



# GLOBAL RECESSION WATCH

MARCH 18, 2009

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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) South African Retail Sales Rise after Reserve Bank Lowered Rate**

South African retail sales unexpectedly increased by 1.7 per cent in January, 2009 after eight months of decline, following the central bank's lowering of interest rates. Sales climbed after falling to a revised 0.2 per cent in December, the Pretoria-based Statistics Office reported on its website on March 18, 2009. The median estimate of five economists surveyed by Bloomberg expected a drop of 2 per cent.

For the first time in more than three years, the Reserve Bank in December 2008 cut its benchmark

interest rate by half a percentage point to 11.5 per cent, easing consumers' debt costs. Another 1 percentage point rate cut by the Bank last month may have boosted retail sales further, reducing the chances that the Monetary Policy Committee will cut interest rates before its next scheduled meeting in April.

Retail sales may still come under pressure as the global economic recession reduces demand for exports, forcing manufacturers such as Arcelor Mittal South

Africa Ltd., Africa's biggest steel producer, and Volkswagen AG, the country's second-biggest automaker, to cut output and jobs. Following declines in metal prices, Anglo-American Plc, owner of the world's biggest platinum producer, disclosed on February 20, 2009 that it will cut 19,000 jobs.

*Source: Bloomberg.com, March 18, 2009*

### **b) Zimbabwe's Finance Minister Announces Economic Recovery Plan Tomorrow**

Zimbabwe's Finance Minister, Tendai Biti, will on March 19, 2009 announce an economic recovery plan for the country after presenting a "short-term" budget to parliament on 18 March, 2009.

Zimbabwe has been gripped by economic recession for the past decade and has the world's highest inflation rate, estimated at 231 million per cent. As many as 7 million Zimbabweans, more than half the population, rely on food aid and 94 per cent of the population

has no formal employment, according to the United Nations. The World Health Organization estimates that more than 4,000 people have died since August 2008 during the country's worst cholera epidemic.

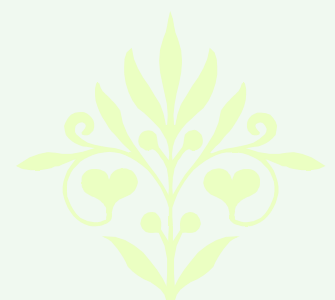
The Minister has held talks with some countries including South Africa, where he sought about \$2 billion to revive the economy. He indicated that the budget would replace the one presented by former Finance Minister, Patrick Chinamasa, on January 29, 2009. Since then, a coalition

government has been sworn in following a power-sharing accord between Biti's Movement for Democratic Change and President Robert Mugabe's Zimbabwe African National Union-Patriotic Front.

*Source: Bloomberg.com, March 18, 2009*

## HIGHLIGHTS

- ◆ **Africa:** South African Retail Sales Rises after Reserve Bank Lowered Rate
- ◆ **Middle East:** Emirates Withdraws Bigger Aircrafts from New York Route as Recession Drops Demand
- ◆ **Asia:** Bank of Japan Increases Government Bond Purchase to Stem Recession
- ◆ **America:** US Federal Reserve Maintains Target Range for the Federal Funds Rate
- ◆ **Europe:** U.K. Unemployment Rate Rises, the Highest Since 1971
- ◆ **BRIC Countries:** China's Economy May be Stabilizing - World Bank Report



**MIDDLE EAST:*****Emirates Withdraws Bigger Aircrafts from New York Route as Recession Drops Demand***

Emirates, the biggest customer for Airbus SAS's A380 superjumbo, stated that it would stop using the 480-seat plane for flights between Dubai and New York as the global recession squeezes demand on the route.

The pair of A380s that Emirates currently uses for one of its two daily flights to New York will be redeployed to the Toronto and Bangkok routes. A lower-capacity Boeing Co. 777 will take over the U.S. service. The airline noted that as the global economy has affected international air

travel, this aircraft redeployment was necessitated by a change in capacity demands in these three markets. When economic conditions improve and demand is restored on the Dubai-New York service, the airline would evaluate redeploying the A380s.

