

## GLOBAL HIGHLIGHTS FOR 11 JULY-3 AUGUST 2009

### WORLD

- The **worldwide** recession has led immigrants in wealthy countries to cut back on the amount of money they send to their home countries. Remittances to developing countries jumped 15% in 2008 to \$328bn but will plummet 7.3% this year, the World Bank has forecast. South American countries are expected to be worst affected. [www.thaindian.com](http://www.thaindian.com)
  - **World** steel output plunged 21.3% in the first six months of this year from a year earlier, according to the World Steel Association. Chinese and Indian steel makers were the only major producers to increase output in the first half, which grew 1.2% and 1.3% respectively. North American output almost halved while European output was down 43.2%. Asian steel makers were down by 7.8 percent. [www.busrep.co.za](http://www.busrep.co.za)
  - Wood and paper consumption fell by 8.5% last year in Europe, North America and the former republics of the Soviet Union as a sharp decline in US housing construction took its toll on the industry. China's forest products output rose by 23% in 2008; most of China's wood and paper is consumed locally but the country has become a major exporter as well. [www.forbes.com](http://www.forbes.com)
  - The **world** is heading for a catastrophic energy crunch that could cripple economic recovery because most of the world's major oil fields have passed their peak production, a leading economist has warned. The International Energy Agency (IEA) estimates that the decline in oil production in existing fields is now running at 6.7% a year compared with its initial estimated fall of 3.7% in 2007. Shell and other companies want to turn tar and extract oil from coal but these are carbon-intensive processes and will deepen the climate problem. [www.busrep.co.za](http://www.busrep.co.za)
  - The **global** economic crisis is expected to have a disastrous impact on health and school projects in the developing countries unless rich nations spend a tiny fraction stimulus measures to help the poor. Marwan Muasher, the World Bank's senior vice president for external affairs, repeated a World Bank call on rich nations to set aside 0.7% of stimulus packages to support poor countries. The crisis has pushed 90 million more people into poverty worldwide, most of them in the developing world, and about 30 million jobs have been lost. The World Bank has forecast that global economic activity will shrink by 3 percent in 2009, down from an earlier projection of a 1.7 contraction. [www.alertnet.org](http://www.alertnet.org)
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### AFRICA

- **Africa** has attracted almost \$1 billion of net fund inflows this year, a reverse of the panic sell-off that hit the continent's nascent markets at the end of 2008 and early 2009. The flows are evidence of the return among global investors of an appetite for the higher risks and higher yields of developing markets. [www.busrep.co.za](http://www.busrep.co.za)
- **Angolan** Economy Minister Manuel Nunes said the IMF had undertaken to remove "rigid prerequisites" for access to loans. An IMF and World Bank delegation would be in Angola to start a new round of talks with the government. Relations between Angola and the IMF have been frosty since the end of the civil war in 2002. The IMF has criticised Angola several times since then about the way the country manages and accounts for its oil revenues. In 2007, Angola broke off talks with the IMF on an economic support programme on the grounds that it was quite able to maintain economic stability on its own, raising fears over future oil transparency in one of Africa's biggest oil producers. Instead, it implemented its own macro-economic programme using its own resources and multibillion-dollar loans from China. The country has had double-digit growth since 2004 and managed to control inflation. However the spreading global recession and a sharp drop in oil exports and prices have weighed on Angola's economy, which depends on oil for nearly 90% of its income. [www.reuters.com](http://www.reuters.com)
  - Angola's inflation quickened to 13.95% y/y in June from 13.82% in May, as food prices continue to rise. Angola, once a major food exporter, imports almost all of its food as it recovers from a 27-year civil war that ended in 2002. Long delays at the port of Luanda have helped push prices up. In its 2009 budget plan, the government adjusted the inflation target for the year to 12.5% from 10%. [www.engineeringnews.co.za](http://www.engineeringnews.co.za)
  - SABMiller plans to invest \$125 million in a new brewery and soft-drink factory in Angola. The investment would bring to \$250 million the amount the company has invested in Angola over the past 18 months. [www.busrep.co.za](http://www.busrep.co.za)
- **Botswana's** economy contracted 20.3% in Q1'09 from a year ago as the global recession slashed diamond sales in the world's biggest producer of the gems. GDP declined after expanding 1.9% in Q4'08. [www.busrep.co.za](http://www.busrep.co.za)
- China will construct two hydroelectric dams in **Ethiopia** following the signing of a \$1.9bn agreement between the two nations. The agreement between Sino Hydro Corp and Ethiopia's Electric Power Authority brings to seven the number of hydropower dam projects being developed in Ethiopia, with an aggregate capacity in excess of 5,000MW. [www.bizchina-update.com](http://www.bizchina-update.com)
- The IMF approved a \$600 million loan to **Ghana** to help stabilise its economy. Ghana has immediate access to \$105 million of the three-year Poverty Reduction and Growth Facility. The decision by the ruling National Democratic Congress (NDC) to re-engage the IMF has been criticised by the New Patriotic Party (NPP) which had weaned the country off its financial arrangement with the IMF in

