

## Iran Transfo Co. in Baghdad

**Tehran Times Economic Desk**  
**TEHRAN** — Iran Transfo Company became the first Iranian private sector company to open a branch in Baghdad.

According to IRIB Hassan Kazemi-Qomi, the Iranian ambassador to Iraq, attended the opening ceremony.

The IRIB report quoted Iran Transfo Company's managing director saying the company so far has exported over 12,000 transformers worth \$80 million to Iraq.

## Sugar rises for fifth day in London on India import speculation

**LONDON (Bloomberg)** — Sugar rose for a fifth day in London on a weaker dollar and on speculation that India, the world's biggest consumer, may have to increase imports to maintain stockpiles.

The Dollar Index, a six-currency gauge of the greenback's performance, lost as much as 0.4 percent. Sugar inventories in India on Oct. 1 were 2.2 million metric tons, Farm Minister Sharad Pawar said on Wednesday. The government asked mills to sell 2.08 million tons into the market last month and another 1.71 million tons this month.

"There's going to be very low stocks going into the current crop cycle," said Peter de Klerk, an analyst at C. Czarnikow Futures Ltd. in London. India will only start to harvest the bulk of its crop later this month, he said.

White, or refined, sugar for March delivery added \$4.80, or 0.8 percent, to \$611.80 a ton on the Liffe exchange by 11:33 a.m. local time. Prices have jumped 7.1 percent in the past week. Raw sugar for March delivery fell 0.5 percent to 23.86 cents a pound on ICE Futures U.S. in New York.

The Dollar Index slid before Wednesday's outcome of a Federal Reserve monetary-policy meeting at which economists expect officials to keep interest rates near zero. Declines by the dollar make raw materials priced in the currency cheaper for holders of other monies. The Fed is scheduled to release a statement around 7:15 p.m. London time.

### Indian prices

In Delhi, refined sugar prices have climbed 10 percent in the past week to 35,700 rupees (\$759) a ton, de Klerk said. "Domestic prices have shot up on the lower releases" by the mills, he said.

Among other agricultural commodities traded on Liffe, cocoa for December delivery slipped 0.1 percent to 2,139 pounds (\$3,537) a ton. Growers in Ivory Coast, the world's largest producer, have sent 166,000 tons of beans to ports for export since Oct. 1, up from 89,119 tons a year earlier, Reuters reported yesterday.

"The crop is getting off to a good start," said Nicholas Snowden, an analyst at Barclays Capital in London. "With our expectations it's going to be marginally higher year on year, you're still going to have a market in deficit with a year-on-year demand improvement."

The chocolate ingredient will average \$3,300 a ton in the current quarter, Barclays forecasts, Snowden said. So far, it's averaged about \$3,250 a ton.

Robusta coffee for January delivery climbed 0.3 percent to \$1,456 a ton.

# Malaysia's export slump deepens amid 'bumpy' economic recovery



**SINGAPORE (Bloomberg)** — Malaysia's export decline deepened in September as commodity prices fell from a year earlier and electronics sales slid.

Overseas shipments dropped 24.2 percent from a year earlier to 47.24 billion ringgit (\$13.8 billion) after falling a revised 19.9 percent in August, the trade ministry said in a statement in Kuala Lumpur on Wednesday. The median estimate in a Bloomberg News survey of 17 economists was for a 21 percent decline.

"Exports remain weak due to lower commodity prices for palm and crude oil compared with a year ago," said Alistair Chan, an economist at Moody's Economy.com in Sydney. Overseas sales "are likely to improve in the coming months," he said.

Southeast Asia's third-largest economy is vulnerable to fluctuations in palm oil and petroleum prices because commodities make up more than 20 percent of its exports. Prime Minister Najib Razak said yesterday the nation may emerge from its recession earlier than the government previously predicted as the outlook for growth in the third quarter "brightened."

Malaysia's "export value will continue

to grind forward on the back of the steady improvement in the external environment," said Irvin Seah, an economist at DBS Bank Ltd. in Singapore. Recoveries are usually "bumpy and it's never a flight to the moon," he said.

Crude oil was about 30 percent cheaper at the end of September compared with a year earlier. Prices have since risen above \$80 a barrel. Palm oil costs also fell.

Malaysia's petroleum exports plunged 53.3 percent in September from a year earlier. Liquefied natural gas shipments declined 35.6 percent and palm oil sales dropped 25.5 percent.

### Economic forecasts

Shipments to China rose 9.8 percent in September from a year earlier amid higher electronics and crude oil sales, the trade ministry said. Exports to Singapore and the U.S. fell.

