

International Business News

Global financial woes hit China's 800m farmers

China's 800 million farmers are being hit by the global financial crisis as commodity prices dive, and next year could be even worse, state media said Wednesday, citing government economists.

Rural China is suffering because soybean prices have fallen by about half on international markets in recent months, while the price of wheat is down by as much as 30 percent, the China Daily reported.

"Farm product prices are already falling in the domestic market," said Song Hongyuan, an economist with the agriculture ministry. "This will hurt farmers' income."

China has made it a top priority to raise income levels in rural areas in order to narrow the yawning wealth gap between the rich cities and the poor countryside.

As part of this effort, the government had targeted nine percent growth in peasant incomes this year, but the objective now seems out of reach, the paper reported.

"We would be happy even if the rate reaches seven percent," said Chen Guoqiang, an economist with the Development Research Centre, a think tank under the Cabinet.

IMF announces 20b euro rescue package for Hungary

The International Monetary Fund, the European Union and World Bank rode to the rescue of Hungary Tuesday, throwing the embattled country a 20-billion-euro lifeline as it fights the financial crisis.

The IMF pledged a loan of 12.5 billion euros (16 billion dollars), the European Union offered 6.5 billion euros, while the World Bank added another billion euros, the IMF said in a statement.

"An IMF staff mission and the Hungary authorities have today reached agreement... on an economic program supported by a 12.5-billion-euro loan under a 17-month stand-by arrangement," IMF chief Dominique Strauss-Kahn said.

"The EU stands ready to provide a loan of 6.5 billion euros and the World Bank has agreed to provide 1.0 billion euros."

The IMF loan is subject to approval from the IMF executive board, which the Washington-based institution said could happen in early November.

As the fallout from the financial crisis ripples around the world, a number of countries have found themselves needing assistance from the IMF, a lender of last resort to cash-strapped nations.

STOCKS

Banks losing edge

SARWAR A CHOWDHURY

Abdullah Al Farabi, a retail investor in the stock market, once owned shares of some banks. Just a month ago, he disposed of the shares and invested in other sectors, eyeing quick profits.

"I sold my shares at huge losses and invested the money in securities of other sectors. I not only recovered my previous losses but also bagged a good amount of profit," he says.

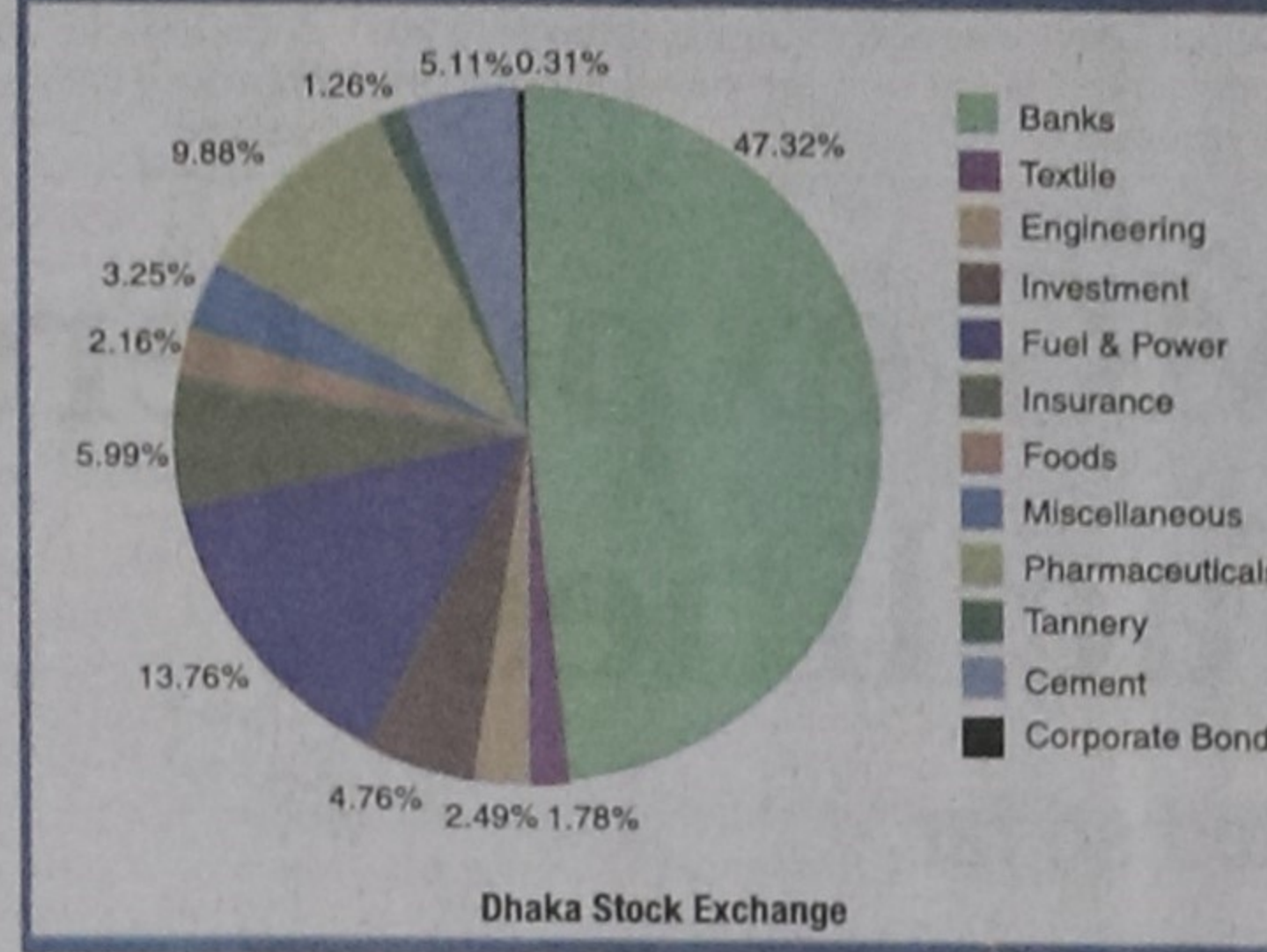
Mohammad Shamim, another retail investor, says: "If I buy shares of banks now, I may earn a nominal amount early next year, when the banks will make corporate declarations. However, I will make more money by investing in securities of other sectors."

