

GLOBAL HIGHLIGHTS FOR 14-26 JUNE 2009

AFRICA

- World leaders met in Cape Town for a three-day World Economic Forum (WEF) conference from June 10-12 2009, to discuss the global financial crisis among other issues. The forum was themed: **Effects of the global economic crisis on Africa**. World's Bank Vice President, Africa Region, Obiageli Katryn Ezekwesili, said that **African countries** require an annual investment of \$80bn on infrastructure if it hopes to become competitive in the global market. The new global economic landscape has changed the composition and level of traditional capital flows to Africa; the capital inflows include sources such as foreign investment, remittances from the Diaspora and traditional development aid. All the discussants agreed that with FDI recording a 40% fall, it was expedient to consider some sources of capital that could be mobilised domestically. Summarising forecasts which it said paint an increasingly gloomy picture, the panel noted that:
 - The International Monetary Fund (IMF) has reduced its growth forecast for sub-Saharan Africa from 5.5 percent in 2008 to 1.7 percent this year;
 - The IMF is predicting that a continued decline in economic activity could result in more than 53 million people being added to those living on less than \$2 a day;
 - The Institute of International Finance predicts an 82 percent decline of net capital flows to developing countries, from \$929 billion to \$165 billion, with Africa expected to suffer particularly badly;
 - The World Bank estimates that by the end of 2009, sub-Saharan Africa nations will have lost expected incomes of at least \$50 billion; and
 - The bank is warning that 43 of Africa's 53 states are highly exposed and vulnerable to the effects of the global crisis.
 - The panel said the report's gloomy figures were more than mere statistics. Every percentage fall in growth means a reduction in budget allocations for public services and reduced household incomes, with immediate social impacts - for example on nutrition levels, infant mortality and school attendance. Every person pushed back into poverty means another step away from achieving the Millennium Development Goals. Hard won gains in poverty alleviation, health, education and food security are now at risk of being reversed.
 - The panel predicted that poor countries which depend most on trade for income would be hit hard by the global economic meltdown. Countries like Lesotho, Swaziland and Cote d'Ivoire will not only find it difficult to maintain basic services like healthcare and education, but will also struggle to contain the resultant increase in social unrest and political instability. Exporters of commodities such as oil and metals would be hit hardest by falling commodity prices. www.allafrica.com
- The much anticipated Common Market for Eastern and Southern Africa (COMESA) Customs Union (CU) was launched at the 13th COMESA Heads of State and Government Summit (June 7-8, 2009) amid controversy after member countries from East Africa requested for more time to conclude consultations.
 - COMESA also launched the Regional Payment and Settlement System (REPS) which will facilitate the implementation of the 24 hour regional payment system for importers and exporters of goods and services within the region. Exporters and importers that will be using the facility in the region will be using two currencies, the Euro and the United States Dollars through the Central bank of Mauritius.
 - The launch of the COMESA CU will see member states that join the union adopting an agreed Common External Tariff (CET) to be charged to third parties. The agreed CET rates are 0% on capital goods, 0% on raw materials, 10% on intermediate goods and 25% on finished goods. The policy will also determine revenue sharing amongst the union's members.
 - With its 19 member states, a population of over 389 million and annual imports valued at \$32 billion and exports of \$82 billion, COMESA forms a major market place for both internal and external trading. The regional integration programme for COMESA member states established a Free Trade Area (FTA) in October 2000 and aimed to establish the customs union by December 2008, a monetary union by 2015 and a COMESA community by 2025. www.allafrica.com
 - Some economists doubt that the CU will change Africa's traditional trade patterns. African states trade in primary products which they mostly export to developed countries and import high valued products from them. www.mg.co.za
 - More than half of the 14 members of COMESA have opted out of the regional blocs' ceremonial customs union and not more than 3 signatures are expected in total. WTO rules state that a country can not belong to more than one customs union as dual memberships distort the application and operation of the CET. This rule will hold back a number of African countries from joining the customs union. www.zimbabwesituation.com
- Tired of seeing prices for their crops undercut by US and European producers who receive billions of dollars in government subsidies each year, **African governments** appear to increasingly favour implementing their own subsidies. Targeted subsidies could be used to reduce the costs of production for farmers having to compete in world markets skewed by their European and US counterparts. Uganda is implementing the practice and it has worked in Malawi over the last four years with grain production doubling. www.allafrica.com
- According to a senior official from **Angola**, the country has pledged \$1 billion this year to boost farm output to counter falling commodity prices and lower exports. Angola, dependent mainly on oil and diamond exports for foreign exchange revenue, wants agriculture to contribute 10% of its gross domestic product by 2014/15.

