

Venezuela annual inflation slows more than expected

Venezuela's annual inflation rate fell more than expected in November as an economic slowdown curtailed consumption in the oil-dependent economy.

Consumer price increases, as measured by the central bank's benchmark Caracas price index, eased to 32.7 percent in November from a year earlier. The annual rate trailed the 33.1 percent median forecast of eight economists in a Bloomberg survey. The monthly inflation rate was 2.1 percent.

"Aggregate demand has decelerated very sharply after double-digit growth in previous years," Oscar Carvallo, chief economist at BBVA Banco Provincial in Caracas, said. "This confirms our estimates that we're in the midst of a strong deceleration which will relieve pressure on inflation."

Venezuela, the biggest oil exporter in the Western Hemisphere, is bracing for slower growth next year and a possible devaluation that would spur consumer prices. Export revenue may contract on lower oil prices, reducing imports.

Monthly inflation as measured by the central bank's new national consumer price index, which monitors prices across the country, was 2.3 percent in November. National consumer prices rose 27.6 percent in the first 11 months of the year.

Food price inflation rose the most on the index in November to 3.8 percent in Caracas and 46.9 percent from the same month a year earlier. Prices for hotels and restaurants accelerated 2.2 percent last month and 50 percent in the last 12 months, according to the central bank.

Consumption

Private consumption, which grew about 34 percent last year has slowed to about half that in 2008 as higher interest rates and a slowing economy has led to a drop in borrowing, said Efrain Velazquez, an economist at the consulting firm Azpurua, Garcia-Palacios & Velazquez in Caracas.

Annual retail sales growth expanded 12.3 percent in August, down from an annual growth of 47 percent in 2007. Car sales plunged 68.1 percent in November from a year earlier.

"Consumption is down in part from government action and also uncertainties consumers have about the international crisis," Velazquez said.

As consumer prices in other Latin American economies begin to slow on falling commodity prices, Venezuela remains the country with the highest inflation in the region.

A 52 percent drop in the bolivar in the last six months on the parallel exchange market has made imports more expensive. Under exchange controls implemented in 2003, Venezuelans who can't obtain permission from the government to buy dollars at the official exchange rate of 2.15 bolivars per dollar, turn to the parallel market.

Bolivar, Oil

Last month's drop in annual inflation was mostly the result of a high base of comparison a year earlier, when the government implemented a tax on financial transactions that was later repealed, said Alejandro Grisanti, an economist at Barclays Capital Inc. in New York.

The slowdown in consumer price gains may not continue in the coming months, as concern mounts that the government will be forced to devalue the official exchange rate to compensate for a drop in oil export revenue, he said.

The Venezuelan oil basket, a benchmark of prices for oil exports, dropped 12.9 percent this week to \$34.49 a barrel on Saturday, according to the Energy and Oil Ministry which publishes the basket price weekly. Venezuela depends on oil for 90 percent of its export revenue and 50 percent of its public spending.

"We're headed toward a scenario of profound fiscal restrictions and a possible devaluation from the fall in oil prices," Grisanti said in a telephone interview.

(Source: Bloomberg)

Tehran, Bishkek seek to boost trade to \$100m



Tehran Times Economic Desk

TEHRAN — The Iranian and Kyrgyz foreign ministers announced here on Saturday that the two countries plan to increase annual bilateral trade to 100 million dollars.

In a joint news conference, Iranian Foreign Minister Manouchehr Mottaki stated that the fact that embassies have been opened in Tehran and Bishkek indicates that the two countries are eager to expand their ties.

He expressed hope that Iran and Kyrgyzstan, as members of the Economic Cooperation Organization (ECO), have great potential to broaden their economic activities in the region, the Mehr News Agency reported.

Kyrgyz Foreign Minister Ednan Karabayev said that he has held talks with Mottaki on the expansion of relations, particularly in the transportation and agricultural sectors.

Brazil inflation eases unexpectedly in November

SAO PAULO (Reuters) — Inflation in Brazil eased unexpectedly in November amid a slowing economy and dwindling consumer confidence, reinforcing the view that the central bank has room to hold interest rates next week for the second straight month.

The benchmark IPCA consumer price index rose just 0.36 percent in November, slowing from a 0.45 percent increase in October, the government's statistics agency IBGE said on Friday.

The index was expected to rise 0.50 percent last month, according to the median forecast of 25 economists surveyed by Reuters. Estimates ranged from 0.47 percent to 0.55 percent.

Food and beverage prices, which had jumped 0.69 percent in October and have been pressuring inflation all year long, rose 0.61 percent in November.

Clothing prices also rose less last month, climbing 0.71 percent after a 1.27 percent jump in October.

India's central bank cuts key interest rates

MUMBAI, India (AP) — India's central bank slashed key interest rates by 1 percentage point Saturday amid signs of slowing economic growth and damaged investor confidence following the recent terror attacks in Mumbai.

the real estate sector, all of which have been hit hard by the global economic downturn.

Reserve Bank Governor D. Subbarao said the moves were designed to "arrest the downturn and revive the growth momentum." They come amid widespread

free up lending.

The measures are "a good start in the correct direction," the Federation of Indian Chambers of Commerce and Industry said in a statement.

Since mid-September, the Reserve Bank has infused 3 trillion rupees (\$60.2 billion) into the financial system.

Falling inflation has allowed the bank to take more aggressive measures to boost growth.

Inflation for the week ended Nov. 22 was 8.4 percent, down from an August high of 12.9 percent, according to revised figures from the Ministry of Commerce.

Subbarao said inflation has been declining faster than expected, despite high food costs, due to falling commodities prices and waning domestic demand.

