International Business News

Inflation in top economies slows in April: OECD

AFP, *Paris*

Inflation in leading economies slowed in April and the 12 months leading up to it as energy prices plunged amid the economic crisis, the OECD said on Wednesday.

Consumer prices in the 30 states of the Organisation for Economic Cooperation and Development (OECD) rose by 0.6 percent in the 12 months to April, compared with 0.9 percent in the year to March, it said.

Month-on-month, inflation in the zone fell to 0.2 percent in April from 0.3 percent the previous month. Inflation has fallen steadily since February, after recovering from several months of falling prices.

Consumer prices for energy were down by 13.3 percent in the year to April, following a fall of 11.9 percent in the year to March, it said.

Excluding food and energy, consumer prices rose 1.9 percent in the year to April 2009, compared with 1.8 percent in March.

In the world's two biggest economies, the United States and Japan, prices fell overall. The US consumer price index fell 0.7 percent over the year to April and Japan's fell 0.3 percent.

The consumer price index for the eurozone was "stable" in the year to April, according to the OECD, with inflation of 0.6 percent.

Bank of England set to put rates on ice

AFP, *London*

The Bank of England was forecast to keep interest rates at a record low 0.50 percent on Thursday amid a deep recession, and assess whether to extend its costly credit-easing plan.

The BoE's rate-setting Monetary Policy Committee (MPC) begins its crucial two-day gathering on Wednesday amid recent news that the British economy shrank at its sharpest pace in almost three decades in the first three months of 2009.

The European Central Bank was also set to hold its key lending rate at 1.0 percent on Thursday, as the ECB explores new ways to get money flowing again in the recession-blighted eurozone.

"The BoE and the ECB are expected to leave interest rates on hold at their monthly meetings on Thursday," said economist Trevor Williams at Lloyds TSB Corporate Markets, a division of Lloyds Banking Group.

"We expect neither of the two banks to make changes to previously-announced non-standard credit easing measures," he added.

The British central bank decided to pump out another 50 billion pounds (83 billion dollars, 58 billion euros) of new money last month, when it had kept rates at the all-time low of 0.50 percent.

AFP

Stock dealers react while trading at a brokerage house in Mumbai yesterday. Indian shares ended flat on June 3, snapping five straight days of gains, as investors locked-in gains after the benchmark index crossed the key 15,000 points level intra-day, dealers said. The benchmark 30-share Sensex fell 4.01 points or 0.03 percent to 14,870.9, retracing from the day's high of 15,046.43.

Australia dodges recession after surprise growth

AFP, *Melbