



# GLOBAL RECESSION WATCH

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

## AFRICA:

### *a) Johannesburg Suffers Power Outages, City Power Says*

South Africa's commercial capital, Johannesburg, is experiencing power outages in its northeastern and southern suburbs as well as parts of the central business district, electricity distributor City Power stated.

About 200 megawatts of power supply were lost after supplies to the Prospect sub-plant near City Deep failed, Louis Pieterse, City Power's general manager of supply availability, said from his mobile phone. It's

unclear what caused the outage or how long it will take to repair the problem, he stated. "We've lost supply to the Prospect sub-station, which is a major unit that feeds a number of smaller sub-stations," said Pieterse. "All our available technicians are on their way to the site. Our first priority is to get the station up and running as soon as possible."

South African cities suffered rolling blackouts last year because state-

owned utility Eskom Holdings Ltd., which supplies 95 percent of the country's power, was unable to meet demand after the government delayed approval of the utility's expansion plans. Electricity shortages are likely to last until 2015, Eskom said on April 16 last year. City Power distributes electricity across Johannesburg from its own plants as well as those of Eskom.

*Source: Bloomberg.com, April 16, 2009*

### *a) Johannesburg Suffers Power Outages, City Power Says*

Namibia's economic outlook has been overshadowed by the global economic slowdown and the country must beef up growth in its non-mineral sector to ease poverty and unemployment, the IMF stated on Wednesday.

The International Monetary Fund also said in a regular assessment of the southwest African country's economic health that its exchange rate peg to the rand had served Namibia well, and there was not much scope for

interest rate cuts. "While the Bank of Namibia has found some room to deviate from the interest rate policy of the South African Reserve Bank, (IMF) directors considered that the peg and close financial links with South Africa are likely to constrain the scope for effective independent monetary policy," it stated.

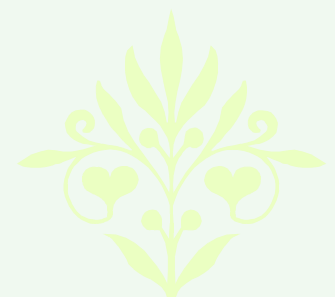
The IMF also urged Namibian authorities to use fiscal policy to support growth, while emphasizing that government

spending should be of a high quality while budget management ought to be strengthened. "Some loosening of the fiscal stance in 2008-09 was appropriate in view of the economic slowdown," the IMF said in a statement.

*Source: Bloomberg.com, April 16, 2009*

## HIGHLIGHTS

- ◆ **Africa:** Johannesburg Suffers Power Outages, City Power Says
- ◆ **Middle East:** UAE Banks Relax Restrictions on Loans
- ◆ **Asia:** Japan to Sell 17 Trillion Yen of Extra Bonds
- ◆ **America:** Regulators Give Greater Weight to Loan Quality in U.S. Tests
- ◆ **Europe:** European Car Slump Slows on Government Incentives
- ◆ **BRIC:** India Wholesale Inflation Rate Holds near 27-Year Low



## MIDDLE EAST:

### *U.A.E Banks Relax Restrictions on Loans*

U.A.E banks have started to lend money to consumers as personal and car loans. This is as a result of the proactive measures taken by the government to support the local banks that were adversely affected by the global meltdown.

As the impact of the global credit crunch began to be felt in the UAE, the government moved fast and made billions available to strengthen the local banking system and allow it to

continue lending to customers. The action of the government was based on the premise that unless people and companies have access to credit, demand for goods and services will not be stimulated and there is the likelihood that economic growth would grind to a halt.

Initially, UAE banks remained cautious about lending, and this badly affected the local property market and the demand for retail and manufactured goods.

However, the banks have also insisted that they will be cautious and ensure that their customers are able to repay loans. This is necessary if economic recovery is to be sustainable, especially since the banks are still bracing for a tough year ahead as the world continues to feel the effects of recession.

*Source: Bloomberg.com, April 16, 2009*

## ASIA:

### *Japan to Sell 17 Trillion Yen of Extra Bonds*

Japan may sell an additional 17 trillion yen (\$171 billion) of bonds this fiscal year to pay for Prime Minister Taro Aso's third stimulus package and other projects, Finance Ministry officials have announced. The government may issue 16 trillion to 17 trillion yen of bonds on top of the planned 113.3 trillion yen of debt to be sold in the year that started April 1, according to officials. The extra sales will include about 6 trillion yen of so called zaito bonds to fund loans to state-owned financial institutions. The sales will drive up Japan's public debt, already in the world's largest, putting pressure on the central bank to step up its purchases of government debt from commercial lenders.

