

International Business News

Belgium faces 'serious recession' in 2009

AFP, Brussels

Belgium faces "a serious recession" this year, central bank governor Guy Quaden said Wednesday after most economic indicators, apart from inflation, slumped in 2008.

"Unfortunately we are talking at the moment about a contraction of 1.9 percent of gross domestic product (GDP) in 2009. It's not a depression, but it's a serious recession," he said.

Quaden had said in December the economy would shrink by at least 0.2 percent in 2009.

The drastic downward revision was due in large part to a decline in GDP of 1.3 percent in the final quarter of last year -- a "real catastrophe" -- and to the global downturn, Quaden said.

"What makes this recession stand out, compared to those of the eighties and nineties, is the speed of the deterioration," the governor of the National Bank of Belgium said Monday, in remarks to reporters that were kept under media embargo until Wednesday.

Belgium is expected to see its annual exports drop by one percent, which could deter investors from the kingdom's companies. Consumer spending is also likely to drop.

On the employment front, notably in industry, "the prospects are not good," Quaden acknowledged, forecasting that some 57,000 jobs could be lost this year.

GM cuts 10,000 salaried jobs, trims employees' pay

AP, New York

General Motors Corp is planning to slash another 10,000 salaried jobs this year, saying the cuts are unavoidable with a government restructuring deadline looming and industrywide sales in one of the worst downturns in history.

The Detroit-based automaker said Tuesday it will reduce its total number of white-collar workers by 14 percent to 63,000. About 3,400, or 12 percent, of GM's 29,500 salaried U.S. jobs will be eliminated.

Most of the company's remaining salaried employees will have their wages cut.

In its plan to Congress submitted late last year, GM said it would have to reduce both salaried and hourly positions so that the company could become viable long-term. The company plans to reduce its total U.S. work force from 96,537 people in 2008 to between 65,000 and 75,000 in 2012, but did not specify how many of the surviving jobs will be salaried or hourly.

GM Chief Executive Rick Wagoner, who was meeting with congressional leaders in Washington about global warming legislation, said Tuesday's announcement is "indicative of the kind of things we need to do to get this viability plan in shape and respond to these tough market conditions."



A Chinese worker decorates stone statues of terracotta warrior faces with roses at a restaurant as they prepare a promotion for the upcoming Valentine's Day in Xian, north China's Shanxi province. Chinese inflation slowed further in January 2009 as activity in the world's third largest economy weakened, government data showed, with economists warning deflation was imminent.

Danone reports profit crash after strong 2007

AFP, Paris

French food giant Danone reported on Wednesday that net profit last year crashed by 68.5 percent to 1.3 billion euros (1.7 billion dollars) despite an 8.4-percent rise in sales, because exceptional gains in 2007 skewed comparison.

In the previous year, profits had been inflated by a capital gain from the sale of LU biscuits to US group Kraft.

Disallowing this factor net profit by the group, which has global interests, fell by 14.8 percent.

The net profit figure was 1.3 billion euros on comparable sales of 15.2 billion euros, in line with forecasts by analysts.

In the fourth quarter of the year, sales rose by 6.0 percent from the equivalent figure in 2007, to 3.6 billion euros.

The group stood by the main lines of its forecasts for 2009 which it had issued in November just as the worst of the economic crisis was hitting the world economy in the fourth quarter.

Chief executive Franck Riboud said: "Danone's solid performance in 2008 again confirms the potential for profitable growth of a group which is one-hundred percent focused on healthy food."

Nike to slash up to 1,400 jobs

AFP, Washington

Nike said Tuesday it could cut up to 1,400 jobs from its global workforce to help the giant maker of athletic footwear and apparel cope with a sharp global economic downturn.

The layoffs, representing four percent of the Beaverton, Oregon based company's 35,000 workforce, is part of a restructuring exercise that includes reviewing its entire supply chain -- from the sourcing base to the retail footprint, Nike said.

"The decision to reduce our workforce is a difficult one, but it will put our business in the strongest position possible to continue to deliver long-term profitability and growth," Mark Parker, Nike's chief executive, said in a statement.

"In light of the current economic climate, it is more essential than ever to sharpen our focus on the consumer to maximize opportunities for product innovation and brand management in the marketplace," he said.

