

# Spain budget to impose further austerity measures

Thousands of Spaniards have filled the streets of Madrid once more to protest over government austerity measures and the ongoing crisis gripping the country



People affected by the fall in the prices of preference shares protest in front of the headquarters of NovaGalicia Bank

They left 60 wounded including 27 police officers and led to 35 arrests. Frustration at the country's increasing economic misery and the apparent failure of the government to put a stop to it, boiled over in bloody clashes. Spain is due to set out its austerity budget for 2013 later, against a backdrop of a deteriorating economy and 25 percent unemployment rate.

Madrid is expected to outline 39bn Euros (\$50bn; £31bn) worth of savings, tax rises, and structural reforms. It comes amid further protests this week, and growing expectations that Spain will seek a bailout from its Eurozone partners.

Spain will hope that recent austerity measures will mean fewer economic conditions if, or more likely when, it asks for a second bailout. Prime Minister Mariano Rajoy fuelled expectations that Spain would ask for a bailout when he told the Wall Street Journal on Wednesday that if borrowing costs were 'too high for too long', then 'I can assure you 100 percent that I would ask for this bailout'. The economic situation remains grim, with figures from the central bank on Wednesday showing the country's recession deepened as economic output fell.

Last week, Spain's second biggest bank, BBVA, estimated that

up to another 60bn Euros (£48bn; \$78bn) will be needed to bail out the sector. About 20bn Euros has already been allocated to troubled banks.

Spain, the Eurozone's fourth largest economy, fell back into recession in the last quarter of 2011, the second recession since the bursting of the country's property bubble. But with a shrinking economy and unrest in the country, reducing the deficit via further austerity measures may prove a difficult task for the government. The government has predicted a budget deficit this year of about 6.3 percent, but many analysts estimate it will be nearer 7

percent or higher. The basic outline for the budget has been known since July, but not exactly where the cuts and savings will come from. There has been speculation that the budget could include such measures as taxes on shares transactions, 'green taxes' on emissions or eliminating tax breaks, and even possibly ending inflation-linked pensions.

Madrid has already said that it wants to claw back a total of more than 150bn Euros between 2012 and 2014: 62bn Euros this year, 39bn Euros in 2013, and 50bn Euros in 2014. But many analysts remain sceptical that this will be enough to resolve Spain's economic woes.

## Austerity hit Italians shop less

Retail sales in Italy were down in July for the fourth month running

The continued fall in spending by Italian shoppers highlighting the effect of austerity measures and unemployment as the country's year-long recession deepens. Sales fell 3.2 percent compared to July last year. One elderly female shopper in Rome complained: "Everything has got really bad! It's a mess! It's impossible to live like this! We have to jump through hoops just to survive every day."

In July, food sales fell two percent from a year earlier while non-food sales dropped 3.8 percent. The trade group that represents Italian retailers is predicting that this year will see the biggest decline in consumer spending since World War Two. And an indication of how bad things are Italians are even drinking less coffee with imports at their lowest in six years.

## Today's EU Commission to limit food-based biofuels

In a major policy shift, the European Commission has said it wants to cap food-based biofuels to 5 percent



The new limit was announced during informal talks in Cyprus between EU energy ministers. Record high global grain prices have intensified calls from environmental groups, and NGO's like Oxfam, which argue current rules snatch away land that should be used for food. The idea, to develop more sustainable biofuel sources would still need to be approved by MEPs and national governments.

Activists insist the current use of food-based biofuels is unsustainable, "Every day we take huge amounts of food and put it inside the tanks of our cars. We live in a world where one billion people suffer from the famine. Is this acceptable? We need a more intelligent transport system that has more fuel efficient cars, electric cars," Marc Olivier Herman from Oxfam said. The EU's current goal is to source 10 percent of its road transport fuel from renewable sources by 2020. But without food based carburants doubts have been raised whether that target is now achievable.

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Toyota, Nissan, Mazda and Suzuki leave China

## Japan carmakers to cut China output

Japanese carmakers have said they are cutting back production in China, anticipating lower sales

That followed widespread anti-Japan protests over a group of disputed islands that has led to showrooms being closed, and in one case set on fire. Toyota, Nissan, Mazda and Suzuki said they will extend closures for the upcoming national holiday or cut the numbers of shifts worked at their plants. One industry watcher predicted Japanese sales falling 20 to

30 percent in the world's biggest car market. Koji Endo, auto analyst at Advanced Research Japan, said, "The last time we had protests like this in 2010, the effects only lasted about a month, but I think this time is going to be different. This is going to have a serious impact." Anti-Japan sentiment in China escalated earlier this month after Japan said it would buy a group of disputed island in the East China Sea, called Diaoyu in China and Senkaku in Japan, from a private owner.

## Nook tablets join Barnes & Noble's UK line-up

US book chain Barnes & Noble plans to launch new Nook tablets alongside its e-readers in the UK later this year

They will compete against products from Amazon, Kobo, Sony and others. B&N boasts that its smaller tablet — which features a 7in (17.8cm) screen — is the lightest such device to offer a 'high definition' experience. The firm has secured distribution deals with some of the country's leading retailers, but may suffer because its brand is less well known.

While B&N and Amazon have decided to enter the UK's tablet market at the same time, they are pursuing different strategies: the former has decided to offer its full line-up from the start, while the latter is selling a more limited range.

So, while B&N will offer a 9in (22.9cm) tablet called the Nook HD+ in the UK from mid-November, Amazon has opted to limit sales of its 8.9in Kindle Fire HD to the US for the time being. This may help B&N make inroads into the larger-screened tablet market — the Nook HD+ is £100

cheaper than Apple's 9.7in iPad 2, and £70 below Samsung's 10.1in Galaxy Tab2.

Competition is likely to be more fierce in the 7in category where the basic £159 Nook HD, featuring 8GB of storage, will compete against similarly priced offerings from Amazon, Kobo and Elonex as well as Asus's Google-branded Nexus 7 tablet. The Nook tablets run on an adapted version of Android 4.0, giving them access to an existing wide range of third-party software.

The decision to restrict which apps can be sold provides the firm with an opportunity to limit malware. However, some owners might be frustrated by the fact they are not offered an opportunity to install material from either the Google Play or Amazon Appstore marketplaces unless they hack the machines.

