



# 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:

### **South Africa's Gordhan Says Tax Revenue May Decline**

South African Finance Minister Pravin Gordhan said tax revenue will decline because of the economic recession, even though the number of companies complying with tax laws has increased 10 percent.

"Despite the best efforts of our Revenue Service, tax revenues, after adjusting for inflation, are expected to decline," Gordhan told lawmakers in Cape Town today in a debate on President Jacob Zuma's June 3 state-of-the-nation address.

South Africa's fiscal posi-

tion remains strong, public debt is moderate and the foreign reserve position of the central bank is "in good health," Gordhan said. That means the country will continue with its 787 billion rand (\$98 billion) infrastructure investment program and increases in social welfare programs, he added.

Zuma, who was inaugurated on May 9, said in parliament this week that the government would create 4 million jobs over the next five years, doubling its previous target, in a bid to counter South

Africa's first recession in 17 years. The jobs will stem from public works programs, with half a million created in the next seven months, Zuma said.

Gordhan, 60, who from 1999 until this year was the head of South African Revenue Services, said tax collection efforts will intensify and that National Treasury will establish a unit to monitor and investigate all contracts awarded by state departments.

*Source: Bloomberg.com, June 5, 2009*

## HIGHLIGHTS

**..Africa:** South Africa's Gordhan Says Tax Revenue May Decline

◆ **Middle East:** Abu Dhabi State Fund To Go With Dollar Investments

**..Asia:** Bank of Japan Says Zero Rates Would Have Hampered Market

**America:** U.S. Unemployment Rate Probably Topped 9%, Highest Since 1983

**..Europe:** Australian, N.Z. Dollars Strengthen for Third Week against Yen

**..BRIC:** China's Stock Index Fluctuate

## MIDDLE EAST:

### **Abu Dhabi State Fund To Go With Dollar Investments**

Abu Dhabi investment Authority (ADIA), one of the world's biggest sovereign wealth funds, is likely to continue making dollar-based investments because Abu Dhabi has a dollar-denominated economy, an official said.

"ADIA has been for a long time following a very stable strategy," said Ahmed Al Mazroui, executive director of infrastructure development for the Abu Dhabi Investment Council (ADIC), the investment arm of the government of Abu Dhabi.

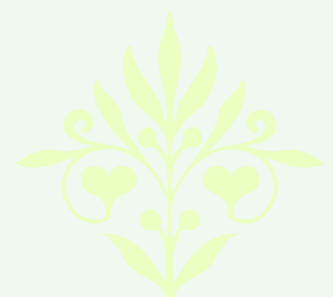
"I would say you would probably continue seeing the same dollar-denominated investments," he told a forum on investment collaboration between Abu Dhabi's sovereign wealth funds and Japanese firms held in Tokyo. In a recent report consulting firm Motor Group estimated ADIA had \$ 282 billion in assets, making it the world's second-largest sovereign wealth fund after Norway's Government Pension Fund, which has an estimated \$ 326 billion. Abu Dhabi is the wealthiest of seven emirates within the

United Arab Emirates.

The dollar has fallen in the past several months as its appeal as a safe-haven currency has been eroded by growing signs that the global recession may have passed its worst.

Such dollar selling has gained momentum in the past few weeks, due to a renewed focus on ballooning US government debt issuance.

*Source: Reuters.com, June 5, 2009*



**ASIA:*****Bank of Japan Says Zero Rates Would Have Hampered Market***

Bank of Japan Executive Director, Hiroshi Nakaso, observed that lowering the nation's key interest rate to zero would have hampered the functionality of money markets. BOJ lowered the overnight lending rate to 0.1 percent in December, 2008. Speaking at an economic forum in Tokyo today (Friday, June 05, 2009), Nakaso pointed out that 'if we had chosen to go all the way

down to zero interest rates, like we did in the quantitative easing policy that lasted from 2001 to 2006, the money market would have shrunk more sharply and market functioning lost accordingly'. He further observed that with borrowing costs at that level lender can still cover transaction costs or brokerage fees.

Regarding global financial

markets, Nakaso also observed that there are 'some early signs of stabilization from which we can take some comfort, adding, we should continue to keep a close watch on market conditions because we think they are still far from solid.