Emirates, the biggest Arab airline, had earlier ordered 58 double-decker A380s, but stated on March 12 that it was studying options that may include pushing back delivery dates.

*Source: Bloomberg.com, March 18, 2009*

**ASIA:*****Bank of Japan Increases Government Bond Purchase to Stem Recession***

The Bank of Japan (BOJ), as part of its efforts to counter the deepening recession, will increase its purchases of government bonds from banks. This is in addition to offering of 1 trillion Yen in subordinated loans earlier made.

BOJ will purchase 1.18 trillion yen (\$18.3 billion) of government debt each month, up from 1.4 trillion yen beginning from March 18, 2009. The purchases are aimed at containing bond yields and enable the world's most indebted government to pay for the third stimulus package of Prime Minister Taro Aso. The Organization for Economic Co-operation and Development estimates that Japan's public debt is more than 170 per cent of its gross domestic product, the highest in the industrialized world.

A Senior Economist at Sumitomo Mitsui Asset Management Company in Tokyo observed that at a time when the country's economy is shrinking at a double digit pace, fiscal spending was the remedy. He concluded that "the Bank can't avoid entering the field of fiscal policy". In the same vein, Governor Masaki Shirakawa noted that expanding the Central Bank's supply of longer term funds to the economy will help "keep financial markets stable beyond the fiscal year end".

It would, however, be recalled that the Bank of England last week started buying UK government bonds and the Federal Reserve is expected to unveil a similar programme within the week .

*Source: Bloomberg.com, March 18, 2009*

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AMERICA:

**US Federal Reserve Maintains Target Range for the Federal Funds Rate**

The US Federal Reserve reported that the target range for the federal funds rate has been maintained at 0 to 1/4 per cent. This was disclosed after its Federal Open Market Committee (FOMC) meeting on March 18, 2009. The central bank anticipates that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period. It was, therefore, decided that the Bank will employ all available tools to

promote economic recovery and preserve price stability.

Information received since the FOMC meeting in January 2009 indicates that the economy continues to contract. Job losses, declining equity and housing wealth, and tight credit conditions have weighed on consumer sentiment and spending. Weaker sales prospects and difficulties in obtaining credit have led businesses to cut back on inventories and fixed

investment. U.S. exports have slumped as a number of major trading partners have also fallen into recession.

The report added that although the near-term economic outlook was weak, policy actions to stabilize financial markets and institutions, together with fiscal and monetary stimulus, would contribute to a gradual resumption of sustainable economic growth.

*Source: Bloomberg.com, March 18, 2009*

EUROPE:

**a) U.K. Unemployment Rate Rises, the Highest Since 1971**

U.K. unemployment rate rose the fastest since 1971 in February, deepening the challenge for Prime Minister Gordon Brown to stop the economy's downward spiral.

economists.

A broader measure of unemployment climbed above 2 million for the first time since 1997 and income grew at the slowest pace since 1991. The number of unemployed based on International Labor Organization methods last exceeded 3 million in 1993, when John Major's Conservative Party was in power.

Bank of England to rescue the economy. His government has pledged a 20 billion-pound stimulus package to help people weather through the slump.

The euro-region unemployment rate climbed to 8.2 percent in January. In Britain, the rate rose to 6.5 per cent between November and January, the highest since the final quarter of 1997 .

*Source: Bloomberg.com, March 18, 2009*

Brown is working with the

The jobless figure rose by 138,400 to 1.39 million, the Office for National Statistics reported. That is more than the population of Cambridge and compares with the increase of 84,800 forecast by a Bloomberg survey of 20

**b) FSA Pushes for Greater Oversight of U.K. Economy**

The U.K.'s financial regulator demanded greater powers to oversee risks to the British economy and its banks, in a report calling for "profound" regulatory change in the wake of the global financial crisis.

"The changes recommended are profound, and the banking system of the future will be different from that of the last decade," Turner said in a statement. "The world's economy will be better served as a result."

The Financial Supervisory Authority stated it will guard against too much risk by banks through forcing them to build up capital buffers and scrutinizing their business strategies. The regulator would join the Bank of England's Financial Stability Committee, FSA Chairman Adair Turner stated today in a report on lessons learned in the 20-month long crisis.

