



GLOBAL RECESSION WATCH

APRIL 15, 2009

VOLUME 2, ISSUE 3

A daily monitor of developments of the global economic recession prepared by the Monetary Policy Department, Central Bank of Nigeria

AFRICA:

South African Retail Sales Declined by 4.5% in February, 2009

South African retail sales fell an annual 4.5 percent in February, after gaining in the previous month, as rising job losses undermined consumer spending. Sales dropped after gaining a revised 1.2 percent in January, the Pretoria-based statistics office stated on its Web site. The median estimate of seven economists surveyed by Bloomberg was for a 0.6 percent increase.

The global economic crisis has slashed commodity prices and curbed exports,

forcing manufacturers such as ArcelorMittal South Africa Ltd., Africa's biggest steel producer, and Volkswagen AG, the country's second-biggest automaker, to cut output and jobs. The Reserve Bank has cut its benchmark interest rate by 2.5 percentage points to 9.5 percent since December to help spur consumer spending as the economy threatens to slip into recession.

Consumer spending, which accounts for two-

thirds of expenditure in the economy, fell an annualized 3.9 percent in the fourth quarter, compared with a 1 percent expansion in the previous three months, according to central bank data. The economy contracted for the first time in a decade in the fourth quarter, with output dropping an annualized 1.8 percent, the statistics office reported on Feb. 24, 2009.

Source: Bloomberg.com, April 15, 2009

HIGHLIGHTS

- ◆ **Africa:** South African Retail Sales Declined by 4.5% in February, 2009
- ◆ **Middle East:** Saudi Arabian Firm in \$400 Million Farm Investments in Africa
- ◆ **Asia:** Mitsui May Seek Overseas Resource Investments after Prices Drop
- ◆ **America:** US Federal Reserve Considering Further Disclosure on Emergency Lending Programs
- ◆ **Europe:** UBS to Cut 7,500 More Jobs After Loss, Asset Outflows

MIDDLE EAST:

a) Saudi Arabian Firm in \$400 Million Farm Investments in Africa

A Saudi private firm, Al Rajhi for International Investment, plans to spend about \$400 million by 2011 to produce wheat and maize in Egypt and Sudan. The firm has started farming 42,000-hectares of farmland in Egypt this year and expects the first harvest towards the end of

May, al-Jazirah quoted Chief Executive Khaled al-Melahi. It has started planting 52,500-hectares of farmland in Sudan with sorghum to pave the way for future cultivation, he stated.

Saudi Arabia urged companies to invest in farm projects abroad after

deciding last year to reduce wheat production by 12.5 percent per year, abandoning a 30-year-old programme to achieve self-sufficiency that had depleted the desert kingdom's scarce water supplies.

Source: Reuters.com, April 15, 2009

b) Saudi Arabia Sets Up \$800m Food Investment Firm

The government of Saudi Arabia on Monday, April 13, 2009 approved the establishment of a firm – The Saudi Company for Agriculture Investment and Animal Production (SCAIAP) – that will invest in projects to ensure food security and help stabilize food prices domestically.

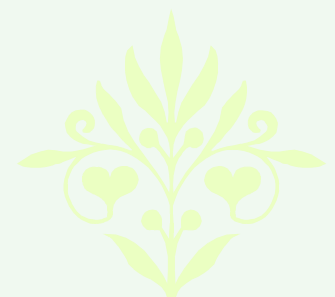
The SCAIAP will be a joint stock company fully

owned by the Public Investment Company (PIF). The company will invest in agriculture (wheat, rice, soya beans, sugar and fish) and live-stock production in partnership with Saudi private businesses experienced in the sector.

The Minister of Finance, Ibrahim Bin Abdul Aziz Al-Assaf, stated that government participation

will allow SCAIAP to benefit from bilateral and multilateral agreements signed between the Kingdom and other countries, in terms of privileges and exemptions from investment restrictions, customs tariffs, taxes, import and exports.

Contd. on page 2



ASIA:

Mitsui May Seek Overseas Resource Investments after Prices Drop

Mitsui & co., Japan's second-largest trading company, may increase overseas investment in new projects to secure raw materials after prices dropped, competing with China and South Korea for resources. The financial crisis has forced some investment funds to sell off assets, increasing opportunities, said Masami Iijima, who became president of Mitsui on April 1.

Japan is vying with China, the world's biggest consumer of commodities, and South Korea for resources in expectation that raw materials demand will rebound as economies recover. The Reuters/Jefferies CRB Index of 19 commodities forecast 4 percent drop in the second half of 2009 amid recessions in the U.S., Europe and Japan. "Falling prices have made it easier for us to consider new investments," stated Iijima, 58, who joined the company in 1974. "We will even invest in projects that may generate a negative cash flow, if the projects warrant our investment 10 years ahead," he stated in an interview yesterday.

