International Business News

India car sales edge higher in March

AFP, *New Delhi*

Indian passenger car sales growth edged higher in March from a year earlier but commercial vehicle sales plummeted, reflecting a worsening economy, industry figures showed Wednesday.

Car sales rose by one percent in March to 129,358 units from the same month last year, according to data released by the Society of Indian Automobile Manufacturers (SIAM).

But sales of trucks and other commercial vehicles, which reflect changes in industrial activity and are seen as a pointer to the economy's overall health, slid by 26.22 per cent in March to 41,881 units.

Motorcycle and other two-wheeler sales jumped by 3.65 percent to 654,017 units in March from a year earlier as buyers looked for cheaper transport.

Total vehicle sales climbed in March by 1.09 percent to 893,934 units from the same month last year.

For the financial year to March 31, 2009, domestic passenger car sales rose by 1.31 percent to 1,219,473 units.

The growth is a far cry from the car industry's strong expansion in previous years when India's economy, growing by nine percent-plus, created a breed of prosperous new buyers.

Worries about unemployment, high borrowing costs and stricter loan conditions as a result of the global financial crisis have hit demand for passenger cars.

US unemployment may top 10pc by year-end

AFP, *Washington*

A US Federal Reserve regional head, Richard Fisher, said Wednesday that the US unemployment rate could exceed 10 percent by the end of this year.

"I expect the unemployment rate to continue rising to a level that could surpass 10 percent by year-end," Fisher, the president and chief executive of the Federal Reserve Bank of Dallas, said in a speech in Tokyo.

Fisher also estimated that the world's largest economy contracted in the first quarter of 2009 at a pace "very similar" to the previous quarter, according to the prepared text.

Official data showed US gross domestic product (GDP) shrank at an annual rate of 6.3 percent in the 2008 fourth quarter. Last week Fisher suggested that pace would continue or even accelerate in the first quarter.

The unemployment rate in the economy, struggling in a second year of recession, rose to 8.5 percent in March, its highest level since November 1983.

In its latest forecasts published in February, the Fed projected the jobless rate between 8.5 percent and 8.8 percent by the end of the year.

The Dallas, Texas Fed is one of the 13 regional branches of the US central bank. Fisher is not a member of the central bank's policy-setting Federal Open Market Committee.

AFP

Labour union members shout slogans during a rally in front of the headquarters of Keidanren, Japan's largest business group in Tokyo yesterday. Some 300 people protested against job cuts and demanded wage hikes amid the economic crisis.

Japanese firm sparks row over weekend work

AFP, *Tokyo*

A Japanese cellphone maker accused of coercing employees into working for free on weekends during the recession said Wednesday that it would pay them overtime, blaming a breakdown in communications.

Uniden Corp. said nearly 100 of its 280 headquarter employees in Tokyo had turned up for work on two Saturdays since last month, responding to its call for more hard work.

But even in a country known for its long work hours, the idea of spending the weekend on the job was too much for some, who complained to a labour watchdog.

The mobile telephone maker put it down to a miscommunication.

"At the board meeting, the management decided to ask for more cooperation from employees to help the company's performance, which is in (a) slump," a spokesman said.

"That policy was conveyed to some employees too strongly, as certain department chiefs sounded coercive," he said, adding that the employees would be paid for their extra hours.

Thailand cuts interest rate by 25 basis points

AFP, *Bangkok*

The Bank of Thailand cut the key interest rate by 25 basis points to 1.25 percent Wednesday to help spur the economy amid the global financial downturn, an official statement said.

It is the fourth cut since December as the central bank tries to boost Thailand's lacklustre economy, which is officially forecast to shrink by two to three percent this year.

Assistant bank governor Duangmanee Vongpradhip said the bank's Monetary Policy Committee decided to cut the rate because the world situation was continuing to cause a marked contraction of both major and regional economies.

"In addition, the severity and duration of the crisis remains highly uncertain, which would affect the Thai economy through contraction of exports while private domestic demand remains weak," she said in official statement.

AUTOMOBILE

Chrysler's bold new move

AP, *New York/germany*

It sounds crazy: Just a week after the White House scolded Chrysler LLC for relying too much on gas guzzlers, the company is heading to a marquee auto show Wednesday to unveil a new SUV.

Chrysler insists the Jeep Grand Cherokee, which clocks in at 20 mpg in its two-wheel-drive version and 19 in four-wheel-drive, is a crowd favourite and a crucial part of its lineup.