Turner's report, which largely follows European Union proposals, comes two weeks before leaders of the Group of 20 nations meet in London to grapple with redesigning regulation. The proposals will form the centerpiece of Britain's agenda for the meeting. U.K. financial companies have recorded \$108 billion of losses and write-downs, about 8.7 per cent of

the estimated 1.2 trillion global total.

Turner called for stricter supervision of credit-rating companies to maintain their independence and ensure they don't issue ratings on securities for which they have little experience.

The FSA called for more data on hedge funds to help guard against building up of risks. The report declined to call for greater power to oversee funds now, unless in the future they take on more bank-like activities that pose a hazard to the financial system.

*Source: Bloomberg.com, March 18, 2009*

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**BRIC:**

***a) China's Economy May be Stabilizing - World Bank Report***

China's economy is showing "early signs" of stabilizing as government-backed investment counters a slump in exports observed by the World Bank in its Quarterly Report released in Beijing, Wednesday, March 18, 2009.

The report further observed that China is weathering the global slowdown better than many nations because its banks were largely unscathed by the financial crisis and the quick implementation of a 4 trillion Yuan (\$585 billion) stimulus plan. Government-influenced investment will surge 26 per cent this year and

contribute three-quarters of the economic growth.

A Senior Economist at the World Bank in Beijing noted that "the government stimulus is working" and that "China's fundamentals are strong enough to ride out of this storm". The report also observed that the depreciation of the Yuan would be unlikely to stimulate export demand and unhelpful for boosting consumption. The exchange rate will be supported in the "medium term" by the nation's current-account surplus.

*Source: Bloomberg.com, March 18, 2009*

***b) Chinese Juice Firm Stock Price Decline after Blocking of Coca-Cola's Bid***

China Huiyuan Juice Group Ltd stock plunged by a record 53 percent in Hong Kong trading after Chinese regulators blocked Coca-Cola Co.'s \$2.3 billion takeover bid for the country's biggest domestic juicemaker. The stock traded as low as HK\$3.88, below its level before the Coca-Cola offer of HK\$12.20 a share in September, after China's Ministry of Commerce yesterday said the deal would have hurt competition in the nation's drinks market. Huiyuan gained 149 percent from the time the offer was made to the day before the Ministry's announcement. The rejection of the biggest foreign takeover of a Chinese company deprives Huiyuan of a global

partner that controls more than half of China's soda sales. The ruling drew complaints of protectionism from some lawyers and investors who argued that it may fan opposition to overseas takeovers by Chinese companies .

*Source: Bloomberg, March 18, 2009*

"CHINA'S  
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Table 1: Stock Market Indices In OECD, Non-OECD and African Countries