- Angola's foreign exchange reserves dropped to \$12.2bn in May from \$12.4bn in April. Analysts expect the reserve to increase in the coming months if oil prices remain at about \$70 per barrel. www.busrep.co.za
- The Minister of Finance and Economic Planning, Dr. Kwabena Duffuor, has disclosed that for the government to manage the upcoming oil wealth in 2010 judiciously there must be macroeconomic stability in the country. Investment in **Ghana** has been growing due to the successful 2008 elections. www.allafrica.com
- **Liberian** farmers have stopped planting rubber, the nation's main export after the global recession curbed demand. The price of rubber in Liberia has fallen 65% since Q4'08. www.businessday.co.za
- Southern African leaders will speed up efforts to restore political order in **Madagascar** after international talks on the island collapsed. Southern African leaders suspended Madagascar from SADC in March saying that they would not recognise Andry Rajoelina, who took power in a move condemned as a coup by the international community. Political turmoil has wrought havoc on the \$390-million-a-year tourism sector and unnerved foreign companies investing in its booming oil and minerals sector. www.mg.co.za
- Unemployment in **Mauritius** rose to 8% in Q1'09 from 6.2% in Q4'08. The global down turn is hurting the island's key export sectors. Statistics showed 44,900 unemployed. www.busrep.co.za
- Uranium production in **Namibia** shot up by 52% last year compared to 2007, making the country the fourth largest uranium miner in the world, the World Nuclear Association (WNA) confirmed. The 2008 production figures released by the international watchdog show that Namibia mined 4,366 tonnes of uranium last year, supplying about 10% of the world's demand; this is the most uranium Namibia has produced in a decade.
 - Government is looking at new taxes as one of the ways to make up for an expected drop in income from the Southern African Custom Union (Sacu). Namibia relies on Sacu for about 40% of its yearly income. Finance Minister Saara Kuugongelwa-Amadhila is bargaining on N\$9,3 billion from the Sacu revenue pool for the current financial year. www.allafrica.com
- The **Nigeria's** Federal Government shifted from the Western countries and requested China to raise a \$500 million bond to finance the budget deficit. The bond, which is to be redenominated in Naira, is to help the country finance its fiscal deficit running into N1 trillion, according to the President's Economic Adviser. The Finance Minister said China would benefit by investing in Nigeria because of the country's potentials. www.allafrica.com
 - Niger Delta militants have continued their offensive against oil and gas facilities in the region and this time targeting oil installations outside Delta State. The latest onslaught might have reduced the country's crude oil production to about 1 million barrels per day, from around 1.3 million bpd since the renewed violence. Nigeria has the capacity to produce 3 million bpd but was producing 2.6 million bpd before the escalation of violence in the region in 2006. www.allafrica.com
 - Nigeria's GDP grew 6.3% in Q1'09 from 5.8% in Q1'08. www.businessday.co.za
- **Russia ventures back to Africa:** Russian president Dmitry Medvedev embarked on a foundation tour of Africa in a drive to assert Moscow's clout. The president will visit Egypt, Nigeria, Namibia and Angola. www.mg.co.za
- Mining companies in **Tanzania** have called on the government to reconsider its proposal to cancel tax exemptions granted to the industry on fuel levies and VAT, and to impose excise duties. The Chamber of Minerals and Energy said the move would force mining firms to undertake massive restructuring, at a significant cost to the economy and tax revenues. www.bloomberg.com
- **Zambia** plans to re-open the Munal nickel mine within the next month after the operation was suspended in March due to low nickel prices, according to the country's Mines Minister. The mine, Zambia's sole nickel operation will be restarted by China's Jinchuan group. By the time the mine was suspended, nickel prices on the London Metal exchange had dropped more than 80% to below \$10,000/t from a record high of \$51,800 in May 2007 as demand from stainless steel producers had slumped due to the global downturn. Prices have since ticked up. miningweekly.com