Contd. from page 1 Saudi Arabia Sets Up \$800m Food ...

Thus, the main investor in the overseas project would be the private sector, while the government will provide the credit and other logistics support for the smooth operation of the company.

Meanwhile, Riyadh had been short-listing some twenty countries that it would recommend to the Saudi companies. Officials had been in contact with countries from Africa, Asia, Eastern Europe, Australia and Argentina. Countries were selected based on certain criteria, including abundant water sup-

Mitsui's businesses include trading oil, iron ore, aluminum, soybeans, cars and machinery, investing in liquefied natural gas projects, leasing aircraft and chartering marine tankers. The company, established in 1876, is one of the diverse Japanese trading houses whose origins extend back hundreds of years. The current earnings environment was "in a severe state" as metals and energy generated 70 percent of profit, Iijima said.

"Our task is to enhance the non-commodity sector" he stated.

The contribution of minerals and energy to earnings was 60 percent at larger rival Mitsubishi Corp., 53 percent for Marubeni Corp. and 28 percent for Sumitomo Corp. as at March 31, 2008, according to Nomura Securities. Mitsui on February 3 forecast net income will drop 24 percent from a year earlier to 310 billion yen for the 12 months ended March 31. The company may review its dividend ratio target of 20 percent for the fiscal year, which started April 1, 2010, Iijima stated.

ply, fertile agricultural land or natural pastures, Foreign Direct Investment friendliness, proximity to Saudi Arabia and political stability. The minimum size of a plantation would be 50,000 hectares.

The determination of the government of Saudi Arabia to aggressively embark on this project was informed by an earlier decision by Riyadh to phase out domestic wheat production by 2016 after realizing that its wheat-growing programme- which was set up in the late 1970s- was no longer

"We want to consider again what the best way is for stockholders and the company," he noted.

Energy and commodity prices were rebounding, with copper approaching \$5,000 a metric ton and oil gaining to around \$50 a barrel, and prices may continue to rise in the mid-to long-term, Iijima observed. "The market is comfortable with \$70 to \$90 crude oil" because new developments such as oil-sand projects would occur at that price, he said. The global economy will benefit from measures agreed this month by the Group of 20 nations to spur growth and China's 4 trillion Yuan (\$585 billion) stimulus package, Iijima said. "The economy will probably hit bottom after July," he stated. China, the world's biggest buyer of metals, may spend more than \$500 billion on overseas resources investments over the next eight years to secure supplies to drive economic growth, Deloitte Touche Tohmatsu revealed last month .

Source: Bloomberg.com, April 15, 2009

sustainable given the desert nation's finite water resources. Saudi Arabia had been producing 2.5m tons of wheat a year.

Although the Saudi's plans have raised concerns about importing from poor countries in Africa which suffer from chronic food shortages, Mr Obaid, the deputy minister of Agriculture assured that the Kingdom would leave some of the food produced in the host country for the local market .

Source: Reuters.com, April 15, 2009

JAPAN IS VYING WITH
CHINA, THE WORLD'S
BIGGEST CONSUMER
OF COMMODITIES,
AND SOUTH KOREA
FOR RESOURCES IN
EXPECTATION THAT
RAW MATERIALS
DEMAND WILL
REBOUND AS
ECONOMIES
RECOVER.

AMERICA:

a) US Federal Reserve Considering Further Disclosure on Emergency Lending

THE CENTRAL BANK IS
CONSIDERING THE
PROBABILITY OF
INCREASING
DISCLOSURE ON THE
COLLATERAL IT HOLDS
AGAINST LOANS TO
FINANCIAL FIRMS,
WHILE ALSO WEIGHING
A FULL RANGE OF
OPTIONS, INCLUDING
POSSIBLE PRESS
CONFERENCES

Officials of the US Federal Reserve are considering steps to provide the public with more information about emergency programmes aimed at reviving credit and ending the U.S. recession. The central bank is considering the probability of increasing disclosure on the collateral it holds against loans to financial firms, while also weighing a full range of options, including possible press conferences.

Chairman Ben S. Bernanke has asked an internal committee headed by Vice Chairman Donald Kohn to review ways the central bank can boost transparency after it extended its lender-of-last resort role far beyond banks and doubled its balance sheet to more than \$2 trillion to stem the credit crisis. It is expected the committee may recommend that the central bank reveal credit ratings on collateral it holds in a programme supporting American International

Group Inc. The panel may further suggest more disclosure about the mortgages and related securities the central bank took on while facilitating the merger of Bear Stearns Cos. with JPMorgan Chase & Co.

The U.S. Senate in a nonbinding April 2 amendment urged the Fed to release details on loan collateral at least every month. It also called on the central bank to provide the number of borrowers and disclose whether loans accepted in the bailouts of Bear Stearns and AIG have recorded losses that would not be recovered. The bill, which passed 96-2, was not as tough as another amendment that passed 59-39 calling on the central bank to release details on the companies that received its loans.

Bernanke, a former economics professor at Princeton University, has published research on central bank transparency and pushed for

greater openness at the Fed. The central bank has considered holding press conferences since Bernanke initiated a review of communication with the public shortly after becoming chairman in 2006. In an interview last month, Bernanke stated that the biggest risk to an economic recovery is a shortage of “political will.” He has also written newspaper columns and lengthened the normal question and answer periods after some of his speeches.

At a testimony to the House Financial Services Committee in February 2009, Bernanke disclosed that he initiated a review of the information the central bank provides the public. The unprecedented expansion of the Fed’s balance sheet has prompted concern that the central bank is encouraging excessive risk taking and distorting pricing in financial markets.

Source: Bloomberg, April 15, 2009

b) Dollar Optimism Drops to One-Year Low as Fed Dilutes Currency

Expectations for a weaker dollar increased to the highest level in a year after the Federal Reserve diluted the currency to lift the economy out of a recession, a survey of Bloomberg users reported. Participants turned bearish on the dollar over the next six months for the first time since January, 2009, according to 1,349 respondents from Paris to New York in the Bloomberg Professional Global Confidence Index. They were most bullish on Brazil’s real since August and expected the Mexican peso to rally for the first time since January, as the Group of 20

nations pledged on April 2 to spend \$1 trillion to revive global economic growth.

The Fed’s broad dollar index has declined 4.7 percent against 26 of the U.S.’s major trading partners, since touching a 4 1/2-year high on March 3, 2009. Fed Chairman Ben S. Bernanke joined central bankers in Japan, Switzerland and the U.K. on March 18 by printing money to buy debt assets after exhausting other monetary-policy tools. Bernanke stated yesterday there are signs that the “sharp decline” in the U.S. economy is slowing. “We are likely to see a gradual decline of the

dollar,” noted Jack Spitz, managing director of foreign exchange at National Bank of Canada in Toronto, a survey participant. “The economic stimulus will pay off. Optimism has fed into commodities and commodities currencies at the expense of the dollar.”

The dollar weakened against 15 of the 16 most traded currencies in the past month, falling as much as 11 percent against New Zealand’s dollar. Only the yen fared worse, losing 1 percent versus the U.S. currency.

EUROPE:

a) UBS to Cut 7,500 More Jobs After Loss, Asset Outflows

UBS AG, Switzerland's biggest bank, said it will cut an additional 7,500 jobs after reporting a loss and outflows of client funds in the first quarter. The bank will reduce the number of employees to 67,500 in 2010, compared with a previous target of 75,000, Zurich-based UBS said today. It reported a net loss of "almost" 2 billion Swiss francs (\$1.75 billion) for the first quarter.

Chief Executive Officer Oswald Gruebel, who was called out of retirement in February, said there are no "quick fixes" to restore profit after the biggest credit-related write-downs of any European bank. Job cuts, along with reductions in marketing, sponsorships and consulting costs, will help save as much as 4 billion francs by the end of 2010, UBS stated. "It's back to basics," said Andy Lynch, who helps manage about \$5 billion at Schroder Investment Management Ltd. in London. "UBS, in common with every other financial institution, is looking to cut costs" and will probably cut back in trading while focusing on its "private banking heritage."

UBS indicated it is conducting a review to exit "high-risk and unpromising" businesses. The bank stated it will maintain operations in international wealth management and Swiss banking, alongside asset management and investment

banking. "It will be a long road back to success," Gruebel said in a speech prepared for delivery at the bank's annual shareholders' meeting in Zurich. "Markets remain extremely unstable. That's why we are acting today by rigorously adjusting the size of our bank and cutting costs significantly once again." UBS has fallen 11 percent this year in Swiss trading, cutting the company's market value to 38.9 billion Swiss francs. That compares with a 2.1 percent gain in the 65-member Bloomberg Europe Banks and Financial Services Index. Financial institutions worldwide announced almost 300,000 job cuts since the beginning of the credit crisis as write-downs and losses swelled to \$1.3 trillion.