The government's decision late Friday to cut fuel costs should further ease consumer prices, he said. Gasoline prices were lowered by 5 rupees a liter to 45.62 rupees, and diesel prices by 2 rupees a liter to 32.86 rupees.

"Economic activity in India will recover sharply, but a period of painful adjustment is inevitable," Subbarao said.

He added that the economic impact of the Mumbai terror attacks is hard to estimate but he remains hopeful the nation will bounce back quickly.

"The government is geared up now to address the problem and that should inspire confidence," he said.

U.S. economy heads for deep, long recession as job losses mount

By Rich Miller and Bob Willis

WASHINGTON (Bloomberg) — The U.S. economy may be headed for its deepest and longest recession since World War II as mounting job losses take their toll on consumer confidence and spending.

Employers cut payrolls last month at the fastest pace in 34 years as the unemployment rate rose to 6.7 percent, the highest level since 1993. The 533,000 drop brought cumulative job losses this year to 1.91 million, the Labor Department said yesterday in Washington.

"Almost all businesses are in survival mode, and they're slashing payrolls and investments just to conserve cash," Mark Zandi, chief economist at Moody's Economy.com in West Chester, Pennsylvania, said in a Bloomberg Television interview yesterday. "We're in store for some big job losses."

The plunge may spur incoming President Barack Obama to come up with a fiscal stimulus package larger than the \$700 billion plan some economists advocate. Yesterday's figures also may add to pressure on the Federal Reserve to take further steps to revive credit and on lawmakers to bail out American automakers.

"There are no quick or easy fixes to this crisis, which has been many years in the making, and it's likely to get worse before it gets better," Obama said in a statement yesterday. "But now is the time to respond with urgent resolve to put people back to work and get our economy moving again."

After falling in early trading in response to the employment data, stocks rallied yesterday on an increased profit forecast by Hartford Financial Services Group Inc. The Standard & Poor's 500 index gained 3.7 percent to close at 876.07 in New York, still down 40 percent for the year to date.

Fourth-quarter GDP

John Silvia, chief economist at Wachovia Corp. in Charlotte, North Carolina, said the report suggests that the economy shrank at annual rate of 5 percent in the final three months of the year. That would be the biggest contraction since the first quarter of 1982.

"Consumer confidence is going to be bad," Silvia said. "It is going to be a difficult winter for a lot of people."

Yelena Grinberg of San Francisco is already feeling the effects of a sluggish labor market. The 26 year old has sent out more than 100 resumes since she lost her job as an administrative assistant, and has only landed one position: doing clerical work for \$12 an hour over two days.

"It's really tough," she said, standing outside an Employment Development Department office in San Francisco. "I was so sure it wasn't going to be hard. But no one wants to look at me," she said, starting to cry. "I'm running out of money and I'm freaking out."

GM, Citigroup

Job losses are likely to mount next year as the collapse in credit and slump in spending hurt companies from General Motors Corp. to Citigroup Inc. and AT&T Inc. Legg Mason Inc., a Baltimore-based fund manager, said yesterday it will eliminate 8 percent of its workforce.

Payrolls in November were forecast to drop by 335,000, according to the median estimate in a Bloomberg News survey. The jobless rate was projected to rise to 6.8 percent.

Revisions for September and October increased losses by 199,000. November was the 11th consecutive drop in payrolls.

The employment slump was a key factor in determining the start of the recession. The National Bureau of Economic Research, the arbiter of U.S. business cycles, announced this week that a contraction began in December 2007, the month payrolls peaked.

Yearlong recession

At 12 months, the recession is already the longest since the 16-month slump that ended in November 1982.

To fight the downturn, Fed Chairman Ben S. Bernanke this week outlined unorthodox policy action that officials can take beyond lowering interest rates. One option would be to purchase longer-term Treasuries on the open market to inject more cash into the financial system.

The central bank may also cut its benchmark rate from 1 percent at its meeting Dec. 15-16 in Washington. HSBC Holdings Inc. economists yesterday forecast the Fed will reduce it to zero, emulating the Bank of Japan's efforts to defeat deflation earlier this decade.

Factory payrolls fell 85,000, the Labor Department said. The slide would have been even worse without the return of 27,000 striking machinists at Boeing Co.

Also preventing the unemployment rate from climbing even more last month was a surge in part-time workers. The number of Americans saying they worked part-time last month due to economic reasons -- either because their hours were cut or they couldn't find full-time jobs -- surged to 7.32 million, the most since records began in 1955.

Hit to carmakers

U.S. automakers have been particularly hard hit as sales last month dropped to the lowest level in 26 years. The top executives of GM, Ford Motor Co. and Chrysler LLC this week appealed to Congress for as much as \$34 billion in government assistance.

Lawmakers who support bailing out U.S. automakers sought to rally support for a scaled-down loan program, citing the grim jobs report as evidence that bankruptcies of any of the Big Three would be disastrous for the economy.

At least some of the acceleration in job losses is the result of the tightening grip of the credit crunch, with loss-ridden banks making it harder to borrow, economists said. Policy makers' decision in September to let investment bank Lehman Brothers Holdings Inc. fail contributed to the crisis, analysts also said.

"It's the collapse heard around the world," said Ellen Zentner, a senior economist in New York at Bank of Tokyo-Mitsubishi UFJ Ltd., which had the closest payrolls forecast in the Bloomberg survey. "It's probably one of the worst decisions the Fed ever made -- to save everybody else but Lehman."

Financial firms decreased payrolls by 32,000 last month, after a loss of 31,000 in October. The report also reflected the housing slump, with builders eliminating 82,000 posts after a 64,000 drop the month before.

"We don't get the job losses stopping until 2010," Kurt Karl, chief U.S. economist at Swiss Re in New York, said in a Bloomberg Television interview.