REAL ESTATE

Let's drift out of Dhaka

Suggests Concord chairman to fix the housing crunch

KAWSAR KHAN

In a bid to cut housing pressure on Dhaka, the government should earmark some areas and develop lands around the capital to build satellite townships, says the chief of a real estate giant.

"Housing-sector problems will not be resolved unless the supply is increased," says SM Kamaluddin, chairman of Concord Group.

"But it is the government that can develop facilities such as infrastructure and communications to enable private developers to venture into more housing projects," he says in a recent interview with The Daily Star.

"The government has made an ordinance to restrict developers to take up new projects. But it should take some other necessary steps to develop the sector before enforcing the law," says Kamaluddin, a BUET graduate.

Upon graduation, he joined an engineering firm and gathered experience for about eight years. He then established Concord Engineers and Construction Ltd in 1972.

"The government should prioritise the development of areas adjoining Dhaka. If future infrastructure and road links are mapped out, developers will have a clear idea about the areas available for development," he says.

If the government follows these guidelines, he believes, the number of housing products will increase manifold, as developers will kick-start new projects without hesitation, Kamaluddin says.

Builders will be able to invest money if they know about future infrastructure development of the location, says the Concord boss.

The major setback developers face is the absence of area demarcations. "No-one knows when and from where new roads will be constructed in a particular area, in the next few years," he says.

On the living standards of the general mass in Dhaka, Kamaluddin says: "The awful living conditions of Dhaka residents will not improve unless the government shifts a portion of the population outside. Equally, people will only move out when they know that commute to and fro Dhaka will be accessible," says the Concord boss.

Concord had built a number of projects, at home and abroad, including the 750 feet tall Telecom Tower in Singapore, National Monument in Savar, the Prime Minister's Office, Zia International Airport, Janata



SM Kamaluddin

Bank Headquarters, Jiban Bima Tower, Bangladesh Shilpa Bank building and the Islamic Development Bank building in Agargaon.

Concord is presently running 47 construction projects and has so far handed over about 5,000 apartments. It directly employs over 3,000 employees.

To ensure housing facilities in the capital, the supply of apartments needs to be increased, Kamaluddin says. But there remain some bottlenecks that hinder the expected supply of apartments. He identifies

inadequate roads and highways, infrastructure, an absence of integrated plans and high land prices as the main reasons behind the condition.

However, Kamaluddin is optimistic that land and apartment prices will fall in the next decade. With infrastructure development taking place outside Dhaka, development projects will not be concentrated upon a few areas in the capital, he says.

Kamaluddin debunks the common notion that the price hikes of construction materials, such as rod, brick and cement,

are the main contributor to high apartment prices.

He attributes the high prices of apartments solely to the scarcity of land in the capital.

Kamaluddin reasons: "When apartments are sold at Tk 10,000 per square feet, rod accounts for only Tk 200 of the price tag. Then why are apartments priced so high? Increasing land prices contribute to rising apartment prices."

In the 1980s, Concord sold flats at Tk 1,600 to Tk 1,800 per square feet. As the availability of land is now low, apartment prices have shot up.

The out-of-reach apartment prices in Dhaka prompted Concord to venture into the Lake City Concord project, offering apartments at affordable prices.

Another Concord project at Khilkhet in Dhaka consists of more than 3,000 apartments, sized between 558 to 1,445 square feet.

Kamaluddin is against the construction of small flats to keep prices within reach of the mass. He suggests a reduction in construction prices to make apartments cheaper.

The use of modern construction technologies is an ideal way to cut construction prices, he says.

Most buildings in Bangladesh are built with bricks in walls and partitions -- a trend he says is an "offence" in developed countries.

"This is because brick walls collapse even in moderate earthquakes, wreaking havoc on lives."

The substitute for bricks is reinforcement blocks, which generally do not collapse in earthquakes. Kamaluddin says Concord uses such tremor-resilient hollow blocks in their projects.

On ventures outside Bangladesh, he says his company completed three projects in the Middle East and one in Singapore. He finds Bangladesh's least developed country status as a barrier to construction works abroad.

"We faced quite a few difficulties in implementing the project in Singapore. Developers require the support of the government to implement projects outside the country," he adds.