"Then why should I invest in the banking sector?" Investors claim it is difficult to get returns from investments in the banking sector.

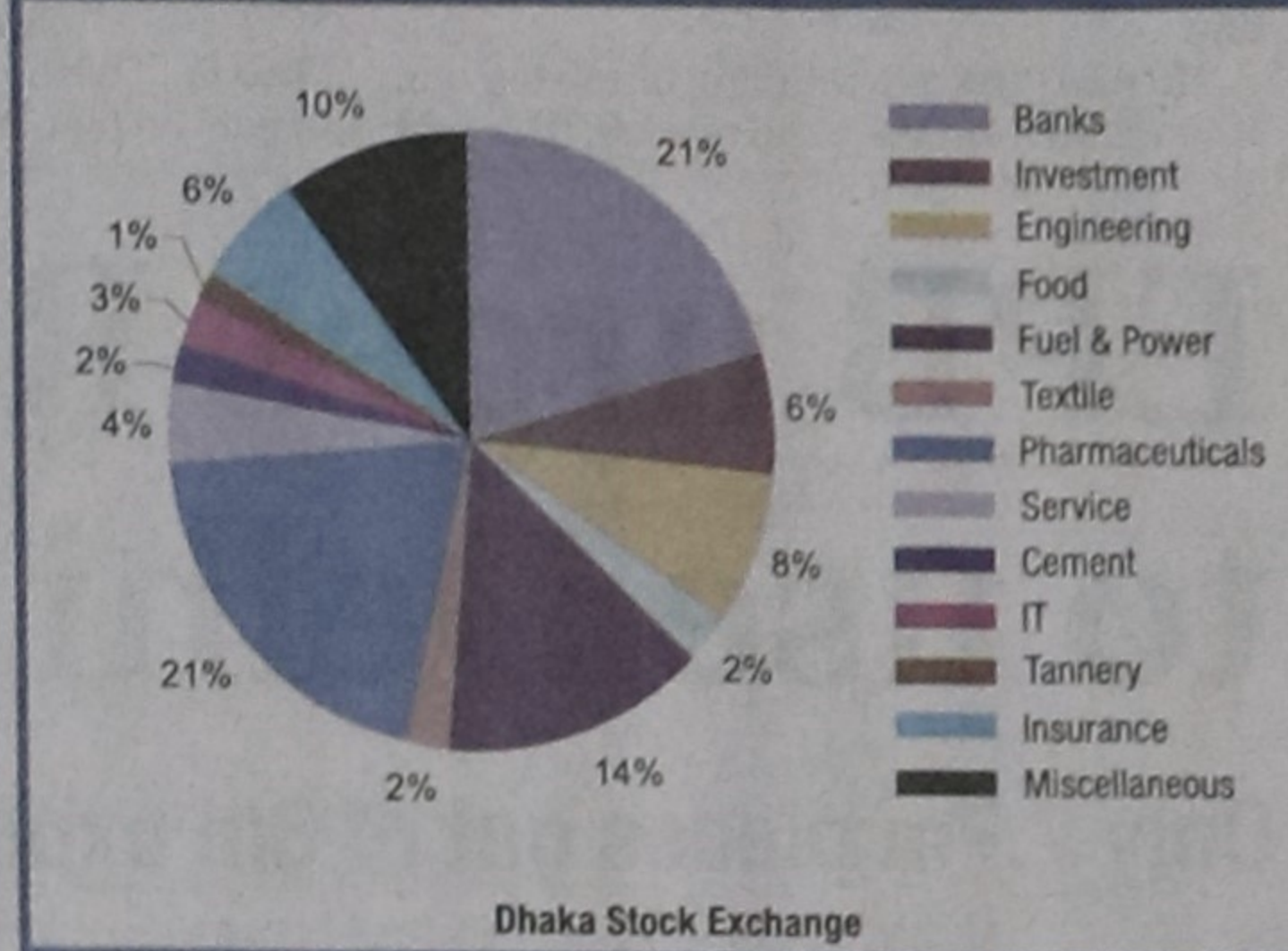
Abdullah Al Farabi or Mohammad Shamim is not alone in their quests. Thousands of retail investors at the Dhaka Stock Exchange (DSE) are concentrating on the non-banking sectors, although the banking sector presides with around 50 percent of total market capitalisation.