"This is a very important vehicle for us. It's one of the primary legs of the Chrysler stool," Chrysler spokesman Rick Deneau said. "Customers have told us they want this vehicle and that it's the right size."

The 2011 model is 11 percent more fuel efficient than its predecessor, powered by a cleaner and more powerful engine. Still, Chrysler's decision to debut an SUV as its only new car at the New York International Auto Show seems like odd timing to say the least.

On March 30, the Obama administration issued a scathing rejection of the company's survival plan and gave it 30 days to secure a merger with another automaker, most likely Italy's Fiat SpA.

The White House slammed Chrysler for having a product lineup so heavily weighted with trucks and SUVs. It added that the automaker does not have enough products in the pipeline to meet an expected increase in demand for small cars.

But Chrysler is standing by the Grand Cherokee. It's profitable, recognizable and the No. 2-selling vehicle in the Jeep lineup. Grand Cherokee sales fell by almost half during the first three months of the year, but its market share has remained steady, according to Autodata Corp.

"It is one of their most important vehicles," said John Wolkonowicz, senior automotive analyst for the consulting firm IHS-Global Insight. "The market for SUVs has not completely gone away, particularly for smaller ones like the Grand Cherokee."

And Chrysler, which is clinging to a $4 billion taxpayer lifeline, has little choice but to focus on the present.

The automaker expects its tentative partnership with Fiat to plug the holes in its small-car offerings. It hopes fuel-efficient Fiat cars, like the two-seater 500, will sell on this side of the Atlantic.

But even if an alliance with Fiat goes through, the Italian automaker's vehicles wouldn't make it to the U.S. until 2011. That means that until then, Chrysler has little choice but to survive on revenue from its current vehicle lineup.

AP

A 2011 Jeep Grand Cherokee is shown in this photo released by Chrysler Corp.

"I think it's going to be written up as being out of touch, but from a business standpoint, I think it's the right thing to be doing," Wolkonowicz said of the Jeep's unveiling.

In fact, the new Grand Cherokee's new engine does manage to eke out higher fuel economy on top of additional power. Assuming a customer opts for the 20 mpg Cherokee, that means a driver who logs 10,000 miles in a year will spend about $1,020 on gas at today's prices.

The Grand Cherokee also features an air suspension system that lowers the vehicle at higher speeds to improve aerodynamics and fuel efficiency, while also delivering 33 percent better horsepower than its predecessor.

Still, it's no gas sipper. A 2009 Toyota Camry, by contrast, gets 26 mpg and would cost the same driver $785 per year in gas.

The Cherokee is the first of two dozen vehicles that Chrysler, widely believed to be the weakest of the Big Three automakers, says it plans to unveil over the next four years. If the automaker secures a merger along with concessions from its union and other stakeholders, the $6 billion in additional loans promised by the federal government will certainly help it reach that goal.

Karl Brauer, editor in chief of the automotive Web site Edmunds.com, said it may be hard for Chrysler to please both the government, which is demanding greater fuel efficiency from the Big Three, and its customers, many of whom still demand big cars.

"It would be far more foolish for Chrysler to abandon its core competencies in the Jeep brand lineup than it is to come out with a new" Grand Cherokee, Brauer said.

As Wolkonowicz put it: "To some extent, it's refreshing to me to see them not kowtowing to the government."

DAIMLER

German automaker Daimler AG will see more cost-cutting and a reduced dividend this year after it warned Wednesday it won't get through the worst of the recession until the second half of this year.

"In 2009, the global economy will shrink for the first time since World War II," Chief Executive Dieter Zetsche told Daimler's shareholders at the company's annual meeting in Berlin.

"The automotive industry didn't cause this crisis, but is feeling the full brunt of its impact and suppliers and dealers are suffering just as much as manufacturers," he told some 7,000 shareholders gathered in the cavernous Berlin ITB Messe. "Ultimately, nobody will go unscathed by an economic crisis."

Zetsche said the Stuttgart-based company, whose brands include Mercedes-Benz, Smart, Maybach and AMG, was poised to take "all the required measures," to remain strong, including more cost saving and efficiency plans besides the ones it has already announced.

Daimler said it would stick with rigid cost management and reduced labor costs, including management pay cuts, but did not provide a figure on how much savings the plan would create.

Daimler also reiterated it expects a first quarter loss, because of the economic downturn's pinch on the automotive industry, but didn't provide any figures. In February, the company posted a fourth-quarter loss of euro1.53 billion - its first in two years.

Daimler's full-year 2008 revenue slid 12 percent to euro23.2 billion compared with euro26.5 billion in 2007.