Bond yields approached a five-month high today on concern that debt issues will keep rising as Aso seeks to spend his way out of the recession. "it will be tough for investors alone to absorb such a huge amount of additional bonds," observed Susumu Kato, chief economist at Calyon Securities in Tokyo.

"The Bank of Japan may face more and more political pressure to increase its bond purchases to provide fiscal support to the government." Finance minister Kaoru Yosano announced last week that more than 10 trillion yen in debt may be sold to help fund Aso's record 15.4 trillion yen economic package.

Nobutaka Machimura, who heads the ruling liberal democratic party's economic recovery panel, said yesterday (Wednesday, April 15, 2009) that he plans to meet with Bank of Japan Governor Masaaki Shirakawa and urge him to boost measures to help companies get financing. The central bank expands its monthly government bond purchases from 1.8 trillion yen from 1.4 trillion yen in March. Machimura said his panel hadn't discussed whether it would ask the bank to increase the purchases further. BOJ board members said that the bank would reach its self-imposed limit for the purchases in several years if they continued at the current pace. The central

bank has a rule of preventing its sovereign bond holdings from exceeding the amount of bank notes circulating in the economy. Calyon's kato said the bank may increase its purchases by 200 billion yen to 2 trillion yen in about six months.

The ministry plans to meet primary dealers, who must bid at government auctions, to discuss bond issuance tomorrow (Friday, April 17, 2009). It will also hold a meeting with investors next week. The government is expected to submit its extra budget proposal to fund the stimulus to parliament around April 27. The government may need to sell more bonds and compile a second supplementary budget later in the year to help pay for a shortfall in tax revenue. Tax receipt may fall about 4 trillion yen short of this fiscal year's projection of 46.1 trillion yen as the recession saps corporate profits, two ministry officials said.

*Source: Bloomberg.com, April 16, 2009*

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## AMERICA:

### *U.S. Regulators Aim to Release Bank Stress-Test Results May 4, 2009*

The Federal Reserve and other regulators aim to release the results of stress tests on the 19 biggest U.S. banks on May 4, 2009. Fed indicated that regulators also plan to publish a paper on their methods on April 24, in an effort to bolster credibility of the process. It is expected that the results will include plans for boosting capital to weather a deeper economic downturn. "The more markers or signposts you can put on the path, the more helpful it will be," said R. Scott Siefers, managing director at Sandler O'Neill Partners L.P., a New York research firm specializing in bank stocks. "There are a lot of questions in investors' minds."

Procedures for releasing information on specific firms, which will expose weaker banks and boost confidence in stronger ones, are still under discussion. Bank regulators may also encourage each of the 19 firms to release an individual statement on the results of its own stress test. The Fed, Office of the Comptroller of the Currency, Federal Deposit Insurance Corp., and Office of Thrift Supervision are using the tests to determine whether the top 19 banks have enough capital to cover loan losses during the next two years if the economy shrinks, unemployment surges and housing prices keep declining.

The Fed, the nation's primary regulator of bank holding companies, is leading the analysis on how much capital banks might need. Fed Chairman Ben S. Bernanke and the Fed Board met yesterday, April 15 to discuss the government's bank-support program. While the tests are a central element of the administration's financial-industry rescue, top U.S. Treasury officials aren't participating in the reviews in order to maintain the independence of the regulators. The Treasury also won't be a contributor to the white paper later this month.

The economy has worsened since the Treasury first announced the tests in February, raising questions about whether the baseline scenario regulators are applying to bank portfolios is rigorous enough. The baseline forecast projected a 2 percent economic contraction and an 8.4 percent jobless rate in 2009, followed by 2.1 percent growth and 8.8 percent unemployment in 2010. An "alternative more adverse" scenario had a 3.3 percent contraction in 2009, accompanied by 8.9 percent unemployment, followed by 0.5 percent growth and 10.3 percent jobless in 2010.

The worst case scenario reported by a Bloomberg News survey shows that economic

output fell at a 5 percent annual pace in the first quarter. The unemployment rate rose to 8.5 percent in March, a 25-year high, and the amount of industrial capacity in use fell to a record low of 69.3 percent. "There is a sense that the worst case is becoming the base case," stated commentators. "People are starting to view double-digit unemployment as a foregone conclusion."

However, there are early signs of a strengthening banking sector. Goldman Sachs Group Inc. reported April 13 earnings for the first quarter were \$1.81 billion, or \$3.39 a share, after a surge in trading revenue. The results were better than analysts' expectations of \$1.64 and the New York-based firm sold \$5 billion in stock to help repay government capital injections. Wells Fargo & Co. stated April 9 it would report net income of \$3 billion, 50 percent more than the previous year's period. The San Francisco-based bank reported it closed \$100 billion of mortgages in the quarter with an equal amount waiting to be finished, a signal that banking business is picking up.