The investors' interests in the non-banking sector are also reflected in the daily transactions on the DSE. The representation of shares from the banking sector, which is supposed to dominate daily transactions, slipped to

Market capitalisation as of September 2008



Sectoral representation in this week's turnover



around 20 percent as of yesterday. But a year ago, the sector's representation in daily transactions was more than 60 percent, according to DSE statistics.

The remaining representation of 80 percent was led by the pharmaceuticals sector with 20.12 percent, fuel and power with 14.28 percent, engineering with 8.09 percent, investment with 6.33 percent, insurance with 6.05 percent and the services sector with 4.13 percent.

As of September, the banking sector took up 47.32 percent of market capitalisation, while, among others, fuel and power accounted for 13.76 percent, pharmaceuticals 9.88 percent, insurance 5.99 percent, cement 5.11 percent, investment 4.76 percent and engineering 2.49 percent.

The retail investors point to the bearish trend in the bank-

Investors claim it is difficult to get returns from investments in the banking sector. The investors' interests in the non-banking sector are reflected in the daily transactions on the DSE

ing sector. "If you analyse the share prices over the last couple of months, you will observe a continuous decline," says Shamim.

Besides, he says, banking sector entities are based on large capital amounts, while

the non-banking sector companies are based on small capital amounts. "Prices of shares of a large capital base company moves very slowly, while the shares of the small capital base companies moves faster," Shamim says.

Market analysts however differ with the retail investors' point of view. They say the present concentration on trade of non-banking securities is courtesy of several reasons, the primary being the speculative nature of investors. Investors take decisions based on speculations or rumours, instead of considering the company fundamentals or financial strengths.

They say it is very easy to disseminate rumours revolving the non-banking sector in contrast to the banking sector. And driven by rumours, investors lean towards securities, whose prices fluctuate often. This means they can make capital gains in a short span of time, the analysts say.

"The banking sector securities are not short-term investment tools; long-term investments are required to gain expected benefits. On the

contrary, most retail investors want to make short-term gains. That is why investors look up securities through which they can make short-term gains," says Yawer Sayeed, managing director of AIMS of Bangladesh.

Such short-term gain seekers now dominate the stock market. "This is why the market is now witnessing a volatile situation," he says. "A speculative culture is not a good sign for the capital market."

Sharif Ataur Rahman, managing director of SAR Securities, also says, "Despite the banking sector shares being risk free investments tools, it appears that trading now concentrates around non-banking shares."

"To turn back the retail investors towards the banking sector, merchant banks can increase the margin loan ratio against the sector shares," he observes.

Additionally, he advises, investors should not follow rumours or speculations, as in most cases these do not come true.

In opposition, retail investors say the break up from the banking sector is just temporary. They will start re-investing in the banking sector in December this year, as the banks begin announcing their corporate declarations from January next year.

"I will sell all my shares of the non-banking sector companies and get back into the banking sector," says Abdullah Al Farabi.

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Emirati women look at jewellery displayed in a shop in the gold market of Dubai yesterday. Most Gulf stock markets closed higher, as positive sentiment appeared to be slowly returning on the back of a strong rebound by global shares.

