



Boss Lady
Acquisition mania
 Company boards are realising that business growth is going to come from two things: innovation and stealing market share from competitors.



Thursday 01 October 2009

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Australians hit most by financial crisis, US Fed to raise rates in fear of inflation: Economy Roundup

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 Amber Plum



Australian manufacturing activity has rebounded to a 21-month high in September bringing hope for unemployment figures, a private index has revealed.

The Australian Industry Group/PriceWaterhouseCoopers performance of manufacturing index jumped 0.3 index points to 52 points in September, following a 7.2 jump in August. It is the highest level since December 2007 and the second consecutive month the index has risen about the 50-point level separating expansion from contraction.

"The September Australian PMI result underlines the importance of the monetary and fiscal stimulus to industry," AIG chief executive Heather Ridout said in a statement. "Winding back either too early would pose real risks to the recovery."

"This further strengthens the case to leave interest rates at current levels."

Investors have pointed to a recovery after the ASX200 index recorded its best quarter ever, just 12 months after Lehman Brothers collapsed and the global financial crisis began.

The ASX200 index gained 19.9% during the three months to September, closing at 4743.6 pints - the biggest quarterly rise since the index's creation in 1992.

But the good results were repeated overseas, where the FTSE MIB gained 23.1% to 23,472.7 during the quarter, while the Dow Jones Industrial Average gained 15% to 9712.3 in its best performance in 11 years.

But despite the good results on the sharemarket, a new report from the Boston Consulting Group has found Australians were hit the most by the global financial crisis due to the country's high exposure to the equities market.

The report found personal wealth in Australia has dropped by 27% between 2007-2008, despite the global average of 15%.

"Australians had 53% of their personal wealth invested in equities in 2007, with only Sweden (63%), the Netherlands (58%) and the UK (58%) more exposed to a crash in equity prices," Boston Consulting Group's Australian head Matthew Rogozinski said in a statement.

Shares open flat despite Wall Street decline

The Australian sharemarket has opened flat today after a negative lead in the US due to a decline in the index of business activity in the Midwest.

The benchmark S&P/ASX200 index was down 22.9 points or 0.48% to 4720.7 at 11.50 AEST. But the Australian dollar managed to gain ground, reaching a new 13-month high to US89c overnight.

ANZ shares gained 0.4% to \$24.49, while Commonwealth Bank lost 0.9% to \$51.27. NAB lost 0.4% to \$30.65, as AMP shares also lost 0.9% to \$6.46.

The Australian newspaper has reported that Woolworths' entry into the hardware market could see it lose \$623 million within its first five years of operation. Merrill Lynch retail analyst David Errington, according to the paper, has said shareholders could lose up to \$2 a share if the project fails.

Last week Woolworths' proposal of an \$87.6 million takeover of hardware chain Danks was approved by shareholders, in an attempt to take market share away from Bunnings.

Meanwhile, trade minister Simon Crean has said Rio Tinto executive Stern Hu is in "good spirits" despite being held by Chinese authorities for three months on suspicion of espionage.

"He is still in good spirits, he is still healthy, he's been treated well," Crean told ABC Radio. "We continue to urge the Chinese to... bring the case to a conclusion quickly [an] to be more transparent in their dealings with these sorts of issues."

US Fed to raise rates before inflation sets in

Overseas, US Federal Reserve vice chairman Donald Kohn has said the Fed will raise interest rates before consumer spending and business investment begins to affect inflationary pressures.

"We must begin to withdraw accommodation well before aggregate spending threatens to press against potential

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supply, and well before inflation as well as inflation expectations rise above levels consistent with price stability," he said in some prepared remarks to the Cato Institute.

Elsewhere, Wall Street stocks fell after a contraction in an index of Midwestern business activity, but some losses were negated by the best quarterly performance by the Dow Jones in 11 years. The Dow Jones Industrial Average fell 29.92 points or 0.31% to 9712.28.

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