October 2007, when it was in charge, and had enabled a debut entry into the international capital markets with the issue of a \$750m Eurobond. [www.economist.com](http://www.economist.com)

- About 365 giant wind turbines are to be installed in the desert around Lake Turkana in northern **Kenya**, used as a backdrop for the film The Constant Gardener, creating the biggest wind farm on the continent. When complete in 2012, the \$881 million project will have a capacity of 300MW, a quarter of Kenya's installed power and one of the highest proportions of wind energy to be fed in a national grid anywhere in the world. [www.mg.co.za](http://www.mg.co.za)
- **Mauritians** voted in large numbers in the first presidential poll since last year's military coup. The 2007 elections won by President Sidi Ould Cheikh Abdallahi are widely seen as the country's only free and fair poll, but he was toppled a year later in August 2008 by Gen Abdelaziz. Coup leader-turned-politician General Mohammed Ould Abdel Aziz was declared winner of the presidential elections with 52% of the vote by Mauritania's Interior Ministry. [news.bbc.co.uk](http://news.bbc.co.uk)
- De Beers asked the **Namibian** government to grant Namdeb, the national diamond producer, a waiver on royalty payments until the economic situation improved. Namdeb temporarily halted production from the beginning of April to cut costs following a slump in diamond demand. [www.busrep.co.za](http://www.busrep.co.za)
- **South Africa**, the world's second-largest exporter of apparel wool, posted record wool exports to China for the 2008/09 season. Exports of unprocessed wool to China grew 53% to 21.2 million kg from 14 million kg the previous season. [www.busrep.co.za](http://www.busrep.co.za)
- **South Africa** faces major challenges when the stalled Doha round of trade talks get back on track. South Africa is in an unusual position because it was treated as a developed country in the Uruguay round of trade talks. SA could be required to cut 23% of its industrial tariff lines by more than 30% while another 7% of its lines would take smaller cuts under the current requirements. [www.busrep.co.za](http://www.busrep.co.za)
- **Tanzania** has launched a bank (Tanzania Women's Bank) aimed specifically at women, in what officials say will be an empowering move. Women will need an ID card or passport to open an account, unlike other banks which require title deeds or proofs of wealth. [news.bbc.co.uk](http://news.bbc.co.uk)
- **Zimbabwe** planned to review a controversial mining bill that would force foreign firms to hand over 51% of their shares to locals. The changes to the Minerals Act were approved by the cabinet in 2006 but never signed into law. [www.busrep.co.za](http://www.busrep.co.za)