Nippon Steel raises forecasts despite profit drop

Asia's largest steelmaker Nippon Steel said Wednesday its net profit fell 8.4 percent in the first half but forecast bigger than expected full-year earnings thanks to cost-cutting efforts.

The Japanese firm, the world's largest steelmaker after behemoth Arcelor Mittal, said its net profit came to 161.68 billion yen (1.7 billion dollars) for the six months to September, down from 176.41 billion a year earlier.

On an operating level, its profit declined 6.1 percent to 248.4 billion yen. But sales grew by 12.3 percent to 2.60 trillion yen.

The profit declines were mainly due to record high prices of iron ore and other raw materials, Nippon Steel said in a statement.

The slowdown of the global economy, and slower growth of emerging markets such as Russia and China, also depressed the company's performance, it said.

But the company remained upbeat about demand.

It said that demand remained strong overseas for Nippon Steel's high value-added products -- particularly steel for automotive, shipbuilding and machinery makers.

China passes law to prevent embezzling of state assets

Chinese legislators have passed a law aiming to prevent state-owned assets from being sold too cheaply or embezzled by officials, state media reported.

The law, passed late Tuesday, bans managers of state companies or their relatives from using their position to secure excessively large shares of the enterprises for themselves, the Xinhua news agency said.

"The law was made to close legal loopholes and better protect state-owned assets," said legislator An Jian, according to the report.

He said some state-owned assets were embezzled after being converted into cheap stocks, sold at low prices or even obtained free.

"Such conducts caused the loss of state-owned assets and triggered strong public complaint and concern," An said.

FINANCIAL WOES

Thai crocodiles feel bite

AFP, Samut Prakan, Thailand

At the Elite Thai Leather factory in Bangkok, craftsman contort tough Thai crocodile hides into any style of luxury handbag a fashion designer wants.

Bright blue handbags made from the dyed rough hide with the intact crocodile head transformed into a clasp are a huge hit in Asia, while Europeans prefer their accessories made from the smoother skin from the reptile's belly.

Luckily for all but the reptile itself, the ridge-headed, smooth-bellied Siamese crocodile meets both those needs and has helped send the Thai reptile hide industry rocketing.

But despite its many qualities, even the tough-skinned Thai croc is not immune to the global financial slowdown, which has seen stock markets around the world plummet as consumers tighten their purse strings.

Last year, Elite Thai Leather earned about 10 million baht (293,000 dollars) selling exotic leather products, said president Panotkorn Usaiphan.

Until late summer, the company's plans to earn the same this year seemed on target, he said, with orders between January and August "normal".

But exports began to fall in September and October.

As demand drops for crocodile handbags, shoes and even the meat of the reptile, those who raise the raw material are starting to feel the bite of a looming global recession.

"My product is luxurious goods, so the global financial crisis has already affected my business for the past three to four months," says Arporn Samakit, of Sriracha Crocodile Farm, which exports about 3,600 croc skins each year.

"My total sales in local and foreign markets have dropped to six to seven million baht per month, down from ten million baht per month. Next year is not likely to get better," she told AFP.

David Chiu, Thai Leathergoods Association president, said he expected all leather exports to drop up to ten percent next year on the



A Thai worker at the Elite Thai Leather factory inspects a dyed crocodile skin in Bangkok.

back of financial woes.

But although the credit crunch is prompting people to strike luxury handbags from their shopping lists, Kanya Amorntheerakul of Thailand's Department of Export Promotion says the industry can adapt.

"Europe is down, but we try to gear for new markets," she said, citing fast-growing India and China as possible new customer bases.

Between 2002-2006, Thailand's yearly exports of live Siamese crocodiles more than doubled, while exports of skins rose to 31,983, from 3,795, according to the United Nations Environment Programme's conservation monitoring centre.

Exports of the animal's meat -- an increasingly popular exotic treat --

rose to nearly 400 tonnes in 2006, from about 25 tonnes (55,000 pounds) in 2002.