*Source: Bloomberg.com, April 16, 2009*

THE FED, OFFICE OF THE COMPTROLLER OF THE CURRENCY, FEDERAL DEPOSIT INSURANCE CORP., AND OFFICE OF THRIFT SUPERVISION ARE USING THE TESTS TO DETERMINE WHETHER THE TOP 19 BANKS HAVE ENOUGH CAPITAL TO COVER LOAN LOSSES DURING THE NEXT TWO YEARS IF THE ECONOMY SHRINKS, UNEMPLOYMENT SURGES AND HOUSING PRICES KEEP DECLINING.

EUROPE:

*a) European Car Slump Slows on Government Incentives*

European car sales dropped 9 percent in March, the smallest decline in six months, as government-backed incentives boosted demand for Fiats and Volkswagens in Germany and France. New car registrations fell to 1.51 million vehicles from 1.66 million a year earlier, an 11th consecutive monthly decline, the Brussels-based European Automobile Manufacturers' Association said in a statement today. First-quarter sales tumbled 17 percent to 3.44 million vehicles.

The auto-sales decline slowed from an 18 percent drop in February and a 27 percent plunge in January after aid for purchases sparked a recovery for some markets. In Germany, where the government is offering a 2,500 euro (\$3,300) trade-in on cars aged nine years or more, registrations soared 40 percent last month, while a less-generous scrapping incentive in France produced an 8 percent gain. "The numbers are artificially boosted by government money and discounts, and the hype is wearing

off," said Ferdinand Dudenhoeffer, director of the Center for Automotive Research at the University of Duisburg-Essen. "The problems with profitability will rather be larger than smaller through scrapping incentives."

Sales continued to sag in markets lacking government-backed incentives or other sales props, with a 31 percent U.K. contraction "reflecting the overall persistent lack of confidence in the economy," the group stated. Western European sales fell 8 percent, while Eastern Europe plunged 25 percent.

German luxury-car makers led the decline, with Bayerische Motoren Werke AG, the world's No. 1 maker of luxury vehicles, recording a 21 percent slump in registrations to 73,904 vehicles, as recession worries and tighter credit kept consumers out of its showrooms. Daimler AG's Mercedes sales fell 16 percent. BMW added 1.5 cents, or 0.1 percent, to 25.72 euros. Daim-

ler fell 0.1 percent to 24.92 euros. Volkswagen gained 0.1 percent to 242.01 euros.

Uncertainty over General Motors Corp.'s looming bankruptcy contributed to a 20 percent sales drop for the biggest U.S. carmaker. Paris-based PSA Peugeot Citroen, Europe's second-largest, posted a 9 percent decline in registrations, outpaced by smaller domestic rival Renault SA's 11 percent slide, with a 16 percent drop at its namesake brand. Fiat SpA, based in Turin, Italy, posted the biggest sales gain among major carmakers with a 14 percent jump in March registrations to 137,029, as the scrappage payments added to existing environmental incentives in favor of smaller cars such as the retro-styled Fiat 500. The main VW brand gained 1.6 percent as the new incentives bolstered demand for the new Golf compact, while luxury brand Audi slipped 4.4 percent.

*Source: Bloomberg.com, April 16, 2009*

*b) Global Confidence at 11-Month High as Credit Thaws*

Confidence in the global economy rose to an 11-month high as officials stepped up efforts to thaw credit markets, stocks rallied and some banks returned to profit, a Bloomberg survey of users on six continents showed. The Bloomberg Professional Global Confidence Index climbed to 21.2 in April from 5.95 in March, the biggest increase since the survey began in November 2007. Readings below 50 means pessimists outnumber optimists. Sentiment improved the most in Asia and the U.S. as respondents became more confident the worst may be over for their economies. "The outlook was completely hopeless a month ago and now there's a slight ray of hope that a recovery in fi-

ancial markets will lead to a recovery in the broader economy," said Chris Rupkey, chief financial economist at Bank of Tokyo Mitsubishi UFJ Ltd. in New York, and a survey participant. "Things are not as gloomy as before. We will improve slowly, probably in fits and starts."

Lenders from Citigroup Inc. to JP Morgan Chase & Co. said they made money in the first two months of the year as zero interest rates and central bank purchases of government debt led to a jump in home loans. At the same time, manufacturing is declining and unemployment rising amid a drop in global demand that may see world trade shrinks as much as

9 percent this year.

