predicted that annual CPI (consumer price index) growth would exceed 3 percent and this report hints at similar upside pressure for the September quarter CPI report, with the monthly growth rate the highest in three months and the annual rate printing at 3.2 percent in the year to July," TD Securities head of Asia-Pacific research Annette Beacher said in a statement on Monday.

Beacher said although the result was above the central bank's target for inflation, policymakers had to look beyond price rises when considering the level of official interest rates.

The Board of the Reserve Bank of Australia (RBA) was due to announce its monthly interest rate decision on Tuesday.

Beacher said she expected the RBA to keep rates on hold at 4.75 percent.

http://news.xinhuanet.com/english2010/business/2011-08/01/c_131022540.htm

Obama announces bipartisan debt ceiling deal, urges passage in Congress

WASHINGTON -- U.S. President Barack Obama Sunday night unveiled a last-minute debt ceiling deal endorsed by Republican and Democratic leaders, in a bid to stave off a looming debt default crisis and ease market jitters.

The U.S. federal government's borrowing limit, currently at 14.29 trillion U.S. dollars, was reached on May 16. The Treasury Department said that it would run out of cash to pay its bills unless Congress agreed to raise the limit by Aug. 2.

Obama stressed the deal also promised deficit cutting, saying the first tranche of deficit cutting would be about 1 trillion dollars over the next decade. But he said spending cuts would not come too quickly to hurt the fragile U.S. economic recovery.

"The result would be the lowest level of annual domestic spending since Dwight Eisenhower was President -- but at a level that still allows us to make job-creating investments in things like education and research," he said.

The package would also set up a bipartisan and two-chamber congressional committee to find new deficit reduction ways in line with the second tranche of debt limit increase by November, Obama noted.

The White House said the panel will be tasked with finding a deficit of at least 1.5 trillion dollars to trim.
An enforcement mechanism will also be established to force all parties to agree to balanced deficit reduction. If the committee fails, the enforcement mechanism will trigger spending reductions beginning in 2013, with evenly split spending cuts between domestic and defense programs.
However, the enforcement protects Social Security, Medicare beneficiaries and low-income programs from any cuts, the White House said.
Obama said this deal was not the one he preferred, but "this compromise does make a serious down payment on the deficit reduction we need, and gives each party a strong incentive to get a balanced plan done before the end of the year."
This deal would lift the federal debt limit in two stages by at least 2.1 trillion dollars, enough for the White House to tide over the 2012 elections, a stance the Obama administration strongly supported.
However, it was a tentative proposal, as any compromise plan still needs to clear a Democratic-controlled Senate and a Republican-held House, where many of the 87 freshman lawmakers are Tea Party-backed conservatives who have asked for steep spending cuts and a balanced budget amendment to the Constitution.
"We're not done yet," Obama said, urging U.S. lawmakers to approve the debt ceiling compromise plan in the next few days.
Leading U.S. lawmakers including Senate Majority Leader Harry Reid Sunday expressed optimism for a deal within reach and offered support to the emerging package.
After speaking to U.S. Vice President Joe Biden Sunday morning, Reid said on the Senate floor that he was "hopeful" that Democratic negotiators were "close to an agreement" with Republican leaders.
"I ask those who have said they will never compromise on any terms to think about who their stubbornness will hurt," Reid urged.
"We can not allow the U.S. economy to lapse into a default," Assistant Senate Majority Leader Dick Durbin said on the Senate floor during an unusual Sunday session.
U.S. Senate Republicans Sunday blocked a debt ceiling proposal put forth by Reid. By a vote of 50 to 49, the Reid plan fell short of the 60 votes needed to clear a procedural hurdle to end a Republican filibuster and advance in the 100-member chamber.
Forty-three Republican senators including Senate Republican leader Mitch McConnell Saturday signed a joint letter to voice their opposition to the Reid plan and vowed to block the measure to move forward.
The outcome of the symbolic test vote did not affect the broader ongoing effort of both parties to come up with a compromise plan. Experts held that elements of the Reid plan and an earlier plan by House Speaker John Boehner were incorporated in the package.
However, the right-tilted deficit cutting proposal without guaranteed revenue might face a backlash from liberal Democrats.
Although Reid had a head start in backing the blueprint compromise deal, key House Democrats including Chris Van Hollen, a senior Democrat on the House Budget Committee, suggested Democratic House leaders should wait for House Republicans to play their hand openly first.
House Democratic Leader Nancy Pelosi said Sunday afternoon that Democrats in the House have not decided to support the last-ditch compromise deal to raise the U.S. debt limit, adding some fresh uncertainty to the bitter stalemate.

Pelosi told reporters that she will discuss the tentative agreement with House Democrats on Monday.
International Monetary Fund Managing Director Christine Lagarde Sunday urged the United States to solve the debt ceiling problem in a timely manner to avoid negative global repercussions, given the importance of the U.S. economy in the world.

