International Business News

Discord sets scene for G20 finance meeting

AFP, *London*

Deep splits over action to halt the raging economic crisis and a German-French drive to focus on cross-border rules for finance are souring the air before a G20 finance ministerial meeting near here Saturday.

Just three weeks before a gathering of heads of state from the Group of 20 (G20) leading economies, discord seems to outweigh lip service to coordination.

US President Barack Obama is trying to bridge the gap, calling on Wednesday for a two-pronged G20 effort to fix the global economy: stimulus measures and regulatory reforms.

"We've got two goals in the G20," Obama said at a joint media appearance with Treasury Secretary Timothy Geithner.

The White House has been pressing for more spending by G20 countries after enacting a 787-billion-dollar stimulus last month.

But after a meeting of eurozone finance ministers this week, their chairman Jean-Claude Juncker of Luxembourg rejected the US calls for more pump-priming, declaring they "do not suit us."

So far, the US stimulus of 787 billion (615 billion euros) is substantially more than the 400 billion euros engaged by 27 EU countries. The two total economies are of comparable size, but the EU has not forged an integrated response.

South Korea unveils $4b relief package for jobless and poor

AFP, *Seoul*

South Korea on Thursday unveiled a four-billion-dollar emergency package to help the elderly poor and jobless survive the global economic slump.

The 6.03-trillion-won package, endorsed at a meeting chaired by President Lee Myung-Bak, is aimed at helping senior citizens with no income and those laid off work due to the downturn, the finance ministry said.

The money will come from an extra budget the government is drawing up to boost the economy, it said.

Finance Minister Yoon Jeung-Hyun has announced plans for the extra budget in addition to previous stimulus measures, but has not yet given any figure.

The ruling Grand National Party has proposed extra spending of about 30 trillion won, to be financed mostly through state bonds.

The welfare package will be implemented immediately after parliament approves the extra budget, probably next month, the ministry said.

Among other measures, it said the government would provide cash and coupons worth 830,000 won every month for six months to 860,000 jobless people.

About 1.1 million senior citizens and disabled people will be given monthly cash subsidies of 200,000 won for six months, it said.

AFP

Cambodian workers leave a garment factory in Phnom Penh. Cambodia's garment exports have dropped by half amid the global economic downturn, the commerce minister said yesterday, as a union leader announced tens of thousands of job losses.

Cambodia garment exports drop by half

AFP, *Phnom Penh*

Cambodia's garment exports have dropped by half amid the global economic downturn, the commerce minister said Thursday, as a union leader announced tens of thousands of job losses.

Cambodia's garment industry is the impoverished country's largest source of income, providing 80 percent of its foreign exchange earnings and employing an estimated 350,000 people last year.

But Commerce Minister Cham Prasidh said more than a dozen factories had closed within the first two months of 2009 as exports to the United States, Cambodia's biggest market for textiles, have plummeted.

"We used to export around 200 million dollars per month. Now last month, in February, we exported only half (that figure)," Cham Prasidh told a conference on the effects of the financial crisis in Cambodia.

The head of the Cambodian Free Trade Union, the country's largest workers' group, said more than 40,000 garment factory workers had lost their jobs since last year.

"The world economic crisis severely affects Cambodia through its garment sector, as thousands of workers lost their jobs and factories closed down," he said.

Gloom persists as China's factory output, sales slow

AFP, *Beijing*

China on Thursday said factory output and retail sales were slowing, but banks were also pumping more credit into the economy as the country battles the global downturn.

Industrial production in the world's third-largest economy grew 3.8 percent in the first two months of 2009 compared with the same period last year, the National Bureau of Statistics reported.

It was a sharp slowdown compared with the 15.4 percent year-on-year growth recorded in the first two months of 2008, according to earlier data from the statistics bureau.

"Downsizing has now become a widespread phenomenon," said Sherman Chan, an analyst with research firm Moody's Economy.com. "Thus, industrial output is expected to be lacklustre during this challenging year."

RECESSION IMPACT

Gates comes back on top

AFP, *New York*

US tycoons are back on top with Microsoft founder Bill Gates again the world's richest man in a year when even billionaires felt the heat of the global recession, Forbes magazine said Wednesday.

The wealthy few did not escape big shocks this year, with net worth on the list of 793 billionaires -- down from 1,125 billionaires in 2008 -- plummeting to 2.4 trillion dollars from 4.4 trillion, Forbes said.

"The biggest news today is that we are here and there still are billionaires," Forbes spokeswoman Monie Begley joked at a press conference.

The much-watched annual rich list put Gates back on top with a net worth of 40 billion dollars, although he saw his bank balance lose 18 billion over the last 12 months.

