

## Dubai economy 'will bounce back'

Dubai is "better placed" than the UK for economic recovery, according to the president of the Emirates Airlines.

Tim Clark told the BBC that Dubai's economy "would restart within 18 months" and be as "energetic as ever".

Concerns about the size of Dubai's debt burden have led to the city's stock market falling heavily in recent weeks.

But Mr. Clark predicted that the UK's long-term debt would mean it emerged more slowly from its continuing recession than Dubai.

Emirates, which is based in Dubai, is the largest airline in the Middle East.

Although it saw a fall in profits of 72 percent for the 2008/09 fiscal year, Mr. Clark was keen to downplay the impact of Dubai's economic problems on the airline.



Tim Clark, president of Emirates Airlines.

"The effects on Emirates have been marginal, we continue to fill our planes - we are continuing business as normal," he told BBC Radio 4.

Mr. Clark added that the airline was looking to buy more planes on top of the 160 which are already on order, and would seek funding from the debt market to finance that.

### Building blocks

Dubai has been shaken in recent weeks by financial concerns which began after the emirate's investment vehicle, Dubai World, said it wanted to delay payments to its creditors.

Acknowledging the impact on the area, Mr. Clark believed Dubai would return to strong growth in the medium-term as "the building blocks were in place" for a swift recovery.

"It is true to say that there are some office and residential developments which have not been occupied at the pace the developers hoped, but the pace these buildings came to market was probably a bit too high.

"Now we'll get a correction which will allow things to get back to some degree of normality, and underpinning that is the growth of the economy which will take up the slack.

"Dubai will cut loose in the next six to 18 months, and restart and be as energetic and vibrant as it always has been."

Dubai is one of the seven self-governing emirates or states that make up the United Arab Emirates.

Following six years of rapid growth, the Dubai economy has slumped since the second half of 2008.

Tim Clark said he remained bullish about its future.

"In my view, Dubai is in a better position to pick itself up from this globally-driven downturn than some much larger countries," he said.

"The UK has some long-term issues with regards to the debt put in place. I don't see the speed with which Dubai will get itself through this matched by the UK. It'll be faster here."

(Source: BBC)

# Car sales and output pass the 12m mark in China



A car assembly line in China. A report says Chinese car sales and production both exceeded 12 million between January and November.

Chinese car sales and production both exceeded 12 million between January and November, state media has said.

The China Association of Automobile Manufacturers expects car sales and output to top 13 million for the full year, the Xinhua News Agency reported.

China has never produced more than 10 million cars in one year before.

State incentives have boosted car sales, and the government has reiterated its plans to continue economic stimulus measures next year.

### World leader

Despite the downturn and falling sales at most global carmakers, demand for cars in China is booming.

In November alone, sales reached 1.35 million units, according to the preliminary figures.

The country's largest carmaker, Shanghai Automotive Industry, sold 2.44 million cars in the year to the end of November, a rise of more than 50 percent compared with the same period a year earlier, Xinhua said.

State incentives, such as tax cuts on small cars, have boosted sales in China.

Like many other governments around the world, China has also introduced subsidies to trade in older vehicles.

Previously, only the U.S. and Japan had produced 10 million cars in a single year.

Domestic Chinese car sales overtook those in the U.S. for the first time in December of last year.

### Domestic demand

The government said it would continue to stimulate the economy after its annual economic policy meeting on Monday, Xinhua reported.

"We must maintain the continuity and stability of our macro economic policy," said Beijing.

The government also reiterated its plans to introduce measures to persuade Chinese consumers to spend more.

China is an export-led economy and the government wants domestic demand to contribute more to overall economic activity.

"While seeking to expand domestic demand, we must especially lay importance on increasing consumer demand of the people," said the government.

There had been concerns that the government may look to clamp down on rising property and share prices by cutting back on stimulus measures.

Leading Chinese shares rose slightly on the news that the measures would stay in place. The Shanghai Composite index rose by 15 points, or 0.5 percent, to 3,331.9.

"The outcome of the meeting certainly has bolstered the market. It resolved investors' uncertainties," said Yu Haifeng, at Debon Securities.