http://news.xinhuanet.com/english2010/business/2011-08/01/c_131022628.htm

Indian economy to grow 8.2% this year: official report
MUMBAI -- Indian economy is expected to expand 8.2 percent in fiscal year 2011-2012 starting from April 1, 2011, said an economic outlook report Monday by Economic Advisory Council to the Prime Minister (PMEAC).
The latest projection is in line with the estimates by Indian central bank and most international research institutions but obviously lower than the prediction of 8.6 percent by the Indian Finance Ministry.
The report said the projected growth of 8.2 percent, though lower from 8.5 percent in the previous fiscal year, must be treated as high and respectable given the current world situation.
The deceleration will be mainly caused by noted drop of agricultural growth from 6.6 percent in the previous year to 3 percent.
Meanwhile, industrial growth is predicted to slow down to 7.1 percent this year from 7.9 percent with service sector accelerating to 10 percent from 9.4 percent.
To keep Indian economy growing at 9 percent, it's important to increase fixed investment rate, with investment rate seen at 36.7 percent this year, said the top advisory.
In fiscal year 2011-2012, the current account deficit will increase to 54 billion U.S. dollars or 2.7 percent of GDP from 44. 3 billion U.S. dollars, said the economic outlook report.
Inward foreign direct investment is predicted to recover to 35 billion U.S. dollars from 23.4 billion U.S. dollars in 2010-2011.
Still, the report forecast that capital inflow by foreign institutional investors will more than halve this year to 14 billion U.S. dollars from 30.3 billion U.S. dollars, indicating grim outlook for Indian stock markets.
PMEAC said Indian headline inflation will continue to be at 9 percent from July to October 2011 and will decline to 6.5 percent in March 2012.
The report held that Indian central bank will have to continue to follow a tight monetary policy till inflation shows definite signs of decline and fiscal policy also has important role to contain demand pressure.
Plus, it will be a significant challenge to achieve fiscal deficit target of 4.7 percent of GDP in this year, urging cut of avoidable expenditure, efforts to collect more revenues, introduction of new indirect tax code and reforms in distribution system of power sector.

http://news.xinhuanet.com/english2010/business/2011-08/01/c_131022994.htm

Bangladeshi forex reserves dip in July on soaring imports ahead of Ramadan

DHAKA -- Bangladesh's foreign exchange reserves dipped to 10.38 billion U.S. dollars at the end of July from nearly 11 billion U.S. dollars logged at the end of the June on soaring food imports ahead of Ramadan, a central bank official said Monday.

Quoting the provisional Bangladesh Bank (BB) data, the official on condition of anonymity told Xinhua that the South Asian country's foreign exchange reserves stood at 10,381.26 million U.S. dollars at the end of the last month after reaching 10,911.55 million U.S. dollars at the end of June this year.

The BB official said that July's dip came due mainly to a hefty rise in food imports which constitute a major share in total import bills.

Another factor was modest growth of remittances, one of the key sources of foreign exchange for the impoverished South Asian nation, from more than 7 million Bangladeshis, living and working over 100 foreign countries, he said.

The BB statistics showed the country's actual imports, generally known as the settlement of letters of credit (LCs), in the immediate past 2010-11 fiscal year (July 2010-June 2011) surged nearly 40 percent year on year to over 31.952 billion U.S. dollars.

The central bank official said food imports surged to a large extent in the recent months as the Muslim-majority Bangladesh had to build buffer stock of essentials ahead of Ramadan, which is expected to begin in the country on or around Aug. 2 based on sightability of new moon.

Although the month of Ramadan is a month of fasting, consumer spending increases mainly due to the increased food consumption, he said, adding the good thing is that inflow of remittances will expectedly boost on occasion of Eid-Ul-Fitr, a three-day Muslim holiday that marks the end of Ramadan.

Bangladesh's foreign exchange reserve hit a new high of 11.16 billion U.S. dollars at the end of October last year, propelled by remarkable growth in inflow of remittances.

http://news.xinhuanet.com/english2010/business/2011-08/01/c_131023036.htm

Brazil's trade surplus rises 74.4% in Jan-July

RIO DE JANEIRO -- Brazil registered a trade surplus of 16.1 billion U.S. dollars in the first seven months of this year, up 74.4 percent from the same period last year, the Industry, Development and Trade Ministry said Monday.

The country's exports were valued at 140.5 billion U.S. dollars in January-July, up 31.5 percent, contributing to the surplus significantly despite the unfavorable real-dollar exchange rate, which made Brazilian exports more expensive in the international market.

Brazil's imports amounted to 124.4 billion dollars, a 27.5 percent rise.

Brazil is a big commodity exporting country and its trade surplus hike was mainly attributed to the higher price of commodities in the world market.

The country's exports of basic products increased 43.3 percent in January-July, reaching 66.85 billion dollars, and its main export destinations were China (24.4 billion dollars), followed by the U.S. (14 billion dollars), and Argentina (12.5 billion dollars).

Economists predict Brazil's trade surplus would reach 21 billion dollars by the end of the year.

http://news.xinhuanet.com/english2010/business/2011-08/02/c_131024146.htm

Japan's monetary base up 15 pct. on year in July

TOKYO -- Japan's monetary base rose 15.0 percent in July from a year earlier, rising for the 35th consecutive month from a 17.0 percent annual increase logged in the previous month, the Bank of Japan (BOJ) said in a report on Tuesday.

The average daily balance of the monetary base stood at 113.73 trillion yen (1.47 trillion U.S. dollars) in the recording period, compared to an average balance of 113.47 trillion yen logged in the previous month, the central bank said.

The BOJ has ensured that since the March 11 twin disasters that pummeled northeastern regions in Japan, there is enough liquidity in money markets so that regional banks and other financial institutions can continue lending not just to the public and local municipalities for reconstruction efforts, but also to each other.

The endeavor has gone some way towards calming money markets in the wake of the March cataclysms, although the recent yen's surge against its major counterparts is being closely watched by the central bank and the finance ministry, with intervention into currency markets not being ruled out if the government decides the yen needs to be softened to protect its key export sector.

The central bank said Tuesday that banknotes in circulation in the recording period once again increased 2.7 percent on year, but the amount of coins in circulation remained flat as with the previous month, following a 0.1 percent increase booked in May.

