

International Business News

Lloyds Banking Group to cut 1,000 jobs

AFP, London  
Lloyds Banking Group, the British government-controlled banking giant, said Thursday that it would cut nearly 1,000 jobs over the next two years.  
Changes to LBG's motor finance business would "result in the loss of 910 full-time jobs which affects 985 full and part time colleagues over a two-year period," the bank said in a statement.  
LBG said it was consolidating the motor finance businesses of HBOS and Lloyds TSB, which merged to create the new group, and added that all staff who would be impacted by the decision had already been briefed by their managers.  
Last month, the British government said it was taking a majority stake in the banking group and would guarantee its toxic assets, increasing its ownership from 43 percent to 65 percent.  
LBG was created in January when Lloyds TSB bought rival lender HBOS, which faced collapse because it was struggling to raise funds due to the credit crunch.  
Trade unions urged LBG to ensure that compulsory redundancies were avoided, while warning that news of the job cuts would cause major uncertainty for the bank's staff.

Novartis posts 14pc drop in Q1 profit

AP, Geneva  
Pharmaceutical maker Novartis AG reported Thursday a 14 percent decline in first-quarter net profit in part due to shifts in currency values as well as the cost of financing its takeover of the Alcon eye care company.  
Novartis said the profit of \$1.98 billion compared with \$2.3 billion in the first quarter of 2008, but that its pharmaceutical division performed well, with recently launched products rejuvenating the portfolio.  
It cited the first regulatory approval of the drug Afinitor against kidney cancer in the United States and the approval in Europe and the U.S. of the new Ixiaro vaccine against Japanese encephalitis.  
"New products fueled ongoing momentum in pharmaceuticals," said Chief Executive Daniel Vasella. "The fundamentals of the business remain positive."  
Profits fell because of currency losses, investments in new pharmaceuticals, and reduced incomes from its Sandoz generic drugs unit and one-time gains in 2008.  
"A drop in average net liquidity and financing costs for the 25 percent Alcon stake, which was acquired in 2008, further reduced non-operating income in the 2009 quarter," it said.  
He said that because of "the uncertain economy and currency market volatility" the company would enhance productivity and manage costs.



AFP  
A Pakistani craftsman gives final touches to a hand-made sculpture at his shop in Lahore yesterday. Pakistan's central bank lowered the benchmark interest rate by one percentage point this week, acknowledging that the economy in the poverty-stricken, nuclear-armed nation was showing resilience.

Japan's Mizuho Financial falls deep in red

AFP, Tokyo  
Japan's second-largest bank Mizuho Financial Group Inc. said Thursday that it had plunged deep into the red in the past year, hammered by huge losses on its investments.  
Japan's top banks were initially seen as relatively immune to a US-born credit crisis, but they have been badly burned by the financial crisis because they have a large exposure to the stock market.  
Mizuho estimated its net loss at 580 billion yen (5.9 billion dollars) for the year to March, far short of its forecast for a 100-billion-yen profit. The previous year it had logged positive earnings of 311.2 billion yen.  
The group blamed the much worse than expected performance on increased losses related to weak financial markets as well as the impact of low interest rates and rising bad loan costs.  
It said it would book a loss of 618.8 billion yen on securities, including stocks and bonds.  
"Japanese banks were thought to be immune to the financial turmoil when the subprime crisis at Ichigoshi Investment Management."

Fiat reports \$410m first quarter loss

AP, Milan  
Fiat Group SPA, which is in the final stretch of talks to take a possible minority stake in the U.S. automaker Chrysler, says it made a first-quarter loss of euro410 million (\$530.83 million) as sales of autos plummeted due to the global economic crisis.  
The result reported Thursday compares with a net profit of euro405 million in the first quarter of 2008.  
Still, the Italian automaker, which manufactures cars under the Fiat, Lancia and Alfa Romeo brands, said demand for cars was expected to improve throughout 2009.  
Fiat Group revenues were down 25 percent to euro11.3 billion (\$14.63 billion) from euro15.07 billion, with volumes decreasing across all businesses.  
Fiat is up against an April 30 deadline to reach a deal with Chrysler LCC to take a 20-percent stake in exchange for technology.