Malaysia raised its 2009 economic forecast last month, joining neighbors including Singapore and Thailand in saying this year's slump is easing faster than expected as the world recovers from its recession.

The government expects the \$195 billion economy to shrink 3 percent this year,

before expanding between 2 percent and 3 percent in 2010. That compares with the World Bank's projection for a contraction of 2.3 percent in 2009 and growth of 4.1 percent next year, according to a report published Wednesday.

"Consumption and fixed-investment growth will remain relatively subdued due to uncertainties about the global outlook, the efforts of fiscal consolidation and still-low levels of capacity utilization," the lender said. "The turnaround in the inventory cycle is expected to be a main driver of growth."

### Electronics fall

Sales of electrical and electronics products by companies including Malaysian Pacific Industries Bhd. fell 19.4 percent in September from a year earlier, compared with a 13.1 percent decline in August.

Malaysia's imports dropped 20.2 percent in September from a year earlier to 37.97 billion ringgit, narrowing the trade surplus to 9.27 billion ringgit.

Exports fell 23 percent to 394.34 billion ringgit in the nine months through September while imports contracted 23.5 percent to 308.44 billion ringgit, resulting in a trade surplus of 85.9 billion ringgit, the report showed.

## Industry minister visits Cuba

**Tehran Times Economic Desk**

**TEHRAN** — The Iranian minister of Industries and Mines left Tehran for Havana on Wednesday to take part in the 14th joint committee meeting for economic cooperation between the two countries.

IRNA reported that a delegation made up of representatives of major public and private firms will accompany Ali-Akbar Mehrabian on this trip.

During this trip MOUs will be signed between Iran and Cuba for expanding economic and industrial relations.

The Iranian minister plans to hold separate meetings with the Cuban president, foreign minister, base industries minister and heavy industries minister as well as a group of managers of Cuban firms.

The 14th joint committee meeting will be jointly led by the Iranian minister and the Cuban transport minister from November 5 to 7.

## 7th HOMEX exhibit kicks off in Damascus

**Tehran Times Economic Desk**

**TEHRAN** — The 7th International Modern House Exhibition (HOMEX) kicked off on Tuesday in Damascus International Fairground, in the Syrian capital Damascus.

According to IRNA 12 Iranian companies have attended the 4-day event.

Some Syrian and Turkish companies have also participated in the exhibition.

The International Hotels & Restaurants Equipment Exhibition (HOTEX) and a tourism exhibition have also been opened in the Damascus International Fairground simultaneously.

Some foreign companies from 16 countries including Turkey, Lebanon, Malaysia, and Syria have participated in these exhibitions.

# Eurozone output grows 'at fastest rate since 2007'

**BRUSSELS (AFP)** — Private sector business activity in the 16-nation eurozone grew in October at its fastest rate since 2007, with France leading the way, a survey showed Wednesday.

The purchasing managers' index (PMI) for the 16 countries using the single currency, compiled by data and research group Markit, rose to 53.0 points from 51.1 points in September, confirming an earlier estimate.

In August, it had ended 14 months of decline.

"Surging growth in France helped propel the eurozone recovery in October, with the region expanding at the fastest pace since December 2007," said Markit chief economist Chris Williamson.

Germany and Italy are following with more modest rates of expansion, leaving Spain as the only country to see ongoing contraction in October "although even here the rate of decline continued to slow," he added.

The latest figures were well above the boom-bust line of 50 points -- a score below 50 indicating a contraction.

However the likelihood of further job losses remains a concern, as a period of consolidation is set to occur ahead of any real job creation.



Another concern is that companies still need to offer price cuts to win new business.

To illustrate that fact, the EU's Eurostat statistics agency reported that the industrial producer price index fell by 0.4 percent in the eurozone in September and by a whopping 7.3 percent in the European Union as a whole.

"But at the moment the eurozone recovery remains firmly on track," Williamson assured.

Underlining those factors, the services sector also expanded at its fastest rate in almost two years, since before the economic crash, rising to 52.6 -- a little higher than an earlier estimate.

This was the second successive monthly increase in activity and the strongest monthly gain since December 2007.

However sector job losses remained "severe" and the growth was "largely

stimulated by price discounting," said Markit in its analysis.

The eurozone unemployment rate rose to 9.7 percent in September, a record high, with consumer prices in the 16-nation area falling for a fifth month running in October, Eurostat said last week.

The new Markit survey boosts hopes that the eurozone economy can pick up further in the fourth quarter after an apparent return to growth following five quarters of contraction.