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## AMERICAS

- **Argentina** repaid \$2.25bn of debts quelling fears that a default could be looming. The Economy Minister confirmed that the repayment will be made directly from Treasury and not from national reserves as previously expected; national reserves are currently estimated at \$46bn. This payment in addition to a series of other measures the government is taking is expected to allow Argentina to return to the credit markets. [www.djnews.com](http://www.djnews.com)
- Most dealers predict that the Bank of **Canada** will stick to its conditional pledge to keep its benchmark interest rate at its current level of 0.25%, through the second quarter of 2010. [www.financialpost.com](http://www.financialpost.com)
- Talks on resolving the **Honduran** political crisis headed towards failure when the interim government indicated it would reject a mediator's proposal for returning power to ousted President Manuel Zelaya. Costa Rican president Oscar Arias presented an 11-point plan that called for Zelaya's return to the presidency and offered amnesty for the coup leaders that ousted him. [www.etaiwannews.com](http://www.etaiwannews.com)
- **Mexican** President Felipe Calderon unveiled a plan to allow businesses to register online, leapfrogging an existing obstacle course of requirements that can take up to 18 steps and 22 to 34 days, depending on the business to be registered. The new website will reduce the number of steps to five. Mexico is ranked 115 out of 181 for ease of opening a new business, according to the Doing Business report. [www.xinhuanet.com](http://www.xinhuanet.com)
  - The Bank of Mexico forecasts the economy to contract between 6.5% and 7.5% this year as exports fall and migrants abroad send less money home. Money sent home by Mexicans from abroad fell 11.94% in the first half of 2009. [www.afp.com](http://www.afp.com)
- **Americans** are now paying back debts, a phenomenon that might help keep interest rates low as the Treasury sells a record \$2 trillion of bonds and unemployment boosts US savings. The 0.7% contraction in debt among households and non-financial firms in Q1'09 was the first since 1952. Consumer credit fell at annual 1.6% rate in May to \$2.5 trillion; reduced spending may slow recovery from the recession because US households generate 17% of GDP.
  - The index of US leading indicators rose in June for a third consecutive month reinforcing signs the economy maybe emerging from the worst recession in five decades. It's the first time the index has climbed three months in a row since 2004. The economic outlook for the Q2'09 increased 0.7 percent after a revised 1.3 percent gain in May.
  - The US trade deficit fell to the lowest level in more than nine years in May as exports posted a small gain while a weak American economy pushed imports down for a 10th consecutive month. The Commerce Department said the deficit

narrowed to \$26 billion, a drop of 9.8% from April and the lowest level since November 1999. Economists had forecast the deficit at widen to \$30.2bn in May. [www.busrep.co.za](http://www.busrep.co.za)

- **Venezuela** is withdrawing its ambassador from neighbouring Colombia and freezing relations following a dispute over weapons supplied to Colombian rebels. Venezuela said it would also substitute imports from Colombia, which currently account for about a third of the country's trade, with goods from other countries, notably Brazil and Ecuador. [news.bbc.co.uk](http://news.bbc.co.uk)

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## ASIA

- **China's** foreign exchange reserves, the world's largest rose a record \$178bn to reach \$2.132 trillion time in July as more overseas investors pumped money into stocks and property; first time for the reserves to top \$2 trillion. About 65% of China's reserves are in dollar assets, with the rest in euros, yen and sterling. China's economic growth rebounded to 7.8% in Q2'09 from 6.1% in Q1'09. [www.liveleak.com](http://www.liveleak.com)
- The Reserve Bank of **India** left its key policy rates unchanged at its end-of-July meeting as widely expected and said its projection of 6% economic growth for this year (which began on 1<sup>st</sup> April) has an upward basis. The central bank left its benchmark lending rate unchanged at 4.75%. [www.marketwatch.com](http://www.marketwatch.com)
- **Japan's** ruling party, the Liberal Democratic Party is widely expected to lose its grip on parliament in the September elections after nearly 55 years in power. The country's opposition party is promising changes and a poll in July showed that 45% of the voters said they thought opposition leader Yukio Hatoyama was most suited to lead the country, versus 25% for the current Prime Minister Taro Aso. [www.cbsnews.com](http://www.cbsnews.com)
- **North Korea** has suggested a new dialogue to resolve tensions over its atomic weapons programmes, an apparent invitation to the US to engage in one-on-one talks after Pyongyang bolstered its negotiating power with nuclear and missile tests. The North also made clear again it will not return to six-nation nuclear talks involving China, Japan, the two Koreas, Russia and the US. [www.independent.co.uk](http://www.independent.co.uk)
- **Russia** is preparing to overhaul its bankruptcy laws in a move to help crisis-hit companies survive financial restructuring without being broken up as fears over economic stagnation because of mounting bad loans; legions of debt-laden companies face repayments of about \$130bn (€91bn, £79bn) over the next year to domestic and foreign banks. The move comes as the government seeks ways to jump-start the economy after GDP collapsed 10% in the first half of this year. [www.ft.com](http://www.ft.com)
- **Singapore's** government raised its economic forecast for 2009 as gains in construction and pharmaceutical output lifted the nation from its deepest recession since independence in 1965. GDP is forecast to shrink 4-6% from an earlier forecast of 9%. Manufacturing accounts for a quarter of the economy. [www.bloomberg.com](http://www.bloomberg.com)