(Source: BBC News)

## U.S. administration to slash bailout cost estimate

WASHINGTON (AP) — The Obama administration will lose \$200 billion less than expected from the federal bailout program and is looking at using part of the savings to fund new job creation efforts.

A Treasury official said Sunday that the administration now believes the cost of the financial rescue program will be at least \$200 billion below the \$341 billion estimate it made in August.

The official, who spoke on condition of anonymity because the administration's new projection has not been released, said the lower estimate reflected faster repayments by big banks and less spending on some of the rescue programs as the financial sector recovered from its free fall more quickly than the administration originally expected.

The administration had made the \$341 billion estimate as part of its mid-session budget review released in August.

The official said the new estimate will become part of the administration's new budget — meaning it at least some of the savings will be used to reduce the government's projected deficit — which President Barack Obama will present to Congress in February.

The \$700 billion financial rescue program, known as the Troubled Asset Re-



lief Program, was passed by Congress in October 2008 at the height of the worst financial crisis to hit the country since the 1930s.

Obama is scheduled to give a speech on the economy Tuesday and White House officials have said it is likely that the president will talk about using repaid TARP funds for a new job-creation program.

House Speaker Nancy Pelosi and other top Democrats have been drafting a jobs bill that would tap resources in the bailout program.

Among the proposals being considered are funding as much as \$70 billion in new transportation and infrastructure projects, providing new tax credits aimed at encouraging small businesses to hire workers and providing additional aid to state governments to preserve public sector jobs.

Republicans have voiced opposition to this approach, arguing that the money should be used to lower the government's ballooning deficits.

Treasury Secretary Timothy Geithner indicated Friday that the administration was considering supporting not only increased job creation with the TARP funds but also helping to reduce future budget deficits.

Geithner said that the administration expected to have \$175 billion in repayments from the banking system by the end of next year.

Treasury has spent about \$450 billion from the TARP, including around \$290 billion poured into banks.

Bank of America announced last week that it would return \$45 billion it had received, adding to the \$71 billion already repaid by nearly 50 other financial companies. Banks have also paid the Treasury about \$7 billion in dividends.

Lowering the estimated cost of TARP will also lower the administration's projections for budget deficits.

The deficit for the 2009 budget year, which ended in September, hit a record \$1.42 trillion and the administration in August projected a slightly higher deficit for the current year.

## German industrial orders post surprise drop

BERLIN (AFP) — German industrial orders posted the first drop for eight months in October, falling 2.1 percent, as the pace of recovery in Europe's biggest economy slackened, the government said on Monday.

"Since the start of the last quarter, the development in industrial orders has been muted as the strength of the upturn of recent months eased," the economy ministry said.

"But the trend in order volumes still points upwards. As a result, a subdued recovery in industrial production should continue in the fourth quarter," it said.

Economists polled by Dow Jones News-wires had forecast a rise of 0.5 percent in orders in October, following seven straight



A BMW employee works on the anti-lock braking system in the rear suspension at the German luxury carmaker's plant in Dingolfing, southern Germany, in 2008. German industrial orders posted the first drop for eight months in October, falling 2.1 percent, as the pace of recovery in Europe's biggest economy slackened, the government said on Monday. (AFP/File/Lennart Preiss)

monthly increases.

The ministry said that the October result

was skewed by an unusually low number of large orders. Foreign orders fell 3.5 percent and domestic orders slipped 0.5 percent.

There was also a reduced number of orders in the auto industry, including for parts suppliers, as a government "cash-for-clunkers" program supporting new car sales expired.

Andreas Rees, economist at Unicredit, said the fall was an "an ugly reminder of what happens when the fiscal stimulus package is fizzling out."

Export-oriented Germany has been hit hard by the global recession, and is on course this year for its worst downturn since World War II despite stimulus measures worth around 80 billion euros (120 billion dollars).

## U.S. economy entering sluggish recovery

By Mike Schneider & Martin Crutsinger

WASHINGTON (AP) — Now that the Great Recession appears over, the economy looks to be entering a Rocky Recovery, in which much of the U.S. nation will continue to struggle well into 2010.

