

GLOBAL HIGHLIGHTS FOR 27JUNE-10 JULY 2009

WORLD

- The IMF expects the world economy to expand 2.5% next year from a contraction of 1.4% this year. The forecasts reflect different stages of recovery across the globe with emerging economies such as China helping the world out of its worst recession in six decades. www.busrep.co.za
 - According to the International Air Transport Association (IATA), the slump in the global airline travel may reach a floor following a 9.3% decline in passenger traffic in May. www.businessday.co.za
 - The Civil Aviation Authority of Botswana is currently working new regulations to provide the framework in which a liberalised market is expected to operate. The move to liberalise the aviation market has come at a time when all eyes are on the region for the 2010 FIFA World Cup. www.allafrica.com
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AFRICA

- The East African private sector is yet to fully benefit from trade with the US under the African Growth Opportunities Act (AGOA) more than a decade after the US Congress endorsed the initiative. Information on trade under AGOA in sub-Saharan Africa shows that Mauritius, Botswana, Swaziland, Namibia, Kenya and Nigeria are just a few of the countries that have utilised AGOA better while Tanzania, Uganda, Rwanda and Burundi have performed poorly in comparison. East African region has some of the highest energy and transport costs in the world.
 - The East African Community (EAC) Directorate of Customs and Trade confirmed the readiness of Rwanda and Burundi to join Customs Union commencing on the 1st of July 2009. Their entry enlarges the EAC membership to five Partner States and expands the market to a population of 120 million people and a combined GDP of \$60bn. The establishment of the union is bound to result in lower prices as goods from the member states will be duty free. www.allafrica.com
- Algeria and Nigeria are to sign an agreement to build the Trans-Saharan gas pipeline. www.allafrica.com
- Botswana's year-on-year on inflation continued to weaken in the month of June, falling a further 1.4 percentage points to 7%; the last time annual inflation was 7% or less was in June 2007 when it stood at 6.4%. The bank rate currently stands at 11.5% while the prime rate is 13%.
 - Botswana's trade deficit has started to ease-off as diamond sales pick-up on the back of renewed hopes of an economic recovery. Global demand for rough diamonds, which are the mainstay of the Botswana economy, is expected to drop some 60% this year. www.allafrica.com
- Egypt's Finance Ministry will finance the budget deficit by issuing domestic treasury notes and bonds. In the first quarter of its fiscal year, which begins in July, the ministry plans to issue 116bn Egyptian pounds in notes and bonds. www.busrep.co.za
- According to Ghana's Business Barometer report for the second quarter of this year, 60% of business executives have quoted the rapid depreciation of the cedi over the past couple of months as the top challenge affecting business. The other major concerns were rising inflation and the lack of access to credit. The cedi weakened against the major international currencies by 25.3% in 2008. In the first five months of this year, the currency has further depreciated by 15% against the dollar.
 - Trade figures between the US and Ghana showed that Ghana exports \$222 million worth of products to the US each year, while it imports \$609 million worth of products from the US each year. www.allafrica.com
 - Ghana's annual inflation rose to 20.74% in May, taking it well above last year's peak of 18.4%. Record oil prices and rising food prices pushed inflation up last year and it has remained stubbornly high. www.businessday.co.za
- Mozambique's exports fell in value by 35% in Q1'09, compared with the same period in 2008. Mozambique's exports are dominated by aluminium and its price has tumbled in world markets. Contrary to predictions that growth would slow down to around 4% a year, figures from the first quarter show a 5% annual growth rate, from 5.2% in Q1'08.
- Namibia's annual inflation rate slowed to 9.1% in June from 9.6% in May and 10.3% in May last year. www.allafrica.com
- Fitch Ratings affirmed Nigeria's long term foreign and local currency issuer default ratings at BB- and BB respectively, due to the country's strong sovereign balance sheet. Fitch forecasts small budget deficits at the federal and consolidated government levels and continuing low public debt of 12% of GDP in 2009, well below the 'BB' median. www.allafrica.com
- The government of South Africa is considering raising import tariffs on garments to maximum levels agreed to by South Africa in the World Trade Organisation, contradicting its undertaking as part of the G20 countries not to resort to protectionist measures in the global economic downturn. www.businessday.co.za
- A one-stop border post will be established between Zambia and Tanzania to facilitate economic co-operation between the two countries. This is part of efforts by the two governments to provide a conducive atmosphere for the private sector to conduct business. www.allafrica.com

AMERICAS

- **Argentina's** first couple suffered a stunning setback in an election seen as a referendum on their political dynasty, losing control of both houses of Congress. The loss will considerably weaken the government of President Christina Fernandez by diminishing her ability to push legislation through congress and damaging the reputation of her Peronist Party as it seeks direction ahead of 2011's presidential race. www.guardian.co.uk
 - **Brazil's** foreign trade surplus widened in April to \$3.71 billion from \$1.77 billion in March as imports continued their sharp fall on a sluggish local economy. Brazil's economy expanded 5.1% in 2008, but growth this year could plunge to zero or less. Brazil's foreign trade surplus narrowed significantly in 2008 to \$24.74 billion from \$40.03 billion in 2007. online.wsj.com
 - **Colombia's** economy shrank for a second consecutive quarter putting the country in its first recession in a decade after the global slump cut exports and domestic demand fell. GDP declined 1.3% in Q1'09 from a 0.7% decline in Q4'08. www.busrep.co.za
 - The **US** economy shrank 5.5% on an annual rate in Q1'09 reflecting declines in inventories, housing and business.
 - US employers cut a larger-than-expected 467,000 jobs in June, driving the nation's unemployment up to a 26-year high of 9.5%, suggesting that the road to recovery will be bumpy. Unemployment is forecast at 10% this year. www.businessday.co.za
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ASIA

