

ECONOMIC UPDATE

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AZEVEDO CALLS FOR APEC MINISTERS' HELP IN REACHING CONSENSUS ON BALI PACKAGE

Director-General Roberto Azevêdo, in his speech at the APEC Ministerial Meeting in Bali on 4 October 2013, said: "We have less than 2 months to reach consensus on the Bali package. The engagement that Members are showing in Geneva is encouraging. However, I am calling for your help as well – this will be vital to get us over the line in December and set the WTO and the whole multilateral trading system in a much-needed positive direction." Only two weeks ago, the WTO reviewed downwards its estimates for world trade growth. For this year, WTO economists predict a growth rate of just 2.5%, down from the 3.3% forecast in April. This is much closer to the disappointing 2.3% rate seen in 2012. For 2014, trade growth is expected to accelerate, but the rate has been revised down to 4.5% from the earlier 5.0% forecast. Predictably, these downward revisions in trade are accompanied by a slight downward revision of world GDP estimates

AZEVEDO REACHES OUT TO MINISTERS, WARNS "MOMENT OF TRUTH" IS NEAR FOR BALI

Director-General Roberto Azevêdo reported to the General Council on 9 October that from his recent meetings with APEC ministers in Bali and with India's Minister of Commerce Anand Sharma in New Delhi, he was "deeply encouraged by the strong commitment from these ministers to a successful Bali outcome". He warned that "from next Monday we will be entering the final stages of our Bali preparatory process – the moment of truth will have arrived".

WEAK JOB GAINS & SHUTDOWN-SKEWED STATS MAY DELAY FED'S TAPERING OF STIMULUS

Even before the government shutdown and debt ceiling crisis in the US, the nation's economy was lagging and job growth was sluggish. And the recent dysfunction in Congress seems likely to make the situation worse. The economy added just 148,000 jobs in September, the US Labour Department reported in a discouraging economic snapshot taken just before a federal shutdown that resulted in hundreds of thousands of furloughs.

That shutdown, which delayed the release of the September employment report by more than two weeks, is expected to weigh on growth when the next monthly job market data is released on November 8, a week behind schedule.

LEADERS FROM AROUND THE WORLD HAVE A MESSAGE FOR WASHINGTON: RAISE THE DEBT CEILING, AND DO IT RIGHT NOW.

On this, there is absolute consensus. Leaders from China, Japan, Saudi Arabia, Germany and Singapore have all pleaded for a speedy resolution -- saying that a default by the United States would have a profound effect on their economies.

It's a risk that dominated last week's meeting of the International Monetary Fund in Washington, an event attended by nearly all central bankers and finance chiefs.

"I've just spent the last two days with representatives of about 188 countries around the world ... they are very anxious to see this crisis resolved, because they know it's going to impact their economy," IMF chief Christine Lagarde told CNN.

Many economies around the world are still struggling in the wake of the 2008 financial crisis, and leaders are unnerved by the idea that growth could be reversed by a self-inflicted financial calamity in the U.S. Debt burden.

Mr Lew has also warned that letting talks over the debt ceiling go down to the wire "could be very dangerous".

The current debt limit of \$16.699 trillion was reached in May.

"It would ripple through the world economy in a way that you couldn't possibly understand"

Since then the US Treasury has been using what are called extraordinary measures to keep paying the bills, but those measures run out on 17 October. Every week, the Treasury also has to refinance \$100bn worth of debt in the form of US government bonds known as treasuries. The US also has to pay interest on its huge debt burden. An inability to pay that interest, or pay back debt if required, would put the US into default.

CHINA'S ECONOMIC GROWTH REBOUNDS TO 7.8 PER CENT

China's economic growth rebounded in the latest quarter, easing pressure on communist leaders for more stimulus and allowing them to focus on longer-term reforms. The world's second-largest economy grew by 7.8 per cent over a year earlier in the three months ending in September, boosted by higher government spending, data showed Friday. That was up from a two-decade low of 7.5 per cent the previous quarter. "The fundamentals of China's economy are turning for the better," said a National Bureau of

Statistics spokesman, Sheng Laiyun, at a news conference. The improvement eases pressure on communist leaders who say their priority is longer-term reforms aimed at steering the economy to slower, more sustainable growth based on domestic consumption instead of exports and investment. The abrupt drop in global demand for Chinese goods prompted them to backtrack temporarily and launch a mini-stimulus of higher spending on railway construction and other public works to prop up growth and avoid politically dangerous job losses.

