

CALGARY BUSINESS

BREAKING NEWS AT CALGARYHERALD.COM/BUSINESS

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Central bank to soften tone on rate hike

Economic outlook could be revised downward

GORDON ISFELD
FINANCIAL POST

Bank of Canada policy-makers may find themselves backed into a corner by gloomy global events and opt this week to soften their tone on an eventual resumption of interest rate hikes.

No one expects the central bank to touch its trendsetting interest rate — at a near-record low of one per cent for nearly two years — but the wording of Tuesday's statement that will accompany its decision is likely to be tweaked to reflect the impact of a worsening global economy.

"That's what makes (Tuesday's) meeting interesting," said Douglas Porter, deputy chief economist at BMO Capital Markets.

"Given almost every major central bank in the world... has eased in some way, and that makes Canada look like a bit of an island talking about raising rates, even if they have no intention of doing it anytime soon."

Many economists have already pushed back their forecasts for a hike to mid-2013.

No doubt, governor Mark Carney and his team will be mulling the economic data and could downwardly revise their outlook for the Canadian economy in the bank's Monetary Policy Report, to be released Wednesday, one day after the rate decision.

"The recession in Europe, really, was not a surprise. A lacklustre U.S. economy is not really a surprise.

What I think is a surprise is the extent to which China, India and Brazil have slowed and slowed rapidly," Porter said. "That's been the biggest weight on commodity prices this year, which in turn of course has weighed on Canada's performance."

The outlook for the global economy dimmed again last Friday after China reported a slowdown in economic growth.

Gross domestic product rose by 7.6 per cent in the second quarter — still strong growth by most country's standards, but approaching anemic for a global powerhouse like China.

"The number was the softest in over three years and provides more evidence that traction in the BRIC countries (Brazil, Russia, India and China) may not insulate the global economy the way they did during the last recession," said CIBC World Markets economist Peter Buchanan.

Also last Friday, a U.S. survey showed consumer confidence in that country weakened this month, with the University of Michigan's closely watched index of sentiment falling to 72.0 from 73.2 in June.

"The confidence figures suggest that concerns over weaker job prospects continue to trump lower gasoline prices in determining sentiment," said Andrew Grantham, at CIBC World Markets.

That disappointing data — along with easing by central banks in Europe, the U.K., China and South Korea — might have been disincentive enough, but "the domestic case for the Bank of Canada raising rates has melted away as well," Porter said. "The main argument for the Bank of Canada to raise interest rates would be to cool the housing market and consumer borrowing. These new mortgage rules will do that job," Porter said.

Ottawa's new rules for government-backed mortgage insurance, which took effect this month, shortened the amortization period, reduced the amount that can be borrowed against mortgages and limited insurance to homes valued at less than \$1 million.



Leah Hennel, Calgary Herald

Kristin Richard says pearls are a symbol of opportunity, strength and sophistication.

Calgary business showcases the beauty of pearls

MARIO TONEGUZZI
CALGARY HERALD

When Kristin Richard began her business, she wanted to pick a name that people could identify with a luxury product.

Something associated with the ocean. Something organic.

She picked Kaviar with the twist in spelling using the first letter of her name to spell the word.

Her business is all about pearls, with a focus on warm salt water pearls.

"So my specialty are Tahitian or black pearls and gold and white south seas pearls," says Richard, owner of Kaviar South Sea Pearls.

"My title is a gemologist and a pearl specialist. I bring in different pearls from all over the world.

"The warm salt water pearls I go and I harvest myself. I hand pick them all and match them all. Sometimes when I'm still sitting at the ocean and

Kaviar South Sea Pearls

- Owner: Kristin Richard
- Established: April 2008
- Description: Specialized pearl boutique
- Location: Fashion Central building, #12, 805 1st St. S.W.
- Phone: 403-264-1020
- Toll Free: 1-877-919-1020
- Website: kaviarpearls.com

rings, bracelets, pendants.

"Pearls are really delicate but they do need to be worn," says Richard. Prices for her products range from \$59 to \$28,000. The most expensive item is a strand of pearls.

She studied gemology in Carlsbad, Calif. and small business and entrepreneurship at Mount Royal University in Calgary.

Her career pursuit came out of her passion.

"It was really a kind of interest of mine. Gemstones and pearls and jewelry. And so the landing spot which is here now kind of means like the evolution of what I loved and grew up with," says Richard.

She says every pearl is strung with the highest grade silk, with the utmost precision and accuracy. "Pearls are a beginning. A symbol of opportunity, strength and sophistication."

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Microsoft unveils new Office version today

BYRON ACOHIDO
USA TODAY

Microsoft plans today to unveil software features crafted to jazz up Office 15, the next big upgrade of its ubiquitous suite of office-productivity programs.