*Source: Bloomberg.com, June 5, 2009*

**AMERICA:*****U.S. Unemployment Rate Probably Topped 9%, Highest Since 1983***

Unemployment in the U.S. probably exceeded 9 percent in May for the first time in more than 25 years, underscoring the threat job losses pose for an economic recovery, a government report may show today. The jobless rate jumped to 9.2 percent, the highest level since 1983, according to the median estimate of 75 economists in a Bloomberg News survey. Employers probably cut 520,000 workers from payrolls, the smallest decrease in seven months.

A deceleration in firings, coupled with stabilization in housing and manufacturing, signal the recession is easing. Still, Americans are spending less and savings more as home values fall and companies from American Express Co to General Motors Corp. pare jobs, meaning any expansion may be muted. The Labor Department report is due at 8:30 a.m. in Washington. Economists' estimates for unemployment ranged from 9 percent to 9.4 percent. The rate was at 8.9 percent in April. The world's largest

economy has already lost 5.7 million jobs since the recession began in December 2007. That's the biggest drop in any post-World War II economic slump. The U.S. may suffer additional "sizable" job losses, Federal Reserve Chairman Ben S. Bernanke said this week in testimony to lawmakers. While economic growth will return "later this year," he said, unemployment will rise "into next year."

*Source: Bloomberg.com, June 5, 2009*

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## EUROPE:

### *Australian, N.Z. Dollars Strengthen for Third Week against Yen*

THE TWO CURRENCIES  
GAINED FOR A SECOND  
DAY AGAINST THE YEN  
AFTER EUROPEAN  
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PRESIDENT JEAN-  
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The Australian and New Zealand dollars rose against the yen, heading for a third weekly advance, as investors bought the two nations' higher-yielding assets on speculation the global recession is abating. The Australian dollar reversed earlier losses against the U.S. currency today after Rio Tinto Group and BHP Billiton Ltd. said they would establish an iron-ore joint venture in Western Australia. The two currencies gained for a second day against the yen after European Central Bank President Jean-Claude Trichet said yesterday the region's economic performance will improve this year.

Australia's currency rose 0.7 percent to 77.92 yen as of 4:47 p.m. in Sydney from 77.44 yen in New York yesterday and has gained 2 percent this week. It climbed to 80.51 U.S. cents from 80.18 cents yesterday and 80.11 cents last week. It was at 80.20 cents before the Rio-BHP announcement. Australia's currency rose against the dollar and yen after Melbourne-based BHP, the world's biggest mining company, agreed to pay Rio Tinto

\$5.8 billion to create a venture covering the companies' West Australian iron ore assets. Rio said it would raise \$15.2 billion from a rights issue after rejecting a \$19.5 billion investment from Aluminum Corp. of China.

Australia's currency also rose as an index measuring building activity climbed in May to the highest in a year, adding to signs the economy will outperform its peers in 2009 after unexpectedly expanding in the first quarter. The index gained 10.4 points from April to 46.9, according to a survey by the Australian Industry Group and Housing Industry Association released in Sydney. The Australian dollar will strengthen to 90 U.S. cents in a year, a level it hasn't touched since August, as it benefits from higher interest rates and the "surprising resilience" of economic data, Barclays Capital said in a note to clients.

New Zealand's dollar gained 0.4 percent to 61.49 yen, extending this week's advance to 0.8 percent. It traded at 63.61 U.S. cents from 63.45 cents yesterday, having declined 0.7 percent this week. New Zea-

land's currency will climb to 76 U.S. cents in 12 months, the bank said, raising its estimate from 66 cents. The central banks of the two nations, which will benefit from rising commodity prices, will likely be the first among the major developed countries to raise borrowing costs in the first quarter of 2010, wrote David Forrester, a currency strategist in Singapore at the unit of the U.K.'s third-biggest bank. The Reserve Bank of New Zealand is likely to leave interest rates unchanged when it meets on June 11, according to a Credit Suisse index based on swaps trading. There is a 36 percent chance of a reduction, according to the index. Governor Alan Bollard will leave the official cash rate at 2.5 percent, ASB Bank Ltd. forecast today, scrapping its previous forecast of a quarter-point cut

*Source: Bloomberg.com, June 5, 2009*

**BRIC:**

***a) China's Stock Index Fluctuate***

China's stocks fluctuated as financial companies dropped on speculation this year's rally has priced in prospects for earnings recovery, while commodity producers gained on higher raw-materials prices. Chinese stocks have rallied on speculation Premier Wen Jiabao's 4 trillion yuan ( \$586 billion) stimulus spending will revive the world's third-

largest economy, which expanded at the weakest pace in almost 10 years in the first quarter.