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## EUROPE

- Lenders in **Europe** are bracing themselves for a rising wave of consumer debt defaults as the credit card crisis that has caused billions of dollars in losses among US banks spreads across the Atlantic. The IMF estimates that of US consumer debt totaling \$1,914bn, about 14% will turn sour. It expects that 7% of the \$2,467bn of consumer debt in Europe will be lost, with much of that falling in the UK. National Debtline of the UK said that the number of calls it had received from UK consumers worried about loans, credit cards and mortgage arrears had reached 41,000 in May, double the 20,000 calls it had received in May 2008. Analysts expect further defaults as UK unemployment rises and personal insolvencies, which reached 29,774 in the first quarter of the year, continue to increase. [www.ft.com](http://www.ft.com)
- The **European Parliament** elected ex-Polish Prime Minister Jerzy Buzek as its president, making him the first leader from the former Soviet bloc country to hold one of the top EU posts. Buzek, 69, won the parliament's overwhelming support as its first session since a June election at which centre-right allies emerged as the strongest force but voters showed their discontent with EU leaders with a record-low turnout. [www.javno.com](http://www.javno.com)
- **Britain's** Conservative Party opposition would abolish the Financial Services Authority (FSA) and give its powers to the Bank of England if it won the next general election, party leader David Cameron said. The beefed up central bank would monitor the health of the financial system, setting capital requirements and leverage limits, and would police individual lenders. A financial policy committee would be established with the same stature as the bank's existing monetary policy committee, which sets interest rates. [www.busrep.co.za](http://www.busrep.co.za)

- **Iceland's** parliament backed the government's plan to begin accession talks with the EU. Iceland membership is still a long way off, after what promises to be long and tough negotiations, especially over the island's cherished fishing rights. The Prime Minister is hopeful that EU membership will help to bring economic stability and prosperity again for a country that was once one of the world's wealthiest on a per capita basis. [www.euractiv.com](http://www.euractiv.com)
  - Iceland would spend €2.1bn to rebuild its banking system following the failure of the industry last year. Iceland's three principal banks failed within the space of a week owing about €80bn to foreign lenders. There is no longer a banking system and the finance ministry is trying to establish one as a national interest. [www.businessday.co.za](http://www.businessday.co.za)
- **Italy's** public debt hit a record €1.7522 trillion in May, the Bank of Italy reported. Since the start of the year the figure has risen by €89.6 billion, or 5.4 percent. It stood at 105.8% of GDP last year, from 103.5% in 2007. [www.busrep.co.za](http://www.busrep.co.za)
- The **UK** inflation rate dipped below the central bank's 2% target in June, for the first time in almost two years due to falling food prices. CPI fell to an annualised rate of 1.8% in June from a decline of 2.2% in May. The Retail Price Index, a broad measure of inflation fell 1.6% in the month. [www.news-feed.com](http://www.news-feed.com)
  - UK unemployment rose to a 12-year high of 2.261 million in the three months to April, raising the jobless rate to 7.2%. The number of people in work fell by 271,000 over the three months to 29.11 million. [newsvote.bbc.co.uk](http://newsvote.bbc.co.uk)
  - The rate of pub closures is accelerating, with 52 going out of business every week as a cost of over 24,000 jobs over the past year. According to research for the British Beer and Pub Association (BBPA) local pubs serving small communities have been worst hit. BBPA said that the closure of pubs will cost the government an estimated £254 million in tax revenue in the past 12 months and job losses in the sector were costing the government £1.53 million a week in jobseeker's allowance. [business.timesonline.co.uk](http://business.timesonline.co.uk)

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