Much is at stake. Microsoft's core engine of profit — selling licences for Windows systems packaged with the Office suite that includes Microsoft Word, Excel and PowerPoint — is under intense pressure as competitors roll out products aimed at taking away market share.

Office 15 is scheduled to be available early next year, bristling with hooks into Windows 8, the latest upgrade of Microsoft's operating system software, which will be generally available in October, according to several sources familiar with Microsoft's plans.

Some 84 per cent of the world's personal computers run on Microsoft's Windows. But many of Microsoft's corporate customers still use Windows XP. Those using the current version, Windows 7 — out since 2009 and paired with Office 2010 — might decide against upgrading.

"Skipping a version or two saves

costs," says industry analyst Jack Gold. "It's critical for Microsoft to show real benefits to upgrading."

Google is pushing hard to get Office users to switch to Google Docs, an Office-like applications suite running on Google's servers and accessible on the Internet. Apple is championing how clerical duties can be done on its iPad, which uses a touch-screen interface instead of a keyboard. Neither Office nor Google Docs works on the iPad. Office on a desktop or laptop Windows PC remains by far the dominant clerical tool. It accounted for \$22.2 billion of Microsoft's nearly \$70 billion in fiscal 2011 revenue and \$14.1 billion of operating income, by far the most of any unit.

"If Office 15 is a bust, those repercussions will impact and potentially injure virtually every part of Microsoft," says analyst Charles King at research firm Pund-IT. It could hamper Microsoft's push to gain a bigger foothold in search advertising and home entertainment, he says.

Microsoft has kept tight wraps on Office 15, fuelling talk it might enable editing of Adobe PDF documents and even run on iPad. "The more devices Office 15 is available on,

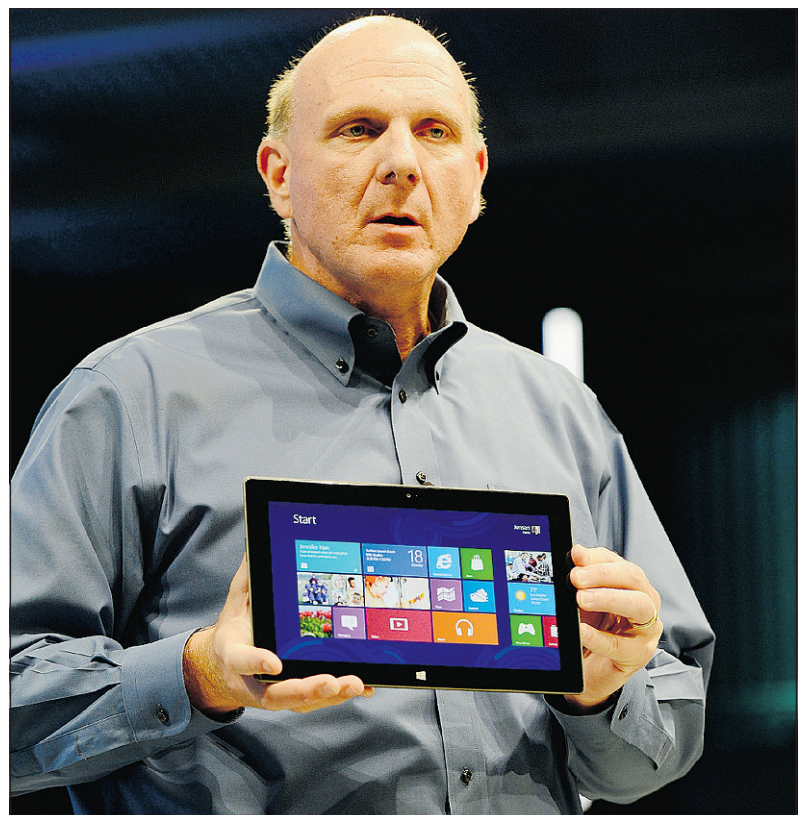
the better it is for Microsoft," says Trip Chowdhry, managing director of Global Equities Research.

Others, such as King, say it is more likely that Office 15 will run exclusively on Windows 8, or on Windows 8 and Windows 7. Windows 8 is a touch-friendly operating system. Scheduled for general release this fall, it will come in a version for PCs and another to power Microsoft's new Surface tablets.

Key advances are likely to come in Office 15's capacity to mesh with the Surface tablets, Microsoft's challenger to the dominant Apple iPad, and in hooking Office 15 into Microsoft's free Internet-accessible services, says Wesley Miller, analyst at technology research firm Directions on Microsoft.

One thing seems certain: When Microsoft CEO and chief pitchman Steve Ballmer takes centre stage at a news conference today, he likely will tout Office 15's touch capabilities.

"Microsoft hasn't had a large amount of time to broadly overhaul these applications, but I believe a large percentage of the time has been spent ensuring that the applications are touch-centric," Miller says.



Getty Images Archive

Steve Ballmer will likely play up Office 15's touch capabilities.



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