Business Briefs

Brazil

More Bad News For Lula Government

The Brazilian government's Geographic and Statistical Agency (IBGE) reported Feb. 27 that official unemployment rose from 10.9% in December, to 11.2% in January, in the six major metropolitan regions included in its Monthly Employment Survey. Of the 2.4 million unemployed in these regions, 47.5% live in São Paulo—the industrial heartland of the country. São Paulo's Fundacao Seade and Diesse, meanwhile, reported that 19.1% of the population was unemployed in São Paulo in January, the highest number since 1985. Fundacao Seade projects that that number will rise further in March and April. Nearly half of the unemployed (46.5%) in the six metropolitan regions are youth, under 24 years of age.

The IBGE also reported that family consumption, calculated as part of the Gross National Product (GNP), fell by 3.3% in January 2004, its worst fall since the index began in 1992. The drop in consumption was driven by the high unemployment and the 12.9% drop in average income in 2003, the IBGE pointed out.

Overall GNP fell by 0.2% in January, also the worst statistic since 1992. GNP, based on money values without any distinction between real and fictitious value, is a rotten gauge of an economy, but the categories of collapse reported by IBGE point to areas of disaster. Construction fell by 8.6%; investment (gross fixed capital) fell by 6.6%. A 5% increase in agriculture, resulting from a big increase in volume and price of farm-product exports, pushed the GNP figure up.

Dollar

Japan's Buying More Than Doubles Again

Japan's Ministry of Finance announced on Feb. 27 that it and the Bank of Japan, in February, sold about 3.3 trillion yen ($31 billion) to purchase dollars in the foreign exchange market, boosting the year-to-date total to more than 10 trillion yen ($95 billion). This is already about half of the 20.4 trillion yen ($193 billion) sold into the forex market in all of 2003, which itself was three times the annual intervention figure for all of 2002. If this rate were to be insanely continued for all of 2004, it would mean buying dollars on the scale of almost $600 billion.

Japan engaged in large-scale interventions in early February to keep the dollar from collapsing below 105 yen. Despite the fact that since then, speculation against the dollar has temporarily eased, Japanese interventions have continued more strongly than before, in an attempt to permanently weaken the yen to the Y109/$1 level.

A senior Finance Ministry official stressed to Nikkei that moves to bail out the dollar) continue, and further interventions will be carried out if necessary. Tax money allocated for interventions has been exhausted because of the massive yen-selling, but the government will secure a potential of $1.3 trillion (140 trillion yen!) once the Fiscal 2004 budget is passed by the Diet in March.

U.S. Economy

'A Phony Recovery,' Says *The Economist*

"America is experiencing the biggest credit bubble in history, wrote Kurt Richebächer, former chief economist at Dresdner Bank, featured in an article by the Feb. 28 *London Economist.* The *Economist* piece, headlined "The American economy—A phoney recovery," comes just two weeks after the same publication pointed to "The coming storm" on global financial markets because top banks are now even more exposed to high-risk speculation than before the LTCM collapse in 1998.

Richebächer, who joined Lyndon LaRouche at a Berlin seminar in November 2001 on the "New Bretton Woods," publishes a monthly newsletter.

Following extensive quotes from Richebächer concerning the poor performance of the U.S. economy, while at the same time the debt generation is breaking all historic records, the *Economist* notes that the United States has been enjoying a very special kind of wealth creation: "the Fed is, in effect, printing it. Not only has it held interest rates unusually low, but the excesses of an asset-driven economy are being fuelled by artificially low bond yields (helped by huge purchases from Asian central banks trying to suppress the rise in their currencies) and hence mortgage rates. What the Federal Reserve is doing "is cushioning the impact of the bursting of one bubble by inflating another—in housing."

However, states the *Economist,* a mouthpiece of the City of London: "Other central banks seem to be breaking ranks with the Fed. Officials at the European Central Bank (ECB), the Bank of England, the Reserve Bank of Australia and the Bank for International Settlements (the central banks' central bank) have given some support to the view that monetary policy should sometimes lean against a rapid growth in asset prices and build-up of debt, even if consumer-price inflation is low. The Bank of England and the Reserve Bank of Australia both recently raised rates because of such concerns."

In the case of the ECB, the *Economist* refers to last week's warning by ECB chief economist Otmar Issing, who "suggested that central bankers should . . . signal concerns about asset values. Mr Greenspan, alas, shows no sign of taking his advice."

Globalization

Wal-Mart Eats Another Foreign Chain

Escalating its war against Brazil, "jobs-eater" Wal-Mart on March 1 bought the 118-store Brazilian supermarket chain Bompreco, the biggest grocery group in the nation's poorer Northeast region. The $300 million purchase, from Dutch Ahold, quadruples Wal-Mart's store base in Brazil, beyond its 25 existing supercenters and Sam's Clubs in the less-poor Southeast region. As Wal-Mart's first international acquisition in more than a year, the deal will make Wal-Mart the third-largest supermarket operator in Brazil, by sales.

Such international expansion, notes Reuters, is becoming "increasingly important for Wal-Mart as it encounters growing opposition to its massive U.S. expansion into more urban areas."