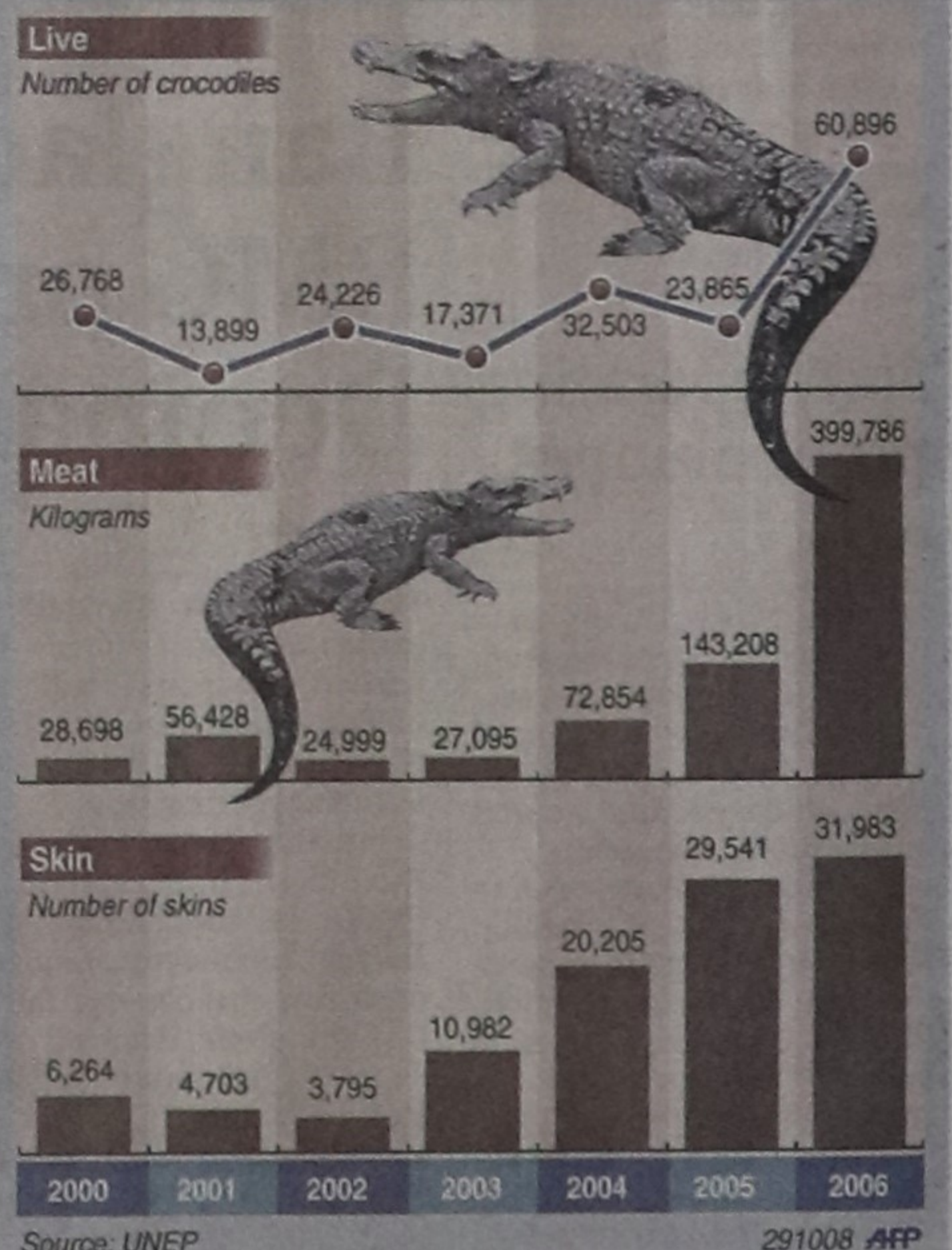
Thailand has also managed to turn crocodiles into a comprehensive industry, starting at the farms that have been turned into tourist attractions.

At the Samut Prakan Crocodile Farm and Zoo about 10 kilometres (6.2 miles) from Bangkok, tourists are entertained by musclemen who wrestle crocodiles to a thumping rock and roll backdrop.

Just beyond the shows and trolley tours are some 60,000 crocs destined to become belts, bags and steaks. Indeed, Panotkorn's bright blue crocodile skin handbag once sunned itself in the enclosure of the Samut Prakan

Thailand crocodile exports

The Siamese crocodile is endangered in the wild but commercial farms have thrived



family-owned operations to the sprawling Samut Prakan Zoo.

The Siamese crocodile is also, apparently, tasty and healthy, and is often sold for novelty appeal in Europe and America.

Fancy restaurants offer the reptile as an alternative to beef and several online companies offer Thai crocodile alongside zebra, springbok, kangaroo and other exotic edibles.

"Crocodile meat is delicious -- no fat, no cholesterol," said Arporn.

One British company charges 15 pounds (nearly 26 dollars) for a 290-gram (10.2-ounce) can of Thai-made crocodile curry -- and it is this sort of luxury that Thailand's crocodile trade is hoping can endure the financial crisis.