

International Business News

Malaysia Airlines offers low fares to fuel business

AFP, Kuala Lumpur

Malaysia Airlines on Wednesday announced ticket price discounts of up to 80 percent in a bid to boost passenger traffic amid the global economic downturn.

The move came after the national carrier saw 2008 profit plummet 71 percent and slashed fuel surcharges on its domestic and international flights in January to boost sales.

Unveiling the "Malaysia Airlines stimulus package" managing director Idris Jala said radical action was necessary for airlines to survive in the current economic climate.

"It's absolutely necessary to change your business model, and you need to change it radically to survive and win in such a tough operating environment," he told reporters.

"I am very convinced that must be the way to survive in this environment -- to tailor (the products) based on the size of the customers' wallet," he added.

Under the programme to spur sales, selected domestic and Southeast Asian flights will be subject to ticket price discounts of up to 80 percent.

Fare reductions will also be applied to international flights.

Idris did not provide a revised revenue forecast but said he hoped the new scheme will "bring us a lot more new money".



An Indian model holds the Nokia E75 during the unveiling of the first side slider device from Nokia that supports up to 16 email accounts, in New Delhi yesterday. The cost of the Nokia E75 is 26,900 rupees (\$540).

eBay to spin off Skype next year

AFP, New York

Online auction giant eBay announced plans on Tuesday to spin off Web communications service Skype with an initial public offering next year, ending the troubled relationship between the two firms.

The San Jose, California-based eBay, in a statement, said it expected the IPO for Skype to be completed in the first half of 2010. It said the specific timing would depend on market conditions.

"Skype is a great stand-alone business with strong fundamentals and accelerating momentum," eBay president and chief executive John Donahoe said.

"But it's clear that Skype has limited synergies with eBay and PayPal," he said. "We believe operating Skype as a stand-alone publicly traded company is the best path for maximizing its potential."

"This will give Skype the focus and resources required to continue its growth and effectively compete in online voice and video communications," Donahoe said.

"In addition, separating Skype will allow eBay to focus entirely on our two core growth engines -- e-commerce and online payments -- and deliver long-term value to our stockholders," he said.

US planning to divulge vitals of top banks

AFP, Washington

The US could reveal details about the health of its top 19 banks in a bid to reassure investors about the state of the ailing sector, local media reported Wednesday.

The New York Times, quoting unnamed senior officials, said the administration of President Barack Obama was considering publishing the results of its analysis of individual banks, known as its "stress-tests."

"It's becoming clearer that we and the banks are going to have to explain clearly where each bank falls in the spectrum," the paper quoted an official saying.

To date Washington has been reticent about publishing details of its analysis, fearing frankness might spark a run on banks deemed to have fared poorly compared to competitors.

The Federal Reserve asked banks not to discuss the tests during earnings season, for fear of destabilizing markets.

But with rumours swirling about the health of the some of the country's top financial firms, some are now advocating greater candour.

Philippine remittances rise 4.9pc in February

AFP, Manila

Remittances from Filipinos working abroad rose 4.9 percent in February, marking a recovery from the virtually flat growth in January, the central bank said Wednesday.

Remittances in February amounted to 1.32 billion dollars compared with 1.258 billion dollars in the same period last year, the central bank said in a statement.

This brought total remittances in the first two months of the year to 2.585 billion dollars, a 2.5-percent increase year on year.

Money sent back in January was just 0.1 percent higher than the previous year.

Remittances have been holding up as deployment of overseas Filipino workers has risen during the first two months of the year, while the increase in the number of reported layoffs has slowed down, central bank governor Armando Tetangco was quoted as saying.

He said overseas labour agencies' figures showed that the number of Filipinos who left the country to work abroad in the first two months rose 27.3 percent to 283,348.

INTERVIEW

Merger shores up businesses

Mutual Trust Bank's new MD says

SAJJADUR RAHMAN

Although merger among bank and non-bank financial institutions in the US, Europe and Asian giants China and India appears to be inevitable for betterment, this concept is yet to get momentum in Bangladesh.

"Merger can help financial institutions pool resources and improve technology to render better services," says Anis A Khan, the newly appointed managing director of Mutual Trust Bank (MTB).

Khan has a vast experience in leasing and financing besides banking.

Before joining the MTB yesterday, he served IDLC Finance Ltd as chief executive officer for six years.

Perception problem is a major reason why merger has not been taken for granted that way as a financial tool, Khan says.

The Daily Star had an exclusive sitting with him to get an insight of the financial sector.

"Owners of different institutions believe that they will lose their authority if they go for merger with any," pointed out MTB boss when he was asked about the limitations despite the existence of a policy guideline on merger and acquisition, formulated by the central bank in early 2007.

Bangladesh Bank introduced such a policy for banks and non-banking financial institutions to make them operationally sound.



Anis A Khan at IDLC Finance, where he served for six years.

Presently, 48 banks and 29 leasing and finance companies are in operation. Besides, there are 62 insurance companies, of which 60 in the private sector. Not all these banks and non-bank financial institutions (NBFIs) are in good health.

Of the 29 leasing and finance companies, nine are still out of the capital market, despite the obligation for such listing on bourses.

"Those are very small companies. How they will be enlisted," questioned Khan, who led IDLC Finance Ltd, one of the two local largest NBFIs.

IDLC's asset was raised to Tk 1,700 crore at the end of 2008 from Tk 524 crore six years ago. The number of products has also been raised to 50 from just one.

Pointing to the poor asset bases of at least 10 NBFIs, Anis A Khan pleaded that those should be merged to become stronger.

Khan, who also dwelt on the dearth of professionals in the financial sector, says: "The financial sector needs three times more leaders than it has at the moment."

Universities should produce more quality business and finance graduates, he suggested, as "Banks and multinational houses pick the officials we develop through motivation and training."

Khan also strongly advocated lowering bank rates for the sake of survival of the leasing firms, because these firms depend on bank

finance for its business. However, such dependence varies, he said, citing the example of his erstwhile company, IDLC Finance Ltd. IDLC depends on banks for about 25 percent of its financing, while a majority seeks 60-70 percent of its financing from banks.

Banks charge 14-15 percent interest rates for lending the leasing and finance companies, although they lend to individual corporate customers at even 12 percent.

"Banks can reduce the rate for leasing firms, as the risk is much lower than financing other sectors," Khan says.

He also pointed to the fact that the financial institutions could not play its due role in industrialisation during the 1980s. The state-run financial institutions had to roll back their funding operations under the burden of huge non-performing loans. The commercial banks also carefully avoided sanctioning term loans, as those deem the financing for import and trade 'more profitable'.

"In a span of two decades, the leasing and finance industry has got a sound footing as a convenient, easily accessible and less complex source of financing, especially for capital machinery and transports," the Mutual Trust Bank MD said.

The industry has a huge prospect as demand for services is growing rapidly, asserts Khan.

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POLITICAL DRAMA

Fresh blows to Thai economy



Soldiers practise anti-riot exercise on a blocked-street near to the government office in Bangkok yesterday. Thailand's fresh political dramas will inflict huge tourism losses, weigh down the stock market, and crimp growth in an economy already in crisis from the global downturn.

AFP, Bangkok

Thailand's fresh political dramas will inflict huge tourism losses, weigh down the stock market, and crimp growth in an economy already in crisis from the global downturn, analysts said Wednesday.

"The government must work hard to restore political stability in Thailand quickly. The next three months will be critical," said Thanavath Phonvichai from the Thai Chamber of Commerce's economic and forecasting unit.

Anti-government protesters shut down an Asian summit at the weekend and then battled with armed troops in the streets of Bangkok Monday in the biggest test of premier Abhisit Vejjajiva's four-month-old administration.

A successful military campaign to corral the demonstrators

and force them to disperse is seen as strengthening Abhisit's hand against ex-premier Thaksin Shinawatra who is plotting to return to power.

But Thailand's stock market will deliver its verdict on his performance when it re-opens on Thursday, after a three-day holiday.

"In general, sentiment will be quite negative across all markets but the recent political shock will probably reflect a more sombre equity market," said Jun Trinidad, a Citibank regional economist.

Trinidad said that a boost for Abhisit reflected in the markets was "a near-term possibility".

"But I don't think that the conflict has ended with the army intervening on behalf of the prime minister. Eventually the issue needs to be settled once and for all," he said.

Thanavath said recent events

would cost Thailand's tourism sector another 100 billion baht (2.8 billion dollars) in losses after already taking big hits from past troubles including last year's nine-day closure of Bangkok's airport.

"The political situation has affected the Thai economy, especially on confidence in investment and tourism," he said.

"But the protest ended earlier than we had expected. The government stood firm on peaceful measures and no bloodshed. This is positive and can help the government restore the country's economy more easily later," he said.

Thailand's finance ministry last month forecast the economy to shrink by two to three percent this year, the first contraction in a decade. Private-sector forecasts are even gloomier.

Trinidad said Abhisit, who

unveiled a 117-billion-baht stimulus package in January, had been supportive of growth. But he remains hamstrung by questions of legitimacy after coming to power on the back of a court ruling that ousted Thaksin's allies.

"In that span of four months the game plan he has on the economy is very clear and markets were very receptive to it," he said.

"It's not a question of know-how or game plan or lack of resources, it's really an issue now of politics rather than economics."

"It's just unfortunate that this has happened at a time when the economic slump in Thailand is deepening. The timing really sucks."

Julia Goh, an economist with CIMB-GK Research, also said Abhisit's smooth handling of this week's crisis did not dispel his ongoing challenge to unite a deeply fractured society.

"The sentiment is still very much negative because the political uncertainty will continue to linger. So that will continue to be an overhang on growth, and amid the other downside risks from the external slowdown," she told AFP.

"Second quarter GDP is likely to contract and given the recent political events the tourism sector will continue to be affected, hence a delayed recovery," she said.

The research firm had been forecasting a 1.5 percent contraction for the Thai economy this year.

"But given the political events and its impact on the tourism sector we will be downgrading this to around minus 4.0 percent," she said.

Thailand's economic growth had already slowed to 2.6 percent in 2008 from 4.9 percent in 2007.