In second came investor Warren Buffett with 37 billion dollars, despite losing 25 billion dollars this year in the value of his Berkshire Hathaway shares.

Also losing 25 billion dollars, Mexican telecoms king Carlos Slim still managed to come in third with 35 billion dollars.

The US surge sent billionaires from India, Russia and Turkey into retreat.

US rich filled 10 of the 20 top spots and New York replaced Moscow as home to most billionaires, with 55 to 27. London comes in second with 28.

Russia, where wealth is closely tied to commodity prices, lost almost two thirds of its billionaires, down from 87 to 32.

Russian oligarchs have long been famous for flaunting their wealth, but this year, none of them make it into the elite top 20, compared to four in the 2008 list.

India lost more than half of its billionaires, with the total going from 53 to 24.

Two Indians appear in the top 20, notably steel magnate Lakshmi Mittal with just 19.3 billion dollars after losing 25.7 billion dollars over the last year.

New York Mayor Michael Bloomberg, at number 17, was notable as the only top 20 member to see a net gain.

That was not because of his salary, which is a symbolic one dollar a year, but thanks to re-evaluation of Bloomberg financial news agency after the mayor bought a 20 percent stake from Merrill Lynch last year for 4.5 billion dollars.

About 64 percent of the billionaires are self-made and their average age is 63.7, a slight rise resulting from the lower number of rich Russians and Chinese, whose average ages last year were 46 and 48.

By contrast with that aging trend, Gates is a relatively youthful 53.

The youngest billionaire prize this year goes to Albert von Thurn und Taxis of Germany, who is 25 and listed as having 2.1 billion dollars.

But one of the young success stories from last year -- Facebook founder Mark Zuckerberg -- dropped off the list altogether.

The top concentrations of billionaires in the United States are in California, then New York and Texas.

One billionaire unlikely to welcome the attention though is Joaquin Guzman Loera, 54, whose one billion dollars is derived from cocaine trafficking.

RICHEST 20

AFP, *New York*

Here is a list of the world's 20 richest people, their wealth, businesses or interests, and countries, according to Forbes magazine's 2009 list:

1. **Bill Gates**, 40 billion dollars. Microsoft, United States.
2. **Warren Buffett**, 37 billion dollars. Berkshire Hathaway, United States.
3. **Carlos Slim and family**, 35 billion dollars. Telecoms, Mexico.
4. **Lawrence Ellison**, 22.5 billion dollars. Oracle, United States.
5. **Ingvar Kamprad and family**. 22 billion dollars. Ikea. Sweden.
6. **Karl Albrecht**, 21.5 billion dollars. Aldi, Germany.
7. **Mukesh Ambani**, 19.5 billion dollars. Petrochemicals, India.
8. **Lakshmi Mittal**, 19.3 billion dollars. Steel, India.
9. **Theo Albrecht**, 18.8 billion dollars. Aldi, Trader Joe's, Germany.
10. **Amancio Ortega**, 18.3 billion dollars. Zara, Spain.
11. **Jim Walton**, 17.8 billion dollars. Wal-Mart, United States.
12. **Alice Walton**, 17.6 billion dollars. Wal-Mart, United States.
13. **Christy Walton and family**, 17.6 billion dollars. Wal-Mart, United States.
14. **S. Robson Walton**, 17.6 billion dollars. Wal-Mart, United States.
15. **Bernard Arnault**, 16.5 billion dollars. LVMH, France.
16. **Li Ka-shing**, 16.2 billion dollars. Diversified, Hong Kong.
17. **Michael Bloomberg**, 16 billion dollars. Bloomberg, United States.
18. **Stefan Persson**, 14.5 billion dollars. Hennes and Mauritz, Sweden.
19. **Charles Koch**, 14 billion dollars. Manufacturing, energy, United States.
20. **David Koch**, 14 billion dollars. Manufacturing, energy, United States.

COLUMN

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Stabilising share market

The main index, the DSE Composite Index, went down 87 points to 2416.67 on February 11, 2009 from 2503.21 on the previous day. This prompted a group of investors to demonstrate in front of the DSE building.

Against this backdrop, the Securities and Exchange Commission (SEC) came up with a set of measures to increase the flow of funds to the capital market, in a move to boost investors' confidence that is rattled by a freefall of share prices.

The measures include an enhancement of the margin loan ratio provided by brokers to clients, increasing the banks and non-banking financial institutions' (NBFIs) capacity to give loans to brokers and an immediate issuance of more licenses to merchant bankers.

