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UK economy shrinks in Q4, raising recession fears

Britain's economy shrank by 0.2 percent in the last three months of 2011, official data showed Wednesday, a worse than expected result that raises fears of a recession and could see the Bank of England push for more monetary stimulus.

The Office for National Statistics said that the economy, which had been expected to contract by only 0.1 percent, saw no growth in the key services sector and a slide in industrial activity.

The GDP figures, which showed a meek 0.8 percent rise on the year, are subject to revision, but few analysts expect a marked improvement. Another quarter of negative growth would put Britain officially in a recession.

Quantitative easing is a stimulus program in which the central bank buys bonds and other high-quality financial assets from banks, increasing the amount of money flowing around the economy. The hope is that it will increase bank lending and, by extension economic activity.

The Bank of England last increased its quantitative easing program by 75 billion pounds in October.

Minutes of the last policy meeting, in January, showed that the nine members of the Bank's Monetary Policy Committee had been, as expected, unanimous in voting not to approve more stimulus.

The Bank had indicated that it would take at least through January to spend the 75 billion pounds in asset purchases.

Some of the MPC members are concerned about Britain's high rate of inflation, which was last measured at 4.2 percent, still twice the 2 percent target despite dropping in recent months.

The minutes showed there some members worried that approving more monetary stimulus would slow the drop in consumer price inflation. Others wondered whether inflation was dropping so fast that more stimulus would be necessary to keep price increases close to the 2 percent target in coming months.

Inflation tends to fall as economic activity drops, and the outlook is not good. The International Monetary Fund this week slashed its forecast for U.K. economic growth this year to 0.6 percent from 1.6 percent previously.

Treasury chief George Osborne said Wednesday's figures were "not entirely unexpected because of what's happening in the world and what's happening in the eurozone crisis."

"Britain has substantial economic problems, debt built up over the past 10 years, and we are dealing with those, but the truth is that dealing with those problems is made more difficult by the situation in the eurozone," Osborne said.

UAE Islamic Banks Account for 30% of Global Islamic Banking Industry

Abu Dhabi Islamic Bank (ADIB), a top-tier Islamic financial services institution, highlighted the important role played by the Islamic banking sector in promoting economic and financial growth in the UAE. This was revealed in Abu Dhabi 2011 Report unveiled by Oxford Business Group in collaboration with ADIB.

The report revealed that the UAE Islamic financial services sector represented 30% of the global Islamic banking industry in 2011 and due to the growing demand for Islamic financial services among different customer segments within the UAE. The report showed that Islamic banks have played a major role in financing UAE infrastructure projects, residential properties for UAE nationals and development of the human capital market through training of national talent.

Commenting on the report, Tirad Mahmoud (pictured right), CEO of ADIB, said, "UAE Islamic banks play an important role in the development of the global Islamic banking industry which is now valued at more than US$ 1 trillion. This growth in the Islamic banking industry is driven by the increased demand for Islamic services and products by a growing number of customers. Demand is growing due the industry's emphasis on ethical principles, its commitment to the principles of transparency and the application of the principle of mutual benefit in its operations and transactions."

Islamic banking assets in MENA rose to US$ 416 billion in 2010. This represented a cumulative annual growth rate of 20% over five years, compared with less than 9% for conventional banks.

The Abu Dhabi 2011 Report aims to provide a snapshot of the Islamic banking sector in the UAE, specifically in the Emirate of Abu Dhabi. It is an increasingly important reference for the industry and contains a wide range of interviews with leaders of the Islamic banking sector.