As a result, the company plans to reduce its dividend by 70 percent to 60 euro cents a share compared with the euro2 a share it paid last year.

The company didn't provide a more detailed outlook, citing the uncertainty of the global economy. However, it said the company does expect a gradual improvement in earnings through the rest of this year.

That did not mollify some shareholders, many of whom interrupted Zetsche's speech with protests and condemnations of the performance of the company and its managers. Other shareholders yelled for people in the crowd to "shut up!"

"Write down your question so you won't forget," Zetsche responded.

Earlier this month, Daimler said it hoped to save euro2 billion ($2.7 billion) in personnel costs by cutting work time for 73,000 workers - largely administrative staff - in Germany by as much as five hours a week, but did not plan to eliminate jobs.

Those plans are unrelated to the previously announced decision to put some 50,000 automotive production workers on shorter hours. Daimler has said it also plans to put another 18,000 commercial vehicle workers on shorter hours after Easter. German companies often reduce hours worked to scale back output.

RECESSION

Trim and fit in tough time

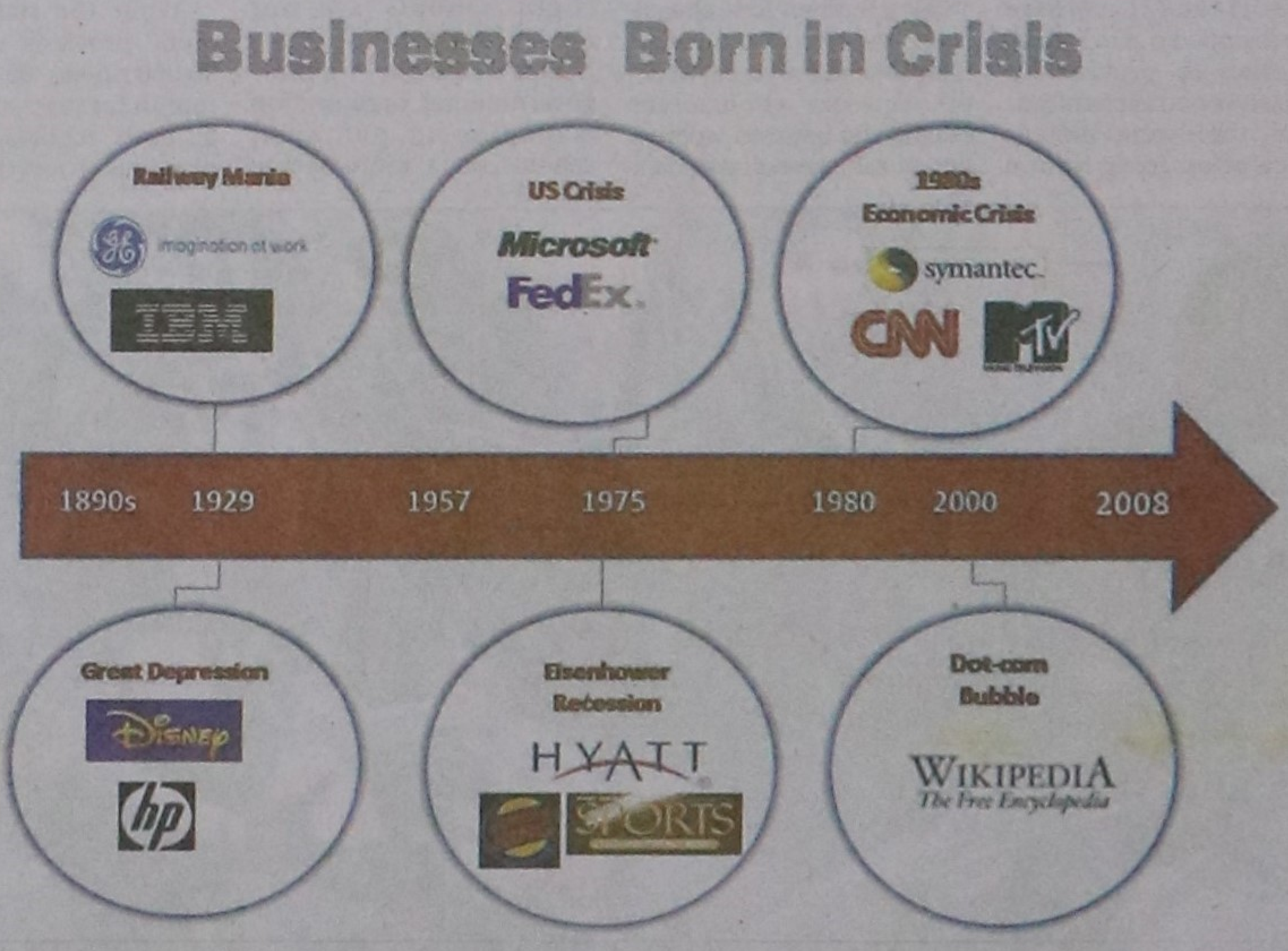
SAIMA MAZHAR

The global financial crisis, brewing for a while, has really started to show its domino effects in the global economy for more than a year now. Around the world, stock markets have fallen, large financial institutions have collapsed or been bought out, and governments in even the wealthiest nations had to come up with rescue packages to bail out their financial institutions.

Is this the first time the world has faced such a crisis? Looking back on the last 371 years (from the Tulip in 1637 to Great Depression in 1929 to the current global financial crisis), a common feature of all financial crises is the collapse of some of the strongest companies that enjoyed meteoric rise in the good times.

The prevailing global financial crisis is expected to hit output in advanced economies by 2 percent in 2009 (first annual contraction since World War II) with USA shrinking by 1.6 percent, UK by 2.8 percent, Germany by 2.5 percent, Italy 2.1 percent and France by 1.9 percent. Growth in emerging economies will halve to 3.25 percent. Both India and China will be hard-hit along with Bangladesh being no exception in terms of facing the global slump in demand.

It is true that Bangladesh has minimal direct exposure to the global financial market. However our country is connected via trade of goods and services with the outside world. Falling world trade implies that Bangladeshi export industries will be hurt and also there are indications for the country to face tough time ahead. Jute and textile spinning units, leather and ceramic industries along with declining foreign remittances are economic signals in Bangladesh portraying how the economy is getting adversely affected.



Nevertheless, this is the time when some companies adopt a 'Wait and See' approach, the way in which companies respond to the crisis, is what separates the 'living' from the 'departed'. Most organisations tend to indiscriminately cut costs and freeze all forms of developmental works.