Shareholders at UBS's annual investor meeting in Zurich will today vote on a proposal to appoint former Finance Minister Kaspar Villiger as chairman of UBS's board of directors. He will replace Peter Kurer, who quit after a year in the job amid a probe into whether UBS helped wealthy Americans evade taxes. A settlement with U.S. authorities, under which UBS handed over the names of about 300 American clients, led to a net withdrawal of 23 billion francs from the wealth management and Swiss bank unit in the first quarter. Wealth management Americas saw clients add about 16 billion francs after the bank hired 400 new brokers in the

fourth quarter. The first-quarter loss stems mainly from a 3.9 billion-franc write-down on illiquid holdings, the bank said. It is due to release detailed quarterly earnings on May 5.

UBS last month posted a 20.9 billion-Swiss-franc loss for 2008, the biggest-ever by a Swiss company. The bank amassed more than \$50 billion in writedowns and losses since the beginning of the financial crisis and has raised more than \$32 billion from investors including the Swiss government. It has also announced 11,000 job cuts in the past 18 months. At the end of March it employed 76,200 people.

The bank will ask shareholders today for permission to increase share capital by as much as 10 percent if necessary. Michel Demare, Ann Godbehere and Axel Lehmann will also be nominated as directors. Demare has been chief financial officer of ABB Ltd., the world's largest builder of power grids, since 2005. The U.K. government installed Godbehere as CFO of Northern Rock Plc after nationalizing the lender in February last year. She is a former CFO of Swiss Reinsurance Co. Lehmann is chief risk officer of Zurich Financial Services AG.

Source: Bloomberg, April 15, 2009

JOB CUTS, ALONG WITH REDUCTIONS IN MARKETING, SPONSORSHIPS AND CONSULTING COSTS, WILL HELP SAVE AS MUCH AS 4 BILLION FRANCS BY THE END OF 2010, UBS STATED

EUROPE contd.

b) European Government Bonds Rise as German Wholesale Prices Slide

“THE CURRENT LACK OF CONSENSUS WITHIN THE ECB ABOUT INTEREST RATES IS MORE BULLISH THAN BEARISH FOR BONDS.”

European government bonds rose for a second day as stocks fell and a report showing a decline in German wholesale prices reinforced speculation policy makers will cut borrowing costs. The 10-year German bund, the region’s benchmark government security, climbed yesterday by the most in two weeks after European Central Bank council member Athanasios Orphanides said the key interest rate may need to be lowered if inflation held “significantly below” 2 percent. German wholesale prices fell last month by the most in 22 years as energy costs plunged. “A majority could emerge over the next few months in favor of rates being lower than 1 percent,” said Guillaume Baron, a fixed-income strategist in Paris at Societe Gen-

erale SA. “The current lack of consensus within the ECB about interest rates is more bullish than bearish for bonds.” The yield on the 10-year bund slipped five basis points to 3.15 percent by 7:10 a.m. in London. The 3.75 percent security due January 2019 climbed 0.41, or 4.1 euros per 1,000-euro (\$1,325) face amount, to 104.93. The yield on the two-year note fell four basis points to 1.33 percent. Yields move inversely to bond prices. Asian stocks retreated for the first time in five days after a report yesterday showed U.S. retail sales unexpectedly declined. The MSCI World Index dropped for a second day. Wholesale prices in Europe’s largest economy fell an annual 8.0 percent, after dropping 5.7 percent in February, the Federal

Statistics Office in Wiesbaden said today. German bunds lost 0.4 percent this year, compared with a decline of 1.3 percent for British bonds and 1.9 percent for U.S. Treasuries, according to Merrill Lynch & Co.’s German Federal Governments, U.K. Gilts and U.S. Treasury Master Indexes.

Source: Bloomberg.com, April 15, 2009

Contd. From page 3. Dollar Optimism Drops ...

The greenback depreciated a record 3.4 percent versus the euro on March 18, when the Fed unexpectedly announced a plan to buy as much as \$300 billion of Treasuries and increase purchases of mortgage securities. The index of expectations for the dollar fell to 42.87, a level last seen in April 2008, from 53.41 in March. The measure is a diffusion index, meaning a read-

ing above 50 indicates participants expect the currency to appreciate. Participants were last bearish on the dollar in January, when the index dropped to 45.53. Bloomberg began compiling the data in December 2007. “There’s limited upside for the dollar,” stated Maxime Tessier, head of foreign exchange in Montreal at Caisse de Depot et Placement, which has C\$120

billion (\$98.7 billion) under management. “Since the beginning of the year, we’ve been gradually reducing our exposure to the dollar.”

Source: Bloomberg.com, April 15, 2009