- A surge in **China's** lending is boosting concern that attempts to revive the world's third- largest economy will lead to bad debts and asset bubbles. New loans rose almost fivefold in June from a year earlier to 1.53 trillion yuan (\$224 billion), according to figures from the central bank. The government eased lending restrictions to counter an export collapse. First-half lending rose to a record 7.37 trillion yuan, more than three times the amount a year earlier. June's lending was more than double that of May. www.bloomberg.com
 - The People's Bank of China allowed firms to undertake settlement of cross-border trade in the yuan and promised tax breaks seeking to reduce the reliance of importers and exporters on the US dollar. www.businessday.co.za
 - **Japan's** jobless rate rose to a five and a half year-high in May of 5.2% from 5% in April as the number of jobless people rose to 3.5 million. www.businessday.co.za
 - **Philippines** central bank cut the repo rate by 0.25 percentage points to 0.25% to spur the economy while inflation remains low. www.businessday.co.za
 - **Russia's** Prime Minister, Vladimir Putin, has called on the country's leading banks to release US\$16bn in new lending in the next few months in order to support the real economy. In February the government approved Rb300bn in state guarantees in order to encourage banks to lend again but banks have not taken up even a single guarantee, as they have quibbled over the terms. www.economist.com
 - Russia's budget deficit could reach 7.5% of GDP next year, stretched by state aid for banks. State authorities had hoped to cap the 2010 deficit at 5% of GDP. www.businessday.co.za
 - **South Korea's** central bank held its interest rate at a record low 2% for a fifth straight month in July and dampened expectation of a rise in interest rates anytime soon as inflation and economic growth may remain low. www.businessday.co.za
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AUSTRALASIA

- **Australian** employment fell in June as the global recession reduced demand for exports such as iron ore and coal, prompting companies to fire workers. The jobless rate rose to 5.8%, the highest in almost 6 years, with 21,900 losing their jobs. Australia's economy has so far skirted the worst of the global recession. www.businessday.co.za
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EUROPE

- The **EU** warned that economic growth may be permanently damaged by the financial crisis and an adviser to President Barack Obama said the US must plan a second stimulus round, hurting recovery hopes. Europe's economy could shrink further due to the economic crisis if the right policies are not implemented and if Europe fails to resolve problems in the financial sector. www.reuters.com

- Unemployment in the 16 countries that use the euro spiked to a 10-year high of 9.5% in May, with just over 15 million people out of employment, up 273,000 on April's figure. www.busrep.co.za
- The **Bank of England** kept the key interest on hold (on the 9th of July) at a record low of 0.5% and said it will continue with its £125bn planned injection into the British economy. www.wtopnews.com
- **Germany** maybe shaking off its worst recession in 60 years as factories increase production to meet rising export orders. Industrial output rose 3.7% in May from April, the biggest gain in almost 16 years. Manufacturing orders jumped 4.4% in May, the most since June 2007. www.businessday.co.za
- **Greece** unveiled a package of new tax measures to shore up its budget as it cut a previous 1.1% GDP growth forecast to 0%. To achieve the 3.7% of GDP budget deficit target, there is need for additional revenues of €2.3bn. www.khaleejtimes.com
- **Ireland's** unemployment hit a 12-year high in Q1'09. The number of people in employment fell by 158,000 driving the jobless rate up to 10.2% from 8.1% in Q4'08.
 - Irish consumer prices fell by a record 2.2% in June from a year earlier as the cost of energy, clothes and food declined amid an unprecedented contraction in the economy. Industrial production dropped 4.1% in May. www.businessday.co.za
- **Latvia's** inflation rate fell 3.4% in June, the lowest since October 2003. The annual rate fell 4.7% in May. www.businessday.co.za
- **Sweden** took over the presidency of the EU on July 1st. The current international financial crisis and climate change will be the two priorities, among other challenges, during Sweden's presidency. news.xinhuanet.com
 - Sweden's central bank cut the repo rate on the 2nd of July this year by 0.25 of a percentage point to 0.25%. The rate is expected to remain at that level until 2010. www.riksbank.com
- **Turkey closer to joining EU, blames delays on Cyprus:** Cyprus said it will continue to block the key energy chapter in Turkey's EU accession bid as long as Ankara opposes Nicosia's oil exploration. Cyprus has protested to Brussels and the United Nations over 'provocation' by Turkish naval vessels attempting to impede oil exploration off its southern coast. www.eubusiness.com
- The **U.K.** economy shrank more than previously estimated in the first quarter in the biggest contraction since 1958 as the recession choked industries from construction to services. Gross domestic product fell 2.4% from Q4'08 which contracted by 1.9%. Construction activity plunged almost three times as much as originally estimated. The U.K.'s GDP is forecast to fall 4.3% this year. That compares with a 4.8% drop in the euro area and a 2.8% decline in the U.S. www.bloomberg.com
 - The UK trade deficit narrowed in May to the smallest in 3 years as imports dropped, a sign that the recession and the weakness of the pound are hurting demand for foreign products. The goods trade gap was £6.3bn, the lowest since June 2006, compared with £7.1bn in April. www.busrep.co.za