The current account balances rose 73.3 percent on year in July, down from 89.2 percent in June and still a long way off the 123.4 percent on year leap booked a month after the March disasters in April, the central bank's data showed.

On a seasonally adjusted basis, the monetary base dropped 6.3 percent to an annualized 113.81 trillion yen compared to June's reading of 114.43 trillion yen, said the BOJ.

http://news.xinhuanet.com/english2010/business/2011-08/02/c_131024330.htm

South Korea's foreign reserves rise to new high in July

SEOUL -- South Korea's foreign reserves rose to a new high of 311.03 billion U.S. dollars in July due to increased conversion value of non-dollar denominated assets, the central bank said Tuesday.

Foreign reserves stood at 311.03 billion dollars as of the end of July, up 6.55 billion dollars from a month earlier, the Bank of Korea (BOK) said in a statement.

The figure was a turnaround after contracting for two straight months in May and June, and marked the largest amount. The reserves exceeded the 300 billion dollars level for the first time in April.

The on-month growth in foreign reserves came as a stronger British pound and Japanese yen increased conversion value of the pound- and yen-denominated assets, according to the statement. The pound appreciated 2.3 percent against the greenback last month, while the yen rose 4.7 percent versus the dollar.

The country's foreign reserves consisted of 275.27 billion dollars of securities, 28.67 dollars of deposits, 3.59 billion dollars of special drawing rights (SDR), 2.17 billion dollars of International Monetary Fund (IMF) reserve positions and 1.32 billion dollars of gold bullion. Meanwhile, holdings of gold bullion surged to 1.32 billion dollars as of the end of July from 0.08 billion dollars the previous month. "The BOK purchased gold bullion as part of efforts to diversify its

portfolio. After the reserves breached above the 300 billion dollar level, there was room for purchasing gold bullion growing further," an official at the BOK told Xinhua.
The official, however, declined to comment on the future purchase plan as the comment will have an impact on the gold market.
As of the end of June, South Korea was the world's seventh- largest holder of foreign reserves following China, Japan, Russia, China's Taiwan, Brazil and India.

http://news.xinhuanet.com/english2010/business/2011-08/02/c_131024469.htm

Yen rise adds to Japan's post-quake economic pain
TOKYO -- The recent rise of Japanese yen will add to the pain of Japan's post-quake economy, which is struggling for recovery amid an long-standing nuclear crisis-triggered power shortage.
The U.S. dollar fell to 76.29 yen in overnight trading in New York, only next to the postwar record of 76.25 yen after the March 11 twin disasters of quake and tsunami, prompting the joint intervention by the Group of Seven leading developed economies to pull the currency back to above 80 yen.
However, the short-lived intervention in the financial markets failed to stem the appreciation of yen, which effectively embarked on an upward trend since the collapse of Lehman Brothers in 2008. The real exchange rate of yen has risen 34.6 percent since 2008.
The new round of accelerated rise of the yen was spurred by an inflow of risk-aversing funds, scared away by debt problems in the European Union and the United States. Japan, despite its own huge debt ratio to economy, is seen as a safe haven due to its swelled bank savings, stable current account balances, and prudent central bank policies.
Although the United States on Monday reached a last-minute deal to raise the debt ceiling and avoid a default, the concerns of a possible downgrade of its credit ratings have not been completely erased due to insufficient effort to reduce its deficit. The latest string of economic indicators continue to prove the world's largest economy is ill.
A strong yen is poisonous to Japan's exporters, represented by automobile and high-tech industries, the locomotive of the economy. It weakens Japan's global competitiveness and erodes profits when repatriated.
Pains have already been felt, 24 enterprises went bankrupt due to yen's appreciation in the first half of this year, up 20 percent over the same period of last year, according to research firm Teikoku Databank. In June, the country's ship-building industry received a total of 15 orders, compared with last June's 30.
According to a survey by Tokyo Shoko Research, the Fiscal Year 2011 earnings projections of 121 listed manufacturers on the Tokyo Stock Exchanges are based on an average dollar-yen exchange rate of 1:81.69. When the Japanese currency appreciates by 1 yen, the annual profits of Japan's three leading automakers, namely Toyota, Nissan, and Honda, will shrink by 30, 20, and 15 billion yen respectively.
The strong yen pushed down Nissan's operating profit by 55 billion yen in the April-June quarter, Joji Tagawa, Vice President of Nissan, announced last week. He warned that if the adverse effect of yen's rise exceeds what a single company could handle, the company will have no choice but to transfer some of its production out of Japan, a move that will further deteriorate employment and the economy.
A research report by Takahide Kiuchi, chief economist of Nomura Securities, revealed that if yen rises from 80 yen to 75 yen against the dollar, Japan's real GDP will slide 0.24 percentage point.

Japan's economy has been mired in negative growth since the end of last year. Calls for the government and the central bank to clog yen's rise have grown loud and clear in Japanese media and industries.
Japanese Finance Minister Yoshihiko Noda warned Tuesday that the currency markets have overvalued the yen, while declining to comment on Tokyo's possible intervention to weaken the currency and protect domestic industries.
The Bank of Japan (BOJ) will hold a policy meeting later this week, and analysts say the bank could decide to expand its 40 trillion yen asset purchase program, under which it attempts to ease credit conditions by purchasing such financial assets as government bonds, corporate debt and exchange-traded funds. But many analysts doubt the effect of intervention by Japan alone, as it is almost impossible for the European Union and the United States, embroiled in their own debt crisis, to join hands with Japan as they did last time on March 18.