<b>STOCK MARKET INDICES</b>					<b>% Change</b>	<b>% Change</b>	<b>% Change</b>
<b>OECD COUNTRIES</b>	<b>INDEX</b>	<b>End-2007</b>	<b>End-2008</b>	<b>18-Mar-2009</b>	<b>End-Dec 2007 - 2008</b>	<b>End-Dec 2008 - 18 Mar-2009</b>	<b>End-Dec 2007 - 18 Mar-2009</b>
AUSTRALIA	S&P/ASX 200 Index	6,339.90	3,722.30	3,446.30	-41.3	-7.4	-45.6
AUSTRIA	Austrian Traded ATX Index	4,512.98	1,750.83	1,557.60	-61.2	-11.0	-65.5
BELGIUM	Bel 20 Index	4,147.19	1,908.64	1,698.43	-54.0	-11.0	-59.0
CANADA	S&P/TSX Composite Index	13,833.06	8,987.70	8,413.32	-35.0	-6.4	-39.2
CZECH REPUBLIC	Prague Stock Exchange Index	1,818.20	867.60	706.30	-52.3	-18.6	-61.2
DENMARK	OMX Copenhagen 20	460.53	247.02	227.70	-46.4	-7.8	-50.6
FINLAND	OMX Helsinki Index	11,598.42	5,403.52	4,637.90	-53.4	-14.2	-60.0
FRANCE	CAC40	5,627.48	3,217.13	2,760.34	-42.8	-14.2	-50.9
GERMANY	DAX	8,038.60	4,704.86	3,996.32	-41.5	-15.1	-50.3
GREECE	Athex Composite Share Pr	5,152.16	1,786.51	1,578.63	-65.3	-11.6	-69.4
HUNGARY	Budapest Stock Exchange Index	26,235.63	12,241.69	9,897.28	-53.3	-19.2	-62.3
ICELAND	OMX Iceland All-Share PR	5,803.35	581.76	382.74	-90.0	-34.2	-93.4
IRELAND	Irish Overall Index	6,934.35	2,343.27	2,109.93	-66.2	-10.0	-69.6
ITALY	Milan MIB30 Index	38,885.00	20,064.00	15,360.00	-48.4	-23.4	-60.5
JAPAN	NIKKEI 225	15,307.78	8,859.56	7,972.17	-42.1	-10.0	-47.9
KOREA	KRX 100 Index	3,864.01	2,373.06	2,484.88	-38.6	4.7	-35.7
LUXEMBOURG	LuxX Index	2,419.28	961.13	830.12	-60.3	-13.6	-65.7
MEXICO	Bolsa	29,536.83	22,392.38	19,239.45	-24.2	-14.1	-34.9
NETHERLANDS	AEX Index	515.69	240.81	209.34	-53.3	-13.1	-59.4
NEW ZEALAND	NZX 50 FF Gross Index	4,041.38	2,715.71	2,606.33	-32.8	-4.0	-35.5
NORWAY	OBX Stock Index	419.65	194.33	189.86	-53.7	-2.3	-54.8
POLAND	WSE WIG Index	55,648.54	27,228.64	22,892.30	-51.1	-15.9	-58.9
PORTUGAL	PSI General Index	4,130.47	2,073.59	2,051.47	-49.8	-1.1	-50.3
SLOVAK REPUBLIC	Slovak Share Index	445.65	359.18	291.60	-19.4	-18.8	-34.6
SPAIN	IBEX 35 Index	15,182.30	9,017.70	7,661.60	-40.6	-15.0	-49.5
SWEDEN	OMX Stockholm 30 Index	1,081.44	662.33	662.76	-38.8	0.1	-38.7
SWITZERLAND	Swiss Market Index	8,518.19	5,534.53	4,783.32	-35.0	-13.6	-43.8
TURKEY	ISE National 100 Index	55,538.13	26,864.07	23,497.17	-51.6	-12.5	-57.7
UNITED KINGDOM	FTSE 100	6,456.90	4,319.35	3,804.99	-33.1	-11.9	-41.1
UNITED STATES	S&P 500	1,465.13	903.00	777.36	-38.4	-13.9	-46.9
<b>NON-OECD COUNTRIES</b>							
INDONESIA	Jakarta Composite Index	2,745.83	1,355.41	1,322.84	-50.6	-2.4	-51.8
KUWAIT	Kuwait SE Weighted Index	713.04	421.21	358.03	-40.9	-15.0	-49.8
QATAR	DSM 20 Index	9,697.51	6,788.69	4,796.63	-30.0	-29.3	-60.5
SAUDI ARABIA	Tadawul All-Share Index	11,038.66	4,791.27	4,400.21	-56.6	-8.2	-60.1
UAE	DFM General	5,931.95	1,636.29	1,508.05	-72.4	-7.8	-74.6
VENEZUELA	Venezuela Stock Market Index	37,715.80	35,090.08	41,067.18	-7.0	17.0	8.9
ARGENTINA	Merval Index	2,168.23	1,079.66	1,040.02	-50.2	-3.7	-52.0
BRAZIL	Bovespa	63,886.10	37,060.16	39,501.49	-42.0	6.6	-38.2
CHINA	Shanghai SE A Index	5,571.34	1,911.80	2,334.18	-65.7	22.1	-58.1
COLOMBIA	IGBC General	10,681.34	7,560.68	7,875.37	-29.2	4.2	-26.3
INDIA	BSE Sensex Index	20,286.99	9,716.16	8,976.68	-52.1	-7.6	-55.8
MALAYSIA	Kuala Lumpur Comp Index	1,447.04	881.63	847.96	-39.1	-3.8	-41.4
OMAN	MSM 30 Index	9,035.46	5,441.12	4,660.67	-39.8	-14.3	-48.4
RUSSIA	Micex Index	1,888.86	619.53	743.05	-67.2	19.9	-60.7
<b>AFRICAN COUNTRIES</b>							
BOTSWANA	Botswana Gaborone Index	8,421.63	7,035.50	6,505.03	-16.5	-7.5	-22.8
EGYPT	EGX Case 30 Index	10,549.74	4,596.49	3,914.65	-56.4	-14.8	-62.9
GHANA	GSE Index	6,599.00	10,428.34	9,662.42	58.0	-7.3	46.4
KENYA	Kenya Stock Exchange NS Index	5,444.83	3,459.97	2,684.57	-36.5	-22.4	-50.7
NIGERIA	NSE All-Share Index	57,990.22	31,450.78	20,373.68	-45.8	-35.2	-64.9
MAURITIUS	Mauritius Stock Exchange	1,843.56	1,182.75	955.21	-35.8	-19.2	-48.2
SOUTH AFRICA	FTSE/JSE Africa All-Share	28,957.97	21,509.19	19,355.78	-25.7	-10.0	-33.2