The survey of more than 1,300 Bloomberg users was conducted between April 6 and April 10. Since the previous survey, Federal Reserve Chairman Ben S. Bernanke said the "sharp decline" in the U.S. economy is easing, and the Group of 20 nations increased the resources of the International Monetary Fund.

Five of 12 Fed district banks "noted a moderation in the pace of decline," the U.S. central bank said yesterday in its Beige Book business survey. President Barack Obama said April 10 he's starting to see "glimmers of hope" across the economy. A measure of U.S.

THE AUTO-SALES DECLINE SLOWED FROM AN 18 PERCENT DROP IN FEBRUARY AND A 27 PERCENT PLUNGE IN JANUARY AFTER AID FOR PURCHASES SPARKED A RECOVERY FOR SOME MARKETS.

**BRIC Contd.**

***b) India Wholesale-Inflation Rate Holds near 27-Year Low***

India's inflation held near a 27-year low, suggesting the central bank's six interest-rate cuts since October may help spur growth without rekindling inflation. Wholesale prices rose 0.26 percent in the week to April 11 from a year earlier after gaining 0.18 percent the previous week, the commerce ministry said in New Delhi today. That was more than 0.10 percent increased expected by 21 economists in a Bloomberg News

survey.

The wholesale price index may turn negative in the next few months though that shouldn't be interpreted as deflation as consumer-price gains continue to run at near double-digits, according to central bank Governor Duvvuri Subbarao. The Reserve Bank of India this week cut borrowing costs to a record low to bolster an economy growing at the weakest pace since 2003. "The sharp decelera-

tion of wholesale price growth is a clear indication that inflationary pressures have evaporated and the Reserve Bank should now focus more on reviving economic growth," said Sherman Chan, an economist at Moody's Economy.com in Sydney. "I expect the central bank to maintain a loosening bias in the coming months. .

*Source: Bloomberg.com, April 21, 2009*

THE WHOLESAL  
PRICE INDEX MAY TURN  
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Table 2: DEPRECIATION OF EXCHANGE RATES VIS A VIS US DOLLAR (END-PERIODS) - % CHANGE &gt; 15%

<b>COMPARATIVE EXCHANGE RATES (Currency Units Per US\$) - % Change</b>					
<b>CATEGORY</b>	<b>COUNTRY</b>	<b>CURRENCY</b>	<b>31-Dec-07</b>	<b>16-Apr-09</b>	<b>YTD % Change</b>
<b>OECD COUNTRIES</b>	AUSTRALIA	Dollar	1.13430	1.37874	-17.73
	CANADA	Dollar	0.98810	1.20620	-18.08
	HUNGARY	Forint	172.91800	221.63000	-21.98
	ICELAND	Krona	62.00000	127.13000	-51.23
	KOREA	Won	938.20000	1,332.81768	-29.61
	MEXICO	Peso	10.91570	13.05694	-16.40
	NEW ZEALAND	Dollar	1.29190	1.72771	-25.22
	NORWAY	Krone	5.41100	6.69670	-19.20
	POLAND	Zloty	2.43500	3.26280	-25.37
	SWEDEN	Krona	6.44150	8.26000	-22.02
	TURKEY	Lira	1.17780	1.60399	-26.57
	UNITED KINGDOM	Pound Sterling	0.49920	0.67358	-25.89
	<b>NON-OECD COUNTRIES</b>	RUSSIA	Ruble	24.54620	33.41840
BRAZIL		Reals	1.77050	2.19840	-19.46
INDIA		Rupee	39.41000	49.49000	-20.37
KAZAKHSTAN		Tenge	120.30000	150.31000	-19.97
<b>AFRICAN COUNTRIES</b>	KENYA	Shilling	63.97007	79.88390	-19.92
	ZAMBIA	Kwacha	3,900.15000	5,675.00000	-31.27
	SOUTH AFRICA	Rand	6.81000	8.90000	-23.48
	BOTSWANA	Pula	6.28472	7.44048	-15.53
	GHANA	New Cedi	0.99620	1.42881	-30.28
	<b>NIGERIA</b>	<b>Naira</b>	<b>117.80000</b>	<b>147.35900</b>	<b>-20.06</b>

Sources: 1. IMF International Financial Statistics  
2. Exchange-rates.org  
3. Google Country Currency Converter  
4. TED, CBN

Notes: 1. Depreciation (-). Appreciation (+)  
2. \*Euro Area:- Recorded less than 15% depreciation  
3. \*\*UEMOA Countries:- Recorded less than 15% depreciation