http://news.xinhuanet.com/english2010/business/2011-08/02/c_131025390.htm

Indian PM economic council sends SOS over slowdown
NEW DELHI -- Amidst the ongoing debt crisis in the U.S., there have been signs of a crisis back in India as Indian Prime Minister's Economic Council has sent out an SOS saying that the government has lost momentum and must act fast, said business sources Tuesday.
They have blamed the government for having lost time in getting its act together despite a stable atmosphere in the wake of the May 2009 polls.
The C. Rangarajan-chaired Economic Council said that overconfidence in both the government and business, along with corruption-related controversies in the last year have hit the country's return to high economic growth.
Indian Finance Minister Pranab Mukherjee have also met industry captains Ratan Tata, Narayana Murthy, Sunil Bharti Mittal, Anil Ambani, Anand Mahindra among others to discuss the road ahead.
Mahindra and Mahindra Vice Chairman and Managing Director Anand Mahindra said Tuesday: "Pranab Mukherjee gave a power a road map. He put us to a timeline to give a valuable suggestion and promised to come back in a time frame."

http://news.xinhuanet.com/english2010/business/2011-08/02/c_131025430.htm

Singapore consumer confidence falls to lowest in 18 months
SINGAPORE -- Singapore's consumer confidence index fell by six index points in the second quarter to 103, the lowest in 18 months, according to a latest survey by market research firm Nielsen. The global consumer confidence index survey also saw Singapore dropping out of the list of the ten most confident consumer markets, local Channel NewsAsia said on Wednesday.
Singaporeans worried the most about work-life balance and the rising food prices, the survey showed.
Only 35 percent of the consumers surveyed online thought that the next 12 months is an excellent or good time to buy the things they want, representing a decline by 10 percentage points from the first quarter.
Consumers had weaker intentions to spend in stocks, buying clothes, taking holidays and upgrading technology. In particular, they would like to cut back expenditure on household items such as groceries, new clothes and utilities.

In the global online survey, 58 percent of the consumers said they are still in a recession. More than half believe they will still be in a recession in a year's time. Some 31 percent of consumers in the United States said they have no spare cash for discretionary spending, following by the 25 percent of consumers from the Middle East and Africa, and 22 percent of Europeans.
"Although Singapore's consumer confidence index has dropped slightly, it still signifies a healthy level of optimism. Generally, consumer sentiment here is affected by lingering concerns about inflation and negative news flow from other parts of the world," Channel NewsAsia quoted Joan Koh, managing director of Nielsen Singapore, as saying.
In Asia, Indian consumers remained the most positive in the second quarter, despite a five point quarterly decline.
The survey tracks consumer confidence, major concerns and spending intentions among 31,000 consumers in more than 50 countries and regions throughout Asia Pacific, Europe, Latin America, the Middle East, Africa and North America.

http://news.xinhuanet.com/english2010/business/2011-08/03/c_131027420.htm

U.S. private-sector jobs increase 114,000 in July
WASHINGTON -- U.S. private-sector employment continued to increase in July, but at a slower pace, according to the National Employment Report released Wednesday by Automatic Data Processing, Inc. (ADP).
ADP said the private-sector added 114,000 jobs from June to July on a seasonally adjusted basis, less than last month's revised figure of 145,000.
However, the fresh figure was much better than the level of May, and was close to the monthly average for the past six months.
The job improvement in July was reflected in all size companies. Small and medium businesses accounted for the majority of the gain, adding 105,000 jobs in total, while large businesses added 9,000 jobs.
Employment in the service-providing sector rose by 121,000 in July, marking 19 consecutive months of employment gains. Jobs in the goods-producing sector declined 7,000, according to the report.
The report said employment continued to advance at a moderate pace in July, but the growth of employment was decelerating. Since February, the three-month percent change has declined every month, from 0.6 percent then to 0.27 percent in July, the ADP said.
The ADP National Employment Report, created in partnership with Macroeconomic Advisers, LLC, is derived from actual payroll data and measures the change in total nonfarm private employment each month.

http://news.xinhuanet.com/english2010/business/2011-08/03/c_131027655.htm

Nigeria considers proposal on cashless economy
ABUJA -- Nigeria's Federal Executive Council (FEC) has endorsed the Central Bank of Nigeria (CBN) proposal for it to use Lagos State as a test case for e-banking and cashless economy.
Minister of Information Labaran Maku disclosed this to reporters in Abuja on Wednesday after the council meeting presided over by President Goodluck Jonathan at the State House.

Labaran said CBN governor Lamido Sanusi and his team were at the meeting to give the overview of the economy in the past two quarters and to discuss the new initiatives taken by the apex bank in reforming the economy.
The CBN has decided to start the cashless economy in Lagos State using Lagos as the hub for the beginning of the project, the minister told reporters.
"In this new initiative that the CBN has taken in partnership with the government of Lagos State, it is expected that in months to come Lagos will really move quickly into e-banking," he added.
He said the council gave its nod to the proposal because of its multidimensional advantages, particularly, in bringing down running cost of banks by almost 30 percent.
It will also afford every Nigerian the opportunity of a direct participation in the financial sector, he added.
According to him, the proposal is aimed at limiting cash withdrawals and deposits with banks to make the nation's economy cashless.
Labaran said the CBN team told the council that the economy is on the right path with a growth rate of 6.4 percent at the first quarter and the overall growth put at 7.8 percent.
On the inflationary movement, Labaran said the CBN reports indicated that headline inflation in the first and second quarters of the year stood at 12.8 percent.
Generally, the inflation trend has been coming downward, which is very good for the economy, the minister told reporters.
According to Maku, the CBN team also reported to council the upward progression witnessed in crude oil production which had gone up to 2.4 million barrels per day and attributed it mainly to the peace in the Niger Delta.