Concord's venture into entertainment and the amusement sector, such as the establishment of Fantasy Kingdom in Ashulia, has increased land prices by more than 300 times and increased economic activity in the neighbourhood.

kawsar@thedailystar.net

RECESSION

World glum on US crisis action

AFP, London

Financial markets recoiled on Wednesday after US economic rescue moves left investors bewildered and sceptical, and data revealed plunging demand for steel, cars, and oil in the global crisis.

ArcelorMittal, the world's biggest steel maker, reported a huge loss in the fourth quarter of 2008 following a sharp downturn in the construction and auto industries and said job cuts could exceed a planned total of 9,000.

The International Energy Agency in Paris again cut its forecast for global oil demand, saying the decline for 2009 would be the biggest since 1982.

And French carmaker Peugeot Citroen said it would shed more than 11,000 jobs this year and slash output by 20 percent, after reporting a net loss in 2008.

"We have a collapse in industrial output, production halted in a number of factories, a stabilisation of consumption and probably a drop in exports," French Finance Minister Christine Lagarde said in televised comments.

The Bank of England said the recession-hit British economy was set to shrink by up to 6.0 percent in the middle of 2009 from the level 12 months earlier, returning to growth only in early 2010.

In Switzerland, Credit Suisse posted its biggest ever loss of 7.1 billion dollars (5.5 billion euros) in 2008 saying "intensified" market disruption in the last quarter of the year had hit its investment banking unit.

EU leaders are to hold a special crisis summit on March 1 and finance ministers from the Group of Seven top world economies will hold talks on Friday on fighting the crisis while avoiding protectionist measures for industry.

The latest batch of grim corporate results came as markets reacted nervously and somewhat negatively to new huge support for the US banking system and to the approval of a massive stimulus package by the US Senate.

Emmanuel Ng, a currency economist with OCBC bank in Singapore, said there was "quite a lot of disappointment" in the US banking rescue measures, adding they "will keep risk aversion fairly evident" in currency markets.

"Traders were disappointed with the lack



The chief executive officer of ArcelorMittal, Lakshmi Mittal, speaks at an annual results conference in Luxembourg yesterday. ArcelorMittal Steel reported a huge loss in the last quarter of 2008, and announced that job cuts could exceed a planned total of 9,000.

of details," analysts at Charles Schwab & Co. had said after the measures were unveiled on Tuesday.

"The plan failed to provide clarity on how the government would price the toxic assets the banks hold, which have held back a thaw in the extension of credit."

US Treasury Secretary Timothy Geithner called on Tuesday for a new public-private fund to soak up toxic assets clogging the financial system, for higher consumer lending, limits to home foreclosures and new capital for banks.

But Kathy Lien from Global Forex Trading said that investors were "disappointed by the lack of details and are sceptical about the effectiveness of getting the private sector involved" in the banking rescue plan.

Also on Tuesday, US President Barack Obama hailed approval by the Senate of a highly contentious 838-billion-dollar (647-billion-euro) economic stimulus plan and

pushed for lawmakers to send him a final bill in days.

But in reaction to the sharp slide in US stocks, he accused Wall Street of wanting an "easy" way out of the crisis, saying in an interview: "What we've tried to do is to apply some of the tough love that's going to be necessary."

The dollar fell against the euro and the yen on Wednesday and European stock markets slipped, with the CAC 40 index in Paris falling 0.67 percent and the FTSE 100 in London dropping 0.21 percent in early afternoon trading.

Mirroring sharp losses on Wall Street on Tuesday, Asian stock markets tumbled on US jitters with Hong Kong closing down 2.46 percent and Seoul falling 1.5 percent. Tokyo's stock market was closed for a public holiday.

Meanwhile Chinese export data showed Asia's second biggest economy was being squeezed further by the global economic

slump with exports falling 17.5 percent in January from a year earlier and imports plunging 43.1 percent.

Jing Ulrich, head of China equities at US bank JP Morgan, said the sharp contraction in imports "reflects slowing domestic investment and lower demand... and likely signals continuing export weakness in the future."

In response to the downturn affecting its once-buoyant economy, China also said it would take policy steps to boost demand for domestically produced ships and offer financial support for the shipbuilding sector.

In South Korea, new figures showed more than 100,000 jobs were lost in the year to January, the biggest annual contraction since September 2003.

And India announced plans to inject nearly 800 million dollars into three state-run banks to spur lending and boost the country's slowing economy.