INDIA AND THE IMF

Ahead of the recent IMF-World Bank meetings in Washington, Finance Minister P. Chidambaram questioned the accuracy of growth forecasts of member-countries put out by the world body. In specific focus has been the sharp downgrade by the IMF of India's growth forecast for 2013-14. In its latest update to the World Economic Outlook (WEO), the IMF estimates the Indian economy to grow by just 3.8 per cent, sharply lower than the 5.6 per cent forecast in July. A pertinent question raised by Mr. Chidambaram has to do with the rationale, the reasons behind such a sharp downgrade: what is the significant bad news that the IMF has received between July and September to warrant such a steep downgrade?

CHINA HOME PRICES RISE BY A RECORD IN FOUR MAJOR CITIES

China's four major cities saw record rise in new home prices in September, stoking fears of a housing bubble. Prices in Beijing, Shanghai, Shenzhen and Guangzhou saw their biggest jump since the government changed its calculation method in January 2011. Property remains a popular investment choice in China and prices have now risen for nine months in a row. Analysts say Beijing has so far held back on imposing fresh curbs due to concerns over slowing economic growth. However, data released last week showed that China's growth rate picked up in the July-to-September period - the first rise in three quarters.

WITHOUT BRICS' GROWTH, GLOBAL ECONOMY 'WOULD REMAIN SEMI-DEPRESSED' – MEDVEDEV

The recession that engulfed the developed world means that emerging economies are now center stage, Russia's PM Dmitry Medvedev said, adding that fast-growing BRIC countries – Brazil, Russia, India, China and South Africa – are the key to recovery. "If the world economy has a future, it will be successful only in case emerging economies take part in it," "I think our economies, the economies of BRICS countries, for example, and other developing markets are the main economic growth drivers," He added that most of the developed world was suffering, including Europe, Russia's biggest trade partner, as well as the world's biggest economy, the US. "Recently they [the US] had a crisis in relations between the executive and the parliament, and that had a negative impact on the interests of the economy as a whole," Referring to

the 16-day government shutdown and standoff with Congress that drove the US almost to the brink of an unprecedented default. The International Monetary Fund has projected that global economic growth will slow to between 2 percent and 3 percent this year. "If we are not able to contribute from the side of emerging markets, our global economy will remain in semi-depressed condition," Medvedev said.

WORLD ECONOMY A 'MAJOR WORRY' FOR OPEC OIL PRODUCERS, BADRI SAYS

OPEC sees a possible drop in energy demand caused by a weaker world economy as its "main area of concern" for the next several months, the group's secretary-general said. "As we approach the end of 2013 and into next year, we need to remain vigilant," Abdalla El-Badri said at a conference today in Muscat, Oman. "The economy remains the major worry, particularly in the short and medium term." While the Organization of Petroleum Exporting Countries expects global economic growth to accelerate to 3.5 percent in 2014 from 2.9 percent this year, Europe faces a "major challenge" in its labor market, and growth in China and India has slowed, he said. A possible easing of U.S. monetary stimulus threatens investment in developing countries, El-Badri said.

FRENCH ENVIRONMENTAL LABELS TRIAL AND SWISS 'GREEN ECONOMY' PLANS AIRED IN COMMITTEE

Experimental use of environmental information on product labels in France and Switzerland's plans for a "green economy" were among the issues WTO members discussed on 16 October 2013 in the Trade and Environment Committee.

In the committee, WTO members exchange information on their policies; they also receive briefings from the committee's observer organizations on developments in those organizations and under multilateral environmental agreements. Although members welcomed the information provided in this meeting, some — particularly developing countries — asked how the increased use of environmental measures, such as environmental labeling, could be prevented from becoming unnecessary trade barriers. Some also asked how these environmental requirements can help developed and least developed countries in particular supply exports for "global production value chains", where products go through different stages of production in different countries. Some countries and observer organizations also stressed the role of international trade in driving sustainable development and eliminating of poverty. They referred to the document produced at the United Nations Conference on Sustainable Development in Rio de Janeiro in 2012 — the Rio+20 Outcome Declaration