"I am worried that investors will get hit when companies announce half-year earnings in the months ahead," said Zhang Xiuqi, a strategist at Guotai Junan Securities Co. in Shanghai. Haitong Securities, the country's second-

largest listed brokerage by market value, fell 1.4 percent to 15.47 yuan. The stock traded at 40.1 times earnings yesterday, the most since June 2008 and almost four times the low of 10.8 times in December.

*Source: Bloomberg.com, June 5, 2009*

***India's Regulator Bars 26 Firms, People Tied to Broker Parekh***

India's capital markets regulator barred 26 firms and individuals from trading in securities as it investigates their transactions and the potential routing of funds from barred stock broker Ketan Parekh. The Securities and Exchange Board of India also asked the government's enforcement directorate to investigate if Parekh, banned for 14 years from the securities market in

December 2003, is using some of these firms and individuals to trade in stocks, it said in a statement posted on its Web site yesterday.

The Bombay Stock Exchange was also ordered to probe trading of Cals Refineries Ltd shares by brokerage Chimanlal Maneklal Securities Pvt. in connection with the same case. The regulator said it has examined trading by the

26 firms and individuals in shares of Cals, Confidence Petroleum India Ltd, Bang Overseas Ltd, Shree Pre-coated Steels Ltd., and Temptation Foods Ltd. Parekh wasn't immediately available at his office in Mumbai for comment today .

*Source: Bloomberg.com, June 5, 2009*

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Table 1: 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>5-June-09</b>	<b>YTD % Change</b>
<b>OECD COUNTRIES</b>	ICELAND	Krona	62.00000	203.30000	-69.50
	JAPAN	Yen	112.25000	96.75000	16.02
	KOREA	Won	938.20000	1,246.50000	-24.73
	MEXICO	Peso	10.91570	13.29913	-17.92
	NEW ZEALAND	Dollar	1.29190	1.58003	-18.24
	POLAND	Zloty	2.43500	3.19830	-23.87
	SWEDEN	Krona	6.44150	7.68000	-16.13
	TURKEY	Lira	1.17780	1.53759	-23.40
	UNITED KINGDOM	Pound Sterling	0.49920	0.62135	-19.66
	<b>NON-OECD COUNTRIES</b>	RUSSIA	Ruble	24.54620	30.69190
INDIA		Rupee	39.41000	47.08000	-16.29
ARGENTINA		Peso	3.15003	3.80150	-17.14
KAZAKHSTAN		Tenge	120.30000	150.24000	-19.93
<b>AFRICAN COUNTRIES</b>	KENYA	Shilling	63.97007	77.92220	-17.91
	ZAMBIA	Kwacha	3,900.15000	4,910.00000	-20.57
	SOUTH AFRICA	Rand	6.81000	8.05500	-15.46
	GHANA	New Cedi	0.99620	1.48693	-33.00
	NIGERIA	Naira	117.80000	148.20740	-20.52

Sources: 1. IMF International Financial Statistics [http://www.imf.org/external/np/fin/data/rms\\_mth.aspx](http://www.imf.org/external/np/fin/data/rms_mth.aspx)  
2. Exchange-rates.org: <http://exchange-rates.org/currentRates/A/USD>  
3. Google Country Currency Converter: <http://www.oanda.com/convert/fxdaily>  
4. TED, CBN:

Notes: 1. Depreciation (-). Appreciation (+)  
2. \*Euro Area:- Recorded 12.15% depreciation  
3. \*\*UEMOA Countries:- Recorded 10.05% depreciation