Howard Archer, chief economist at London-based IHS Global Insight, said it was encouraging to see significant improvement in most of the countries' business activity in October.

"France saw robust expansion, Italy returned to growth and the rate of contraction eased in both Spain and Ireland. While German service sector activity moderated, it at least expanded for a third month running," he said.

However Archer cautioned that the services sector "is by no means completely out of the woods yet as it still faces significant obstacles such as ongoing financial sector problems, muted consumer expenditure and limited business spending."

## Private behavior will shape our path to fiscal stability

By Martin Wolf

If we are to understand where we are, we must understand where we have been. This is particularly true if we are to escape from the huge fiscal deficits being run by many governments. These deficits are not the result of government stupidity; they are mainly a consequence of — and response to — private behavior. We must not ignore this connection.

The difference between domestic savings and investment equals the current account of the balance of payments (itself the inverse of the capital account). Domestic savings and investment can be divided, in turn, between private sector and government. Private, government and foreign balances must sum to zero. But it is still possible to ask how they do so and, in particular, what behavior drives the specific patterns and levels of activity we see. In the present crisis, asking that question is particularly revealing.

In the chart, I have looked at the principal high-income countries. To these I have added Spain and Ireland, since the "great credit bubble" of the 2000s affected both countries so deeply. I start with 2006, the year before the crisis began. In that year, two external surplus countries — Germany and Japan — were running private sector surpluses of close to 8 percent of gross domestic product. The French private sector had a small surplus, as did Italy's. The UK, U.S., Ireland and Spain ran large private deficits, the last two being gigantic.

In Japan and Germany, part of the private surplus financed government deficits, while part went as a capital outflow abroad. The latter point was particularly true for Germany. In France, the surplus almost entirely financed the government. In the UK and U.S., a sizeable foreign capital inflow financed both private and fiscal deficits. Meanwhile, in Ireland and Spain the private deficits were partly offset by what seemed to be strong fiscal positions — an illusion, it turned out. But, again, a large part of the finance came from abroad.

Fast forward to the latest forecasts for crisis-hit 2009. Everybody has become German! The private sectors of every country are in massive surplus. Falling asset prices, a broken financial system and tumbling output have driven private savings up and investment down. The surpluses of the U.S., UK and Irish private sectors are forecast at close to 10 percent of GDP, which is even higher than in Germany. The private sectors of the US, UK and Ireland are now providing nearly all the savings needed to cover their huge domestic fiscal deficits. Meanwhile, external balances have been sticky, as one would expect during a world recession.

It is when we look at the changes between 2006 and 2009 that their scale becomes clear. The shifts in the balances between private income and spending (or savings and investment), as a share of GDP, are close to 17 percent of GDP in Spain and Ireland, 14 percent in the U.S. and 10 percent in the UK. The shifts in the private sector balances in the non-bubble countries — Japan, France, Italy and Germany — are quite small, however. Indeed, Germany even has a shift towards a smaller surplus. The current account deficits of the post-bubble countries have all diminished a bit. But the predominant offset to changes in their private sector balances was in the government's finances. As the private sector shifted massively into surplus, the government shifted massively into deficit. In Germany, however, the deterioration in the fiscal balance is entirely an offset to a smaller current account surplus. Japan, France and Italy fall in between the post-bubble countries and the German experience.

What explains what we see? Some believe that the shifts in private sector balances in post-bubble countries are caused by fiscal deficits, either because of "Ricardian equivalence" — the view that people increase savings in response to the higher deficits — or because of "crowding out" of spending by the deficits. Neither of these arguments is even close to persuasive.

On the first point, as a report from the International Monetary Fund, out on Tuesday, shows, not much of the huge rise in fiscal deficits was the result of deliberate stimulus. It was mostly the result of unanticipated structural fiscal deteriorations or the cycle. Again, real interest rates — as shown by index-linked government bonds — are very low (1.4 percent in the U.S. and below 1 percent in the UK). This is incompatible with crowding out.

In other words, the deterioration in the fiscal position is a result of the cutback in the private sector's spending, not a cause of it. Not surprisingly, the fiscal deterioration is also biggest where the private sector has cut back most: in the post-bubble economies.

Of course, governments could have tried to tighten fiscal positions in the teeth of the crisis. All that would have done is turn the recession into a depression. As a result, they would also have transformed part of the structural fiscal deficit into a cyclical one. This might well have lowered the private sector surplus, but only by destroying private income even faster than spending. This would have been a monstrous blunder. In a world in which the private sector is driven towards austerity, as now, governments must offset this behavior, not reinforce it.

(Contd. on P.15)