http://news.xinhuanet.com/english2010/business/2011-08/04/c_131029713.htm

South Korea's consumer prices may spike to over 5% amid milk crisis
SEOUL -- Concerns are spreading that South Korea's consumer prices may accelerate to over 5 percent this month due to price hikes in dairy products caused by a so-called milk crisis.
The country's livestock farmers suspended supply of raw milk for one day on Wednesday, claiming that the price of raw milk should rise to 877 won (0.83 U. S. dollar) per liter, up 25 percent from the current 704 won.
Dairy farmers argued that they were saddled with debts as supply prices of raw milk have been frozen for the past three years even though feed prices have jumped by 30 percent since 2008.
"Feed prices have risen around 30 percent since 2008, but raw milk prices have remained unchanged for the past three years. Demand for 25 percent hikes are reasonably based on real production costs for raw milk," an official at the Korea Dairy & Beef Farmers Association (KDBFA) told Xinhua Thursday.
According to the official, the proportion of feed cost to the total production costs now stands at about 80 percent, sharply up from 65 percent in 2010.
The KDBFA, speaking for livestock farmers, said that dairy farmers will halt raw milk supply indefinitely if their demand is not met until Friday.
Meanwhile, dairy companies have clung to their position that the farmers' demand cannot be accepted as a sharp increase in raw milk prices would lift overall prices of dairy products, which would trigger weaker consumption.

They suggested accepting the price rise to 785 won, far below the 877 won that farmers were seeking. The confrontation came after the supply of raw milk has been unstable since the outbreak of the foot-and-mouth disease earlier this year.
The South Korean government culled nearly 150,000 heads of cattle in a bid to curb the spread of the deadly animal disease. Around 36,000 were dairy cows among the total cattle destroyed, triggering disruptions in milk supply.
Back in February, the government increased the import quota for tariff-free powdered milk to 30,000 tons to tackle supply shortages in milk, effective until the end of this year. The tariff rate for dairy products such as butter and cheese fell to zero from the prior 40 and 36 percent respectively.
Despite the anti-inflation measures, price hikes in dairy products are expected to add upward pressures on consumer inflation, which have stayed high since the start of this year.
South Korea's consumer prices surged 4.7 percent on-year in July, surpassing the upper end of the Bank of Korea (BOK)'s inflation target band of 2-4 percent for seven straight months.
It was faster than a 4.4 percent on-year gain in June. "Once milk prices rise, they used to go sharply higher as seen in late-2004 and 2008. Headline consumer inflation may break above the 5 percent level in August due to price increases in dairy products," Yum Sang-hoon, a fixed-income analyst at SK Securities in Seoul, told Xinhua.
According to the analyst, dairy product prices jumped around 20 percent in late-2004 and surged 25 percent in 2008 after supply prices of raw milk were lifted.
If raw milk prices are raised by 173 won as livestock farmers demanded, dairy companies are expected to lift retail prices of dairy goods by around 200 won, strengthening inflationary pressures further.
The proportion of dairy products to all items of the consumer price index (CPI) reaches 1.1 percent, meaning 10 percent hike in dairy product prices will raise the CPI growth rate by some 0.1 percent.
"Price hikes in raw milk may have a stronger impact on consumer prices than expected as the price rise effects other consumer products such as bread, cakes and ice cream along with dairy products," Yum said.
Meanwhile, other experts forecast the impact of the price hike will not be sufficient enough to drive consumer inflation above the 5 percent level. "The price rises in raw milk will have some impact on consumer inflation as milk is used as ingredients for many processed food, but the impact will not be big due to the relatively smaller proportion of dairy products among CPI index," Yoon Chang-yong, a senior economist at Shinhan Investment Corp. in Seoul, told Xinhua.
Yoon noted consumer inflation will be affected by public service fees such as electricity charges and transport fares rather than dairy products as the government plans to raise such fees at a gradual pace in the second half.
The country's electricity prices were lifted by 4.9 percent on average starting this month. Consumer prices are forecast to rise by 0.038 percentage points further owing to the electricity rate increase, according to the Ministry of Knowledge Economy.
The economist projected the nation's inflation to peak at August before falling lower in the fourth quarter due to base effect. Last year, consumer inflation accelerated to 3.6 percent in September from 2.6 percent in August.

http://news.xinhuanet.com/english2010/business/2011-08/04/c_131029789.htm

Poor Israeli households shoulder heaviest indirect taxes: study

JERUSALEM -- The indirect taxation of low-income earners in Israel is significantly higher than that imposed on high wage earners, according to initial findings of a study currently being conducted by the Israeli Knesset parliament's Research and Information Center.

A draft of the study, obtained by the Calcalist business daily, reveals that a household in the sixth decile -- at the lower end of Israel's middle class -- spends 18.1 percent of a net monthly income of 10,761 New Israeli Shekels (3,100 USD) on indirect tax payments.

In contrast, a household in the top tenth decile pays 11.5 percent of its net monthly intake of NIS 27,939 (8,036 USD) on indirect tax payments, which is 56 percent lower than the sixth decile.

However, in comparison, the study showed that the lower five deciles pay only 2.8 percent of direct taxation, while the two top deciles together, account for nearly 82 percent of government revenues from these taxes.

Israel's indirect taxes are mainly comprised of VAT, sales tax and excise tax on gasoline, all of which are fixed at a single rate, regardless of income level.

The Israeli government's tax revenues in the first seven months of 2011 totaled a record NIS 126 billion (36 billion USD), with indirect taxes accounting for nearly half that figure, the Finance Ministry reported on Wednesday.

