

Where are the 'shock absorbers'?

Global markets look healthy but not pricing in enough risks: IMF

VALERIE LAW

valerie@newstoday.com.sg

THE global economy may look bright and rosy now, but prominent risks still lurk in the background, warned the International Monetary Fund (IMF) yesterday.

These risks include a more pronounced slowdown of the United States economy led by the rapid cooling of the housing market, a disorderly decline in the US dollar and further increases in oil prices.

And global markets are not reflecting these potential spoilers, said Mr Jaime Caruana, counsellor and director of IMF's Monetary and Capital Markets Department, during a media briefing yesterday.

"Markets again appear to price in little provisions for these risks."

"So if one — or some combination of these risks materialise — financial markets could experience greater turbulence that places stress on international financial markets, possibly with a wider impact on the global economy," said Mr Caruana, ahead of the IMF-World Bank meetings, which start today.

If steps are not taken to address these risks, global markets could face a correction more severe than the one in May, he warned.

That was when global equity, bond and commodities markets plunged amid concerns that central banks needed to do more to curb inflationary pressures.

Even though global economies have been resilient in the face of surging oil prices so far, policy makers worldwide face renewed challenges because risks have increased, Mr Caruana said.

"The degree of cooling (in the US housing market) is a very important risk going forward ... home inventories have increased and prices have decelerated," said Mr Hung Tran, deputy director at the International Capital Markets Department of IMF.

Moreover, the growth of credit derivative and structured credit products add uncertainties to how well global markets can weather downturns, said Mr Caruana.

"The rapid growth of hedge funds and credit derivative mechanisms in recent years has added new layers of complexity to financial markets that have yet to be tested in a sustained downturn," he said.

To illustrate, an increasing number of US consumers who had purchased homes based on "creative" mortgage arrangements are facing difficulties in paying up their mortgages due to rising interest rates, Mr Tran explained.

Given that Singapore's economy is highly dependent on the United States', a weaker US economy is one of the key factors that could slow growth and trade in the second half for the Republic, economists said.

According to data from International Enterprise Singapore, the top markets contributing to Singapore's non-oil domestic exports growth in the first half of this year were the European Union, the US, Hong Kong and China.

Singapore's exports to the US rose for the fifth straight month in July, posting a 23-per-cent jump despite fears of slowing demand for imports. Still, to improve the stability of global financial markets, policy makers worldwide need to work cooperatively so that policies include sufficient "shock absorbers", said Mr Caruana.

Emerging markets should continue to reduce their vulnerabilities to external capital flows by reducing exposure to foreign currency financing, and strengthening the local institutional investor base, he added.

S2006

IMF and World Bank annual meetings

S2006SNIPPETS

FLIPINOS STILL PUSHING TO PROTEST

Despite being turned away, Filipino activists are still demanding the right to protest in Singapore during the IMF-World Bank meetings. Protesters from the group Freedom from Debt Coalition are visiting the World Bank step up its pressure on the Singapore Government for banning 28 activists. A small group of demonstrators gathered outside a hotel in Manila yesterday as the World Bank's managing director addressed a business gathering here. The protesters said both the organisation and Singapore had trampled over the public's right to demonstrate. — CHANNEL NEWSASIA

SPECIAL TAXI STANDS FOR DELEGATES

Although some taxi drivers are avoiding the Marina area altogether, IMF-World Bank delegates need not fret. Two taxi stands have been designated — at One Raffles Place and the Pan Pacific Hotel — for the delegates, courtesy of a tie-up between ComfortDelGro and the S2006 organising committee. It is understood that drivers will be paid an additional \$3 for each trip involving a delegate.

The taxi stands will only serve registered delegates and the booking system will work in a similar manner to those used by local hotels. However, taxis are still hard to come by at other stands in the Suntec area, as cabbies are avoiding the area due to the increased security, road closures and detours. To alleviate the tax woes, the public is advised to take public transport. — CHANNEL NEWSASIA

Youth with a global view

DERRICK A FAULT

derrick@newstoday.com.sg

SINCE it awarded Singapore the rights to host its annual meetings with the International Monetary Fund, the World Bank has taken great interest in working with one particular group here: The youth.

It has met members of this group on no less than 50 occasions, with some meetings involving as many as 500 students. It has held open houses and sponsored forums so students can get access to speakers on development issues.

And before a single meeting begins, the World Bank hopes it has gone some way already in achieving its goal of getting youth familiar with its workings and its work. Over the weekend, it was the organisation's turn to glean some insight from the youth when about 250 young people, including some international students, participated in a two-day dialogue to identify topics of concern to them.

Elitism in education, the widening income gap and issues facing the disabled were some of the concerns close to home. However, the group found issues such as minimising poverty in Third World countries, helping these countries cope with globalisation, fair trade and child rights to be even more pressing.

And top of the agenda? Bringing global issues to local youth.

From the World Bank's perspective, said representative Peter Stephens, it was what set the event apart from the four similar forums it has conducted

in the region since July.

"It's not about me and my education, or me and my job. (The youth at this forum) were more interested to connect with the world. One thing that isn't different is that desire to make things better," he said. The previous forums were held in the lesser developed countries of Cambodia, East Timor, Laos and Papua New Guinea, where issues such as corruption, police violence and national divides took priority.

Among the Singapore participants, there was a general sense of idealism that improvements can be made, said National University of Singapore student Natalie Morris, 22.

"Bridging the income gap, for example. We believe it can still narrow further, including between countries," she told TODAY.

The discussions will be compiled into a booklet and distributed to World Bank offices, and the potential is there for the youths to follow up with the World Bank on the key issues. Mr Stephens explained: "On child rights, for example, we have an entire department that looks at social protection. So, we can connect the people who raised this issue with the work that we do."

Even so, Ms Morris is not waiting for this to happen before she takes action. After discussing the issue of youth advocacy and activism, she intends to connect youth through a database.

"I've been thinking about this previously. Today, I just got that further push to follow through on the idea," she said.

POSITION YOURSELF & GRAB THE BEST JOBS IN THE IR INDUSTRY!

The 2 IRs will invest up to \$88 billions and create 35,000 jobs. Top level jobs will be very well compensated. Learn how you can position yourself to be a pioneer in the IR industry!

BBA / MBA in Tourism & Hospitality Management

with a major project on

CASINO MANAGEMENT

- Internationally accredited program.
- Study trip to Australia* and visit leading Hotel, Resort and Casino operators
- Includes 1 module to be conducted in Australia with visit to Casino!

FREE Study Trip to AUSTRALIA!

Scholarship for 5 persons & PRs!

Diploma in Tourism & Hospitality Management

- Fast way toward a career in IR Industry
- Get prepared for the exciting & rapid tourism
- Hospitality industry in Singapore
- Suitable for O' & A level holders
- Pre-approved NITEA funding* available
- Internships available!

*Terms & Conditions apply.

Registrations for October 2006 intake Open NOW!

FREE SEMINAR ON "THE WORLD OF CASINO MANAGEMENT"

14th September 2006, Thursday & 21st September 2006, Thursday

11pm @ 5 Robinson Road, Robinson Centre, 11th Floor. Call us at 6542 4250, email us at info@tma.edu.sg or SMS us at 9638 0958. Key 7/A (spices) = name, sspices = email, to confirm seat, now!