Some people are blaming vested quarters/syndicates, who are engaged in manipulating share prices. They are blaming syndicates involved in the shock market crash of 1996. Once upon a time, the stock market turnover was only approximately Tk 8 crore a day. At that time, an injection of Tk 20 lack was enough to manipulate the market. But now, daily turnover is more than Tk 200 crore. So, an injection of Tk 5 crore or Tk 10 crore, by a vested group of people, may not be enough to manipulate share prices. Still, it is possible that some big players are present in the market. The SEC should examine this.

Let us look at the forces behind the recent decline in the share price index. About 55 percent of total market capitalisation was captured by only 20 companies, (among these, 10 banks and 4 power sector companies are present). The total banking sector is alone responsible for 55 percent of market capitalisation, while the total power sector companies accounted for 15 percent of the total market capitalisation.

The Price Earnings Ratio (PER) of banks' shares is 14.15, while Earnings per share (EPS) is 20.67 percent, which means investors are willing to pay Tk 280 to Tk 300 per share for a earning per share of Tk 20.

Again, the fuel and power sector, whose P/E ratio is 11.52 and EPS is 44.04 percent, means the price of these shares should be an average Tk 507.34. In the case of banks, there is an expectation that earnings over the last two quarters of fiscal year (FY) 2008-2009 will decline, due to the turmoil in the global economy. So, the share prices of banks have been low. Additionally, power sector shares are mostly government owned. The investors are expecting lower return from these shares, which accounted for almost 70 percent (banks: 55 percent plus power: 15 percent) of the total market capitalisation. A downturn in these share prices caused the total share price index to fall.

We appreciate the measures taken by the SEC. But these measures are not enough. Moreover, the application of these measures should be revised. I would suggest the following, to stabilise our share market in the long run.

It is appreciated that the SEC has taken initiative to increase the number of merchant bankers in our country by providing more licenses, which is badly needed to stabilise the share market in our country. At the same time, we need to heed our attention to some problems we are facing regarding merchant banking. Ninety percent of our merchant bank portfolios consist of retail investor investment. So the merchant banks do not have any discretionary portfolio management. The merchant bankers must maintain at least 30 percent of their own portfolio and increase institutional investors to manage discretionary portfolio management.

We need to ponder over the license provided to a bank for merchant banking, whether it will be a wing of the bank or a subsidiary of the bank. It is undoubtedly argued that merchant bankers need to be created as a subsidiary of the banks, to increase account transparency and accountability.

More and more mutual funds need to be created. Institutions and agencies that are engaged in the mobilisation of the savings of innumerable investors, to channel them into productive investments of a wide variety of corporate and other securities, are called 'mutual funds'. The mutual fund industry has a large number of players, both in the public and private sector. Commercial banks are also making rapid strides in the realm of mutual fund business. ICB AMCL is going to launch three mutual funds worth around Tk 275 crore.

Current regulation regarding mutual funds does not support forming portfolio before IPO issue. So the time gap between IPO issue and portfolio creation utilises the sponsors' fund, which accounts for almost 20-30 percent of the total portfolio. So the portfolio should be allowed to form with the sponsors' money before IPO issue.

SEC has announced that Z category shares will be traded in the OTC market. But it will have little impact on the share market trading as the trade volume of Z category shares is less than 6 percent (Tk 12 crore out of a total turnover Tk 230 crore) of the total turnover of the share market.

Recently, there was a move regarding delisting Z category shares from the market. Z category shares will also not be shown from the top ten lists. Tis poses a serious concern, unless the public holding portions of Z category shares have to be paid out to the public before they are de-listed and become private. SEC has to work out the modalities of payment with the sponsors of Z category share and ensure clearing out the public holding before being de-listed from the market.

To increase dealer member role of brokerage houses, loan on lien of invested shares in CDBL should be made available, at least 50 percent subject to maximum limit such as Tk 5 crore or Tk 10 crore.

The ratio of brokerage loans to investors has been increased from 1:0.67 to 1:2. This action taken by the SEC will bring liquidity into the market. But to ensure effectiveness of this strategy, the confidence of the investors on the share market needs to be increased.

We also need to increase the job tenure of the chairman of SEC, which is currently 3 years on contractual terms. It requires time to get a grasp on the stock market. As they gain expertise, they can take better decisions.

Finally, the decline in the stock market index on that day was "intra-day volatility", and not "inter-day volatility". The DSE index again increased in the next day by 121.71 points to 2538.38. That was due to the institutional investors' investments. But it can only rescue the share market in the short run. To stabilise our share market in the long run, we need to take measures as noted earlier. Otherwise this type of volatility in the stock market will be seen more frequently in the future.

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STAR

A file photo shows investors looking at computer screens during trading hours at a brokerage house in the Dhaka Stock Exchange building.