GLOBAL SLUMP

World leaders in tight corner

AP, Washington  
World finance officials may be faced with the worst global downturn since the Great Depression, but that doesn't mean they are ready to stop squabbling over the details of a plan to get out of the mess.  
European nations are still resisting pleas from the United States for greater increases in stimulus spending, while new economic powers like China and India believe they are not getting the recognition they deserve from old-line organisations such as the International Monetary Fund and the World Bank.  
Finance ministers will come to Washington for three days of talks beginning Friday in an effort to resolve their differences, but many experts believe they will leave town with the major disputes unresolved. In the face of the continuing conflict, officials were seeking to strike as positive a note as possible for fear that too much emphasis on discord could spook global markets.

World Bank President Robert Zoellick and IMF Managing Director Dominique Strauss-Kahn both have said they believed there were signs that the steep economic nosedive that began last year is starting to bottom out. They were to give previews of the discussions of the spring meetings of the 185-nation lending organisations in separate news conferences Thursday.  
Treasury Secretary Timothy Geithner told a Washington audience Wednesday that he was seeing "some signs of stabilisation." He also sought to defuse anger that it was poorly regulated US markets that wrecked the global economy.  
"We bear a substantial share of the responsibility for what has happened, but factors that made the crisis so acute and so difficult to contain lie in a broader set of global forces that built up in the years before the start of our current troubles," he said.

The discussions are set to get under way Friday with meetings of Group of Seven wealthy nations -- the United States, Japan, Germany, France, Britain, Italy and Canada -- followed by talks over dinner that night among the Group of 20 nations, which adds major emerging powers such as China, Russia, India and Brazil to the mix.  
In many ways, the task facing Geithner, Federal Reserve Chairman Ben Bernanke and their counterparts from the other countries is to fill in the blanks from the agreement that President Barack Obama and the other G-20 leaders reached at their summit on April 2 in London.  
However, the finance officials may find it just as difficult as the leaders did to patch over all the differences.  
The United States still believes that countries need to keep pursuing aggressive stimulus efforts in the form of tax cuts and increased government spending to boost demand. European nations contend that they already have done enough in this area and they do not want to run up the gigantic budget deficits that Obama has been willing



AFP  
US Treasury Secretary Timothy Geithner speaks before the Economic Club in Washington, DC on Wednesday. Geithner delivered remarks on the "ongoing efforts to address the global recession," during his speech.

to take on in pursuit of his \$787 billion economic stimulus measure.  
Another big problem is how to make the numbers from London add up. The G-20 leaders pledged to boost support for the IMF, the World Bank and other international lending organisations by \$1.1 trillion. But the biggest chunk of that amount -- \$500 billion for an emergency lending facility at the IMF -- is still short of the goal.  
Obama this week asked Congress for authorisation to boost the US contribution tenfold to \$100 billion, and Europe and Japan have pledged equivalent amounts. However, other major countries, including China, Russia and Saudi Arabia, have not come forward yet with their commitments.  
There is hope that the weekend discussions will produce new pledges, but the issue is complicated by the fact that China and other big developing countries like India want to link their increased support to making progress on their long-sought goal

for a bigger voice in the operations of institutions like the IMF. This proposal is being resisted by various European nations who would lose some of their current voting powers.  
The debate also could hinder efforts to reach agreement on a proposal to sell a portion of the IMF's vast gold reserves to provide more support for the poorest countries and to expand an IMF currency known as special drawing rights, a move that also could provide support to poor nations.  
There is general agreement that IMF resources need to be expanded in order to deal with the current financial crisis, which has caused severe hardships in a number of countries. Already the IMF has put together emergency loan programs for Hungary, Serbia, Romania, Iceland, Ukraine, Belarus and Latvia.  
Mexico, Poland and Colombia also have announced plans to tap a new, more flexible IMF line of credit designed to support emerging countries that are considered well

managed.  
Advocates for the poor are urging the finance officials to find ways to resolve their differences and fulfil the commitments made at the G-20 summit.  
"What's happening at this moment is that ... capital is drying up for the poorest countries," said Marita Hutjes, Oxfam senior policy adviser. "We feel it's part of the responsibility of the rich countries where the financial crisis originated to actually address that problem."  
Underscoring the extent of the challenges, the IMF released a new economic forecast Wednesday that projected that the world economy would fall by 1.3 percent this year, the first decline since World War II, and what the IMF called "by far the deepest global recession since the Great Depression."  
Private economists said an output decline of that magnitude would leave at least 10 million more people jobless around the world.