By contrast, the smarter companies (trimmed and fit), while being prudently cautious, use the crisis period as an opportunity to critically evaluate every aspect of their businesses, challenging every dollar and every stroke of work as to the value added. They also see the upside of acquiring low-valued assets, strengthening their market position (given lower level of competitive or marketing activities) and gearing their organisations for the upturn.

MTI Consulting, an international strategy consulting firm with a global footprint, has developed and launched a 'trim & fit' model, a performance-driven consulting solution to help companies prevail (not just survive) during the tough times and seize upside opportunities.

The model has been developed based on extensive international research of successful and unsuccessful tough strategies and how businesses responded to crisis in the past along with MTI's own experience over a span of last 12 years (over 350 projects in 35 countries across a multitude of industries).

Referring to the model during the analysis phase, the risks are assessed, stress tests are carried out and the upside opportunities are considered, all of which provide the inputs for the core strategising phase. This starts with aligning the strategy to meet specific tough-time conditions (specifically in terms of rationalising and de-slacking the business model), followed by taking the 'fat' off the processes before developing a lean structure -- all of which are finally driven by ensuring that staffs are motivated (through win-win initiatives like performance-based pay).

Explaining two key features of the model, Hilmy Cader, CEO of MTI Consulting, stated, "Trim and fit looks first at cost rationalising based on vertical costs (on the basis of a value chain -- P&L) as opposed to conventional horizontal cost cutting, which runs the risks of cutting off the 'veins & arteries' of the business model. Most importantly, the head count is considered as a last resort (only after the slack in the strategy, processes and jobs are taken out) and even if head count needs to be cut, retrenchment is the last option."

The final phase is intended to swiftly implement the changes in keeping with the 'trim and fit' philosophy of 'Direct-2-Bottomline Impact'. This is achieved through the following measures:

1. An inclusive and interactive process that see key internal stakeholders being part of the analysis and solution development process.
2. Based on strong analytics as the foundation of the solution.
3. Extremely lean and effective documentation with the focus being on converting strategy to action and swiftly to implementation.
4. Internal marketing and sensitivity appreciation to ensure smooth executions.

Despite the challenging times, businesses should not get into panic mode rather become "trimmed & fit" by seizing upside opportunities, rationalise, and arrive at a business model promoting a lean, minimalistic and performance-driven culture supported by robust processes and systems.

"Trimmed and fit" companies not only prevail in tough times but also emerge from it stronger than ever.

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