ASIA

- S&P warned **Asian countries** that their sovereign-debt ratings were at risk of being downgraded. The credit rating agency recently lowered its outlook from stable to negative for India and Taiwan because of their fiscal deterioration caused by massive economic support programmes. Meanwhile S& P lowered its debt rating for Ireland again. www.economist.com
- The World Bank has raised its growth forecast for **China** this year and advised policy makers to delay until next year any additional stimulus plan to boost the world's third-largest economy. China, the biggest contributor to global growth in 2007, is relying on government spending as exports slump because of global recession. In Q1'09 GDP grew 6.1% from a year earlier, the least since 1999 and the Chinese government forecasts 8% expansion for this year. www.bloomberg.com

- The UN Security Council voted unanimously to impose tougher sanctions on **North Korea**. Pyongyang responded by saying North Korea will view any US-led attempt to blockade the country as an "act of war" and plans to "weaponise" its plutonium stocks. news.bbc.co.uk
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AMERICAS

- **Brazil's** economy performed less badly than expected in the first quarter: GDP shrank by only 0.8% compared with the last three months of 2008. Many analysts believe that Brazil is now starting to grow again, and will return to annual growth of 3.5% to 4% next year.
 - Brazil's Senate has approved a law granting legal title to informal private landholdings in the Amazon region. The President said he would veto clauses applying the measure to companies and absentee landlords. www.economist.com
 - The **US** subsidies for failing industries risk 'killing' American attempts to discuss trade with China and developing nations. Leaders of the G20 economies pledged at a summit last November to fight protectionism but 18 of their economies were named in a WTO report in March on measures taken that could be seen as restricting trade. Part of the \$787bn US stimulus package requires public works projects to use iron and steel and other goods made in the US. www.mg.co.za
 - The **EU and US** have complained to the WTO about Chinese export restrictions on raw materials such as copper and tungsten. China has defended its curb on exports of raw materials and announced that it had filed its own challenge to a US ban on imports of Chinese poultry. www.bloomberg.com
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EUROPE

- The **European elections** held in June 2009 saw a record low turnout of 43%. The centre-left did badly in most countries.
 - Despite the Labour Party's dismal performance in the European and local elections, Gordon Brown faced down critics who want him to quit as Britain's Prime Minister. Mr Brown may now survive until the next general election due before June 2010. www.economist.com
 - An insider says the **European Central Bank** is likely to keep interest rates steady for the rest of the year. The ECB's rate is currently 1%. www.businessday.co.za
 - Europe's manufacturing and service industries contracted at the slowest pace in 9 months in June. The composite index of both industries for the 16 euro states rose to 44.4, the highest since last September, from 44 last month.
 - **French** President Nicolas Sarkozy unveiled a major reshuffle of his right-wing Cabinet, naming new interior and justice ministers. The new government will on July 1st, launch three months of consultations with business leaders, unions and parliament on key areas for investment. www.news24.com
 - Despite **Germany's** rising business confidence, GDP is now forecast to contract 6.1% this year from the previously projected 5.3% as a result of the global slump down. www.businessday.co.za
 - In April, **Italy's** trade deficit fell by a third to € 277 million from €1bn a year ago. Exports fell by 28.7% and imports by 30%. www.busrep.co.za
 - The EU has urged **Poland** to lower its budget deficit below the limit of 3% of GDP by 2012. The shortfall more than doubled to 3.9% of GDP last year as the economic slump pinched revenue. This year's budget gap is forecast to reach 27 billion zloty or more than 5% of GDP. www.busrep.co.za
 - **UK** retail sales dropped unexpectedly in May, for the first time in three months and Mervyn King, Governor of the Bank of England, said the economic recovery maybe sluggish as banks rationed credit. Sales declined 0.6% from April and 1.6% from a year earlier. www.busrep.co.za
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MIDDLE EAST

- **Iran's** legislative council said it will recount 3 million votes but made clear that it would not overturn the controversial re-election of President Mahmoud Ahmadinejad. New elections have been ruled out. www.businessday.co.za