It was not reported whether the study suggested solutions to the apparent disparities.

The publication of the figures on Thursday comes as popular social welfare protests are gaining momentum across Israel. They encompass a host of grievances over spiraling housing costs, prices of basic foodstuffs, childcare costs and gasoline taxes. Additionally, the country's physicians, specialists, and medical residents have been leading an on-and-off campaign of their own for the past six months, for higher wages and better working conditions.

The protest movement, which was launched on Facebook nearly three weeks ago, is being led primarily by middle-class Israelis disgruntled with what they perceive as a gradual erosion of their economic standing.

On Wednesday, political sources close to Prime Minister Benjamin Netanyahu said he is formulating a major social welfare plan that he reportedly said will "change the face of the country."

The plan calls includes legislation aimed at breaking cartels, enabling more market competition, and cutting indirect taxes, the Ha'aretz newspaper reported Thursday.

Despite a recent dive in his approval ratings, Netanyahu does not view the public protest that is sweeping the country as posing a danger to his coalition government, the sources said.

The prime minister does not intend at this point to meet with the protest leaders, who have threatened to intensify the demonstrations.

He was quoted as saying that though "the economy is working, there are complaints, justified complaints, about the hardships of daily life, about the high cost of living," adding that he plans to tackle the problems head on.

http://news.xinhuanet.com/english2010/business/2011-08/04/c_131029986.htm

Cambodia's GDP growth likely to exceed 8%: commerce minister

PHNOM PENH -- Cambodia's GDP (Gross Domestic Product) is expected to grow over 8 percent this year despite rising inflation, Cambodian Minister of Commerce Cham Prasidh said Thursday.

He said three of the country's four economic pillars -- garment exports, tourism, agriculture and real estate -- are expected to post strong increases this year.

"Based on the figures in the first half of this year, the garment and textile exports rose up to 45 percent, tourism industry up by 13 percent, and agriculture is going well. I believe the country's economic growth this year will exceed 8 percent," the minister said at a press briefing after the conclusion of the 17th Greater Mekong Sub-region Ministerial Conference.

Earlier this year, the government forecast this year's GDP growth at 6 percent.

The commerce minister said the real estate and construction sector has also started to recover this year after it was hard hit by the global financial crisis since 2008.

Despite the minister's optimism, Director-general of the National Bank of Cambodia Nguon Sokha warned that the country's inflation could reach as high as 8 percent this year, up from the previous prediction of 5 percent due to soaring prices of petroleum, food, and consuming products.

http://news.xinhuanet.com/english2010/business/2011-08/04/c_131030087.htm

U.S. jobless claims inch down to 400,000

WASHINGTON -- The number of U.S. people initially applying for unemployment aid last week declined modestly, the U.S. Labor Department reported Thursday, signaling the labor market is improving slowly.

The department said the advance figure for seasonally adjusted initial claims for jobless benefits was 400,000 in the week ending July 30, a decrease of 1,000 from the previous week's revised figure.

This is the lowest level in four months, given the prior week's figure was revised up from 398,000 to 401,000.

Fewer than 425,000 people applying for aid is consistent with modest job growth, but the number of jobless claims will have to fall below 375,000 to signal a sustained drop in the unemployment rate.

Meanwhile, the four-week moving average, the more closely watched claims figure, was 407,750, a decrease of 6,750 from the previous week.

The advance figure for seasonally adjusted insured unemployment during the week ending July 23 was 3.73 million, an increase of 10,000 from one week earlier.

U.S. economic growth has slowed in recent months, dragging down the labor market's recovery, and the unemployment rate in June rose to 9.2 percent.

The weekly figures of jobless benefits applications reflect the level of layoffs and indicate the real-time condition of the American job market.

http://news.xinhuanet.com/english2010/business/2011-08/04/c_131030128.htm

Chile predicts moderate economic growth

SANTIAGO -- Chile's Central Bank predicted moderate growth for the country's economy Thursday given the recent production numbers, which are alleviating concerns about possible negative effects of a larger economic expansion.

Chile's Central Bank President Jose De Gregorio said Chile's economy is growing favorably with a normal unemployment rate and an inflation rate of 3 percent. "The Chilean economy is growing vigorously, but it still faces risks, especially those from abroad related to tax and financial problems of the developed economies," he said.

De Gregorio said the strategy for Chile to better handle and absorb the external "shocks" is to control inflation and maintain a solid tax policy. "The Chilean economy was expanding in the second half of 2009," he said. "Afterwards, the post-earthquake recovery caused the economy to grow by double-digit numbers. Nevertheless, it is predicted that by the end of 2012, domestic production will grow 5.5 percent, which is its normal level," he said.

The possibility of inflation was a cause of concern four months ago because of Chile's increased economic activity.

In March Chile's Central Bank predicted a 4.3 inflation rate for 2011, one point higher than predicted last December. Recent Central Bank reports, however, point to 3.7 percent.

Industrial production registered a 4 percent growth in June, below the market expectation of 6 percent, and noticeably lower than the 9.7 percent registered in May.

De Gregorio said that the situation outside Chile is still complex, especially due to the tax and debt problems in Europe and the United States.

http://news.xinhuanet.com/english2010/business/2011-08/05/c_131031404.htm

Mexico continues to enjoy solid economic growth despite crisis: finance minister

MEXICO CITY -- Mexico's Finance Minister Ernesto Cordero said Thursday the country's economy would continue to grow steadily despite the crisis in the United States, its biggest trading partner. Cordero said Mexico's economy won't fall into crisis because the government would continue to adopt responsible and cautious policies.