The Associated Press' monthly analysis of economic stress in more than 3,100 U.S. counties found the economy little changed in October compared with September. Some states saw slight improvement or stabilization, thanks to steadying foreclosure and bankruptcy rates. But the gains may be brief. Unemployment remains high, and the housing market is still weak.

"We're not out of the woods," said Susan Wachter, a professor of real estate and finance at the University of Pennsylvania.

The AP's Economic Stress Index calculates a score from 1 to 100 based on a county's unemployment, foreclosure and bankruptcy rates. Under a rough rule of thumb, a county is considered stressed when its score exceeds 11.

Nationwide, the average county's Stress score remained unchanged at 10.1 in October, matching September's figure. It was 10.3 in August. A year earlier, in October 2008, the average score was a much lower 6.9.

About 37 percent of the nation's 3,141 counties were deemed stressed, roughly the same proportion as the previous month.

Nevada, where the real estate collapse struck especially hard, again had the highest statewide Stress score in October, at 21.09, though it declined from 21.95 in September.

Michigan, battered by auto industry troubles, was second-highest, with a score of 17.36, followed by California (16.48), Florida (15.4) and Arizona (14.37). All four states have suffered severe housing downturns.

North Dakota was again the least-stressed state with a score of 3.89. It was followed by South Dakota (5.14), Nebraska (5.51), Vermont (6.43) and Montana (6.64).

Statewide foreclosure rates dipped even in some hard-hit states such as California, Georgia and Nevada. The housing market's deterioration appears to have bottomed, aided by government supports such as a homebuyer tax credit and the Obama administration's foreclosure prevention plan, Wachter said.

But two risks could hamper the housing industry's recovery next year: Rising unemployment and defaults on payment-option adjustable-rate mortgages. Job losses have become a leading cause of foreclosures.

And because super-low interest rates are propping up real estate, an eventual rise in rates could cause another housing downturn, Wachter said.

Three Nevada counties — Lyon, Clark and Nye — again led the nation in foreclosures in October, with rates ranging from 7.1 percent to 8.5 percent.

Nevada suffered the biggest year-to-year gain in foreclosures. And it continued to lead the nation with a 7.2 percent foreclosure rate. But new state legislation allowing for mediation before banks can seize a property may slow Nevada's foreclosure pace.

Some counties with high foreclosure rates — such as Osceola in Florida, San Joaquin in California and Henry in Georgia — saw month-to-month declines in October. Those areas had been among the first to be hit by the housing bust, and the worst may be over.

But the slower pace of foreclosures may also result from a backlog in servicing foreclosures and pressures on lenders to keep further foreclosures off their books and to mediate loans, said Rick Sharga of RealtyTrac, which provides foreclosure data for the AP Stress Index.

There's typically a 60-to-90-day lag between a job loss and a foreclosure action. The means the effect of job losses on foreclosures likely won't be fully felt until well into next year, he said.

"We're probably experiencing some artificial delays that are keeping the numbers flat," Sharga said.

Counties with the biggest deterioration in Stress scores over the past month rely on seasonal tourism: Worcester County, Md., home to Ocean City; Cape May, N.J.; and Dare County, N.C., part of the Outer Banks. These areas normally see unemployment rise once the summer tourist season ends.

Three of the five most-stressed counties with populations over 25,000 were in California: Imperial (33.44), Merced (23.7) and Yuba (23.45). Rounding out the top 5 were Yuma County, Ariz. (25.37) and Lyon County, Nev. (24.07).

The government reported good news Friday, saying the unemployment rate declined in November to 10 percent from 10.2 percent in October. Still, the rate remains more than double what it was in December 2007, when the recession began.

Economists said the November jobless report could signal a turnaround in the labor market. But they still expect a tepid recovery. Unemployment is expected to resume rising until around the middle of next year, before employers ramp up hiring enough to start pushing the jobless rate down.

Still, some parts of the country will see improvement ahead of the national rebound. Areas that are faring relatively well include Boston, Raleigh, Kansas City, Minneapolis, Denver and San Diego. They benefit from a mix of tech, health care and government jobs.

"There are signs that recovery is on the way nationally ... but it's not playing itself out uniformly," said Sean Snaith, an economist at the University of Central Florida. "Some areas are going to be slower than others."