Source: Bloomberg

Table 2: DEPRECIATION OF EXCHANGE RATES VIS A VIS US DOLLAR (END-PERIODS) - % CHANGE &gt; 15%

COMPARATIVE EXCHANGE RATES (Currency Units Per US\$) - % Change as at 18 Mar 09					
CATEGORY	COUNTRY	CURRENCY	31-Dec-07	18 Mar 09	% Change (31Dec07/18Mar09)
OECD COUNTRIES	AUSTRALIA	Dollar	1.13430	1.51217	-24.99
	CANADA	Dollar	0.98810	1.27200	-22.32
	HUNGARY	Forint	172.91800	230.59000	-25.01
	ICELAND	Krona	62.00000	114.96000	-46.07
	KOREA	Won	938.20000	1,416.70000	-33.78
	MEXICO	Peso	10.91570	14.13333	-22.77
	NEW ZEALAND	Dollar	1.29190	1.88573	-31.49
	NORWAY	Krone	5.41100	6.70910	-19.35
	POLAND	Zloty	2.43500	3.47740	-29.98
	SWEDEN	Krona	6.44150	8.40500	-23.36
	TURKEY	Lira	1.17780	1.72101	-31.56
	UNITED KINGDOM	Pound Sterling	0.49920	0.72062	-30.73
	NON- OECD COUNTRIES	INDONESIA	Rupiah	9,385.80000	11,979.00000
RUSSIA		Ruble	24.54620	34.42030	-28.69
BRAZIL		Reais	1.77050	2.30351	-23.14
INDIA		Rupee	39.41000	51.35000	-23.25
ARGENTINA		Peso	3.15003	3.74008	-15.78
AFRICAN COUNTRIES	KAZAKHSTAN	Tenge	120.30000	150.38000	-20.00
	KENYA	Shilling	63.97007	80.39280	-20.43
	ZAMBIA	Kwacha	3,900.15000	5,655.00000	-31.03
	SOUTH AFRICA	Rand	6.81000	9.93750	-31.47
	BOTSWANA	Pula	6.28472	7.90514	-20.50
	GHANA	New Cedi	0.99620	1.41004	-29.35
	MAURITIUS	Rupee	28.21620	34.25470	-17.63
	<b>NIGERIA</b>	<b>Naira</b>	<b>117.80000</b>	<b>148.41950</b>	<b>-20.63</b>

Sources: 1. IMF International Financial Statistics  
2. Exchange-rates.org: Bold Fonts (red)  
3. Google Country currency converter: Highlighted (green)  
4. TED, CBN: Highlighted (yellow)

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