"We have learned lessons from past crises," Cordero said, as he announced new policies to improve the financing conditions for the Mexican rural sector.

Mexico's economy is doing very well, and has a lower risk of falling into crisis compared with some developed economies like France, the finance minister said.

Cordero said the current economic situation has allowed the Mexican government to increase financial support for education, public health, infrastructure and the rural sector.

The stock index in Mexico fell 3.4 percent on Thursday, the largest fall this year, following the plunge of international markets amid fears of a new global economic slump.

"The international financial situation is one of great uncertainty and turbulence, but fortunately Mexico has managed to keep its public finances in order, which means that Mexico has not been strongly affected by the international situation," Cordero said. With a flexible exchange rate and 134 billion U.S. dollars in foreign reserves, Mexico is well prepared to face a possible crisis of the world financial markets, Cordero said.

Banks in Mexico are increasing lending as the economy is expected to grow "a little bit more" than 4.3 percent this year, he said the day before.

http://news.xinhuanet.com/english2010/business/2011-08/05/c_131031437.htm

Japan's key economic gauge rises 2.5 points in June: data

TOKYO -- A key gauge of Japan's current economic conditions rose a preliminary 2.5 points in June from a month earlier, the Cabinet Office said in a report Friday, further evidencing the nation's recovery following the March 11 disasters that have caused factories to shutter operations and knocking out key supply chains.

The composite index of coincident indicators (CI) such as industrial output, retail sales and overtime working hours, which reflects current business conditions in Japan, rose to 108.6 against the 2005 base of 100, up from a reading of 106.1 a month earlier, marginally below median market forecasts for a reading of 108.7.

The government data also showed the leading composite index, which measures the state of the economy three months ahead, rose 3. 8 points from a month earlier to 103.2, despite missing consensus forecasts for a reading of 103.4.

Meanwhile, the lagging index, which reflects economic conditions three months in the past, retreated to a preliminary 90. 1 in June from 90.4 in May, the official data showed.

The Cabinet office upgraded its view of the economy Friday stating that it is "improving."

Previously, the office's assessment was that, the economy is " improving, but the three-month backward moving average went negative due to the Great East Japan Earthquake."

http://news.xinhuanet.com/english2010/business/2011-08/05/c_131032023.htm

U.S. unemployment rate dips, job market still dire

WASHINGTON -- The latest U.S. job market report offered some relief to the market jitters over a stalling economic growth, but new job creation pace and persistently high long-term unemployment problem showed that the labor market and economy are still sputtering.

The U.S. unemployment rate edged down to 9.1 percent in July from 9.2 percent in June, after ticking up for three consecutive months through June, the Labor Department reported on Friday.

The nonfarm sector added 117,000 new jobs across the country last month, far short of the 200,000 monthly level that economists believe robust enough to slash the unemployment rate over the long run, but still offered some hope to investors after a plunge of the Wall Street on Thursday.

House Majority Leader Eric Cantor on Friday said that the unemployment remained still horribly high, and the government should endeavor to make it easy for businesses' expansion and hiring.

The decline in the unemployment rate from 9.2 percent to 9.1 percent was entirely due to a drop in labor force participation rate, not an increase in the share of workers with jobs, said Heidi Shierholz, an economist with the Washington-based Economic Policy Institute.

The total number of unemployed Americans stood at 13.9 million, still almost double the level prior to the recession. In July, the number of long-term unemployed who have been jobless for at least 27 weeks stood at 6.2 million, accounting for 44.4 percent of the total unemployed, not far off a record high of 45.6 percent in May 2010, evidence of a still bleak job market.

"While the better-than-expected report is welcome news, the unemployment rate remains unacceptably high and faster growth is needed to replace the jobs lost in the downturn," Chairman of the Council of Economic Advisers Austan Goolsbee, said on Friday on the White House blog.

Bipartisan action is needed to help the private sector and the economy grow, including measures to extend both the payroll tax cut and unemployment insurance, as well as passing the pending

free trade agreements, the patent reform bill and an infrastructure bill to create badly needed jobs, urged Goolsbee, Obama's top economic adviser.
With the U.S. economic growth staying in low gear in the first half of this year, the economy did not produce enough jobs to put a dent in the large inventory of unemployed workers.
Although the department upwardly revised the newly added jobs in May and June, there are merely 72,000 jobs added per month on average from May to July.
Businesses added 154,000 jobs across different sectors in July, but governments cut 37,000 jobs last month due to spending cuts.
Employment in state governments shed 23,000, almost entirely due to a partial shutdown of the Minnesota state government. Local governments slashed 16,000 jobs and the federal government added 2, 000 jobs.
State and local governments have shed over half a million jobs since Aug. 2008, said Shierholz.
Of the private sector job gains last month, 112,000 were in private service-providing industries and 42,000 were in goods- producing industries.
The manufacturing sector added 24,000 jobs in July, and retail trade created 26,000, while health care employment grew by 31,000. The financial sector slashed 4,000 jobs, while construction employment increased 8,000 last month.
Obama said on Friday that his "singular focus" now is to jumpstart the nation's job creation and economic growth, as he has cranked up his reelection bid.
Obama urged the private sector to commit to hiring or training 100,000 unemployed veterans and their spouses by the end of 2013, and proposed tax credits for those businesses supporting the government's job-creation initiative.
White House figures revealed that around 1 million U.S. veterans were unemployed as of June.
The U.S. labor market is now 11.1 million jobs below the level needed to restore the pre-recession unemployment rate of 5 percent in December 2007. To get back to the pre-recession unemployment rate by the middle of 2014, the nation needs to add roughly 400, 000 jobs every single month between now and then, Shierholz contended.