IMF growth forecasts

Country	GDP in percent		
	2008	2009	2010
World	3.2	-1.3	1.9
United States	1.1	-2.8	0.0
Canada	0.5	-2.5	1.2
Euro zone	0.9	-4.2	-0.4
Germany	1.3	-5.6	-1.0
France	0.7	-3.0	0.4
Italy	-1.0	-4.4	-0.4
Spain	1.2	-3.0	-0.7
Britain	0.7	-4.1	-0.4
Japan	-0.6	-6.2	0.5
Developing countries	6.1	1.6	4.0

Source: IMF  
AFP 220409  
The International Monetary Fund forecasts a severe global contraction this year, sharply downgrading its already bleak outlook from earlier this year. The IMF projected the global economy would shrink 1.3 percent in 2009.

Efficiency can help manage financial turmoil

MOHAMMAD ZAHID HOSSAIN

To successfully manage the recent global recession, leaders in G-20 summit have sanctioned \$1 trillion, which is going to be pumped into the global economy.  
The Bangladesh government declared a Tk 3,424 crore bailout package on Sunday. This amount will not be enough if the corporate bodies do not take effective initiatives from their side.  
Bangladesh had formed a powerful committee to discuss different ways to manage the recession.  
Various trade bodies came up with different proposals to boost up their sectors and cope with this crisis. It means all related authorities are moving forward with the best of their knowledge and capacity to minimise an adverse impact of the downturn.  
The Bangladesh economy cannot take the entire pain on it because the subsidies as solicited by different trade bodies will affect other factors of the economy. So, the corporate world should think of bringing efficiency to their operation to manage this turmoil. Many well-entrenched companies across the world are suspending their operations, as their "Cost Containment Plan" is not working. As a result, people are getting unemployed, which is another twinge for the economy. For the global downturn, the buying power of people is being squeezed. They are compelled to shift towards low-cost products.  
Basically, to find a suitable solution to reduce production costs which will create demand to increase revenue, enterprise can maximise the utilisation of



STAR  
Finance Minister AMA Muhith announces a stimulus package in Dhaka on Sunday to tackle the effects of global financial crisis on the local economy.

its capacity within the company or within the industry as a whole. If the enterprise cannot produce product or cannot render services at its maximum level, it is faced with a loss for the idle capacity, which is to be charged in income statement or added in the cost of the produced items. Thus the demand will be dropped. In reality, the challenge of the corporate world is to find out the effective ways to minimise the average cost by

maximising the usage of available facilities for which they are paying.  
If an enterprise can produce with less input cost, "Economies of Scale (ES)" are said to be achieved. This ES can be achieved internally or externally. If an enterprise can produce maximum number of units, per unit cost will be the least. Thus internal ES is achieved. In addition to internal ES, an enterprise can achieve that externally within that industry by integrating its activity with similar company. If the industry as a whole can maximise the output, per unit cost of that product of this industry can be the least. As a result, no facility will remain idle in that industry. Thus the production cost of that industry can be the least and ES can be achieved in that industry.  
Let's take an example to simplify this concept. In pharmaceutical industry, all the independent companies are going to chemist shop to deliver their own manufactured products. Again, one chemist is dealing with different company's delivery personnel. This is wasting the time of both the parties and parallel working is found in the industry. Moreover, all manufacturers are maintaining same type of distribution facilities separately within the geographical location but no one is individually using its facilities at maximum level. But if one independent "warehousing and distribution service provider" arranges all these facilities and invites different pharmaceutical manufacturers to take service, the manufacturers and the industry will be able to avoid cost for the idle capacities. So, in the same warehouse, in the same delivery van, by the same delivery people, products of different manufacturers will be kept, carried or delivered. Thus, this service provider will handle significant amount of volume, which will allow it to have strong bargaining power with its suppliers. The same type of parallel working is seen in the real estate sector also. A separate company having core competency in selling services only can do the selling work for different builders and customers will be able to get all types of products under one roof. This will help marginal builders to have professional selling support without big investment, or without fixed commitment.  
Since the demand will be generated by the own marketing people of manufacturers or builders, the question of "conflict of interest" will not arise.  
During this downturn, demand of products has been reduced. Since the buying power of general people has diminished, companies cannot increase product prices to recover the increased average cost.  
Moreover, by integrating optional part of the business, corporate house can give more attention in the area where it has core competency. Thus the total efficiency of that industry will be increased and all the related parties like consumer, business house, suppliers, government will be able to bring efficiency in all aspects, which will reduce cost and increase volume.  
The writer is a fellow member of the Institute of Chartered Accountants of Bangladesh.