http://news.xinhuanet.com/english2010/business/2011-08/05/c_131032290.htm

Dutch inflation rises to 2.6%

THE HAGUE -- Inflation in the Netherlands rose to 2.6 percent in July, local media reported on Friday.
According to the Dutch Central Bureau for Statistics (CBS), after the low inflation level of 0.1 percent in July 2009, inflation in the Netherlands has increased steadily over the past two years. In June it was 2.3 percent.
The inflation rising is mainly due to higher prices of package holiday deals for abroad, gasoline and natural gas. The lower prices of potatoes and clothing pushed the inflation downwards.
In July the average house rent costs increased with 1.7 percent. For most Dutch properties a maximum rent increase of 1.3 percent is permitted by law this year. However, for a small part more significant increases are possible, which resulted in the average of above 1.3 percent.
According to another measuring method, the European harmonized method (HICP), Dutch inflation grew to 2.9 percent, while inflation in the euro zone was 2.5 percent. For the first time since November 2009 Dutch inflation is higher than in the euro zone.

http://news.xinhuanet.com/english2010/business/2011-08/05/c_131032315.htm

U.S. consumer credit rises for 9th straight month in June

WASHINGTON -- U.S. consumer credit increased at an annual rate of 7.7 percent in June, the ninth consecutive monthly growth, offering some relief to a string of weak economic data in recent weeks, reported the Federal Reserve on Friday.

The U.S. central bank said that total borrowing in June rose to 2,446.1 billion U.S. dollars from the revised figure of 2,430.6 billion dollars in May.

The Fed said that demand for revolving credit, the category that includes credit cards, surged 7.9 percent in June. It was the third monthly gain since August 2008, as U.S. consumers have been scaling back on credit card borrowing since the onset of the financial crisis.

In June, the borrowing in the non-revolving category that includes auto loans rose at an annual rate of 7.6 percent for the 11th straight month.

Consumer spending, which accounts for about 70 percent of the overall economic activity, remains the major drive of the U.S. economy.

http://news.xinhuanet.com/english2010/business/2011-08/06/c_131032362.htm

Singapore's economy may be at crossroad in face of global uncertainty

SINGAPORE -- When Singapore's Deputy Prime Minister Teo Chee Hean warned late July of uncertainties ahead in the global economy which could affect the island nation, he certainly had amply evidence in mind to support his view.

Singapore's July Purchasing Managers Index (PMI), released at the first day of this month, fell to 49.3 from 50.4 in June, with manufacturing activity contracting for the first time in 10 months. The Singapore Institute of Purchasing & Materials Management said July PMI dipped because of a decline in new orders and new export orders as well as lower inventory levels.

Indeed, data this month showed PMI readings from across the world were easing. In Asia, PMI readings in China and India, the fastest-growing manufacturing hubs in the region, also slowed in July.

The PMI numbers were the latest indication of the softening of the island nation's economy. Earlier last month, employment data released also showed job growth has slowed down in Singapore. The country added 22,800 jobs in the second quarter, down from 28,300 in the first quarter this year and 24,900 in same quarter last year. The seasonally adjusted unemployment rate rose to 2.1 percent in the second quarter from 1.9 percent in the previous quarter.

The Monetary Authority of Singapore (MAS), the de-facto central bank of the country, said that it was reviewing its forecast of 5 percent to 7 percent growth for this year because of problems in the United States, Japan and Europe, with Euro zone debt crisis cited as a "chief global risk."

On the other hand, inflation is proven to be stickier than what the central bank had expected. A renewed rise in auto prices, electricity tariff hikes, possible public transport fare hikes, should combine to keep inflation above 4 percent by the end of the year, and the MAS has recently raised its 2011 inflation forecast to 4 percent to 5 percent. A combination of exchange rate appreciation and rising relative price levels are raising the risk that cost competitiveness is being eroded.

Given all these economic challenges that Singapore has to grapple with at this juncture, many wonder if the economic prosperity the nation has enjoyed in the aftermath of global financial crisis is ending. In this regard, most research houses beg to differ, at least for now.

Credit Suisse Research said with Singapore being one of the most open economies in the region, the heightened uncertainties surrounding the Euro zone and the U.S. debt ceiling certainly pose significant risks to the country's growth outlook.

"That said, risks are not necessarily reality," added Credit Suisse. "Our global economics team continues to believe that global growth will improve in the second half. Our 2011 real GDP growth forecast for Singapore remains unchanged at 6.5 percent."

CIMB Research also believed the dip in Singapore's July PMI should be a temporary phenomenon, saying that "with the restoration of the global supply chain as Japan jump-starts its production and European and U.S. debt woes not getting any worse (at least for now), global manufacturing should return to gear as festive orders trickle in. The running-down of inventory should lead to re-stocking, and stronger production in the coming months."

Indeed, ING Research even argued that with manufacturing activity weakening as shown the PMI numbers, MAS is unlikely to tighten policy further through currency appreciation to combat inflation, which some research houses such as Citigroup Research said may erode the cost competitiveness of the island nation.

Citigroup noted in its report about Singapore's economy late last month that "while exchange rate appreciation can eventually curb domestic inflation, it may exacerbate the loss of cost competitiveness, at least in the short run, because of the lag needed for a stronger exchange rate to bring down inflation."

But fortunately, the report added given the MAS's more cautious view on the growth outlook, the case for further MAS tightening does not appear "compelling" at this juncture.

http://news.xinhuanet.com/english2010/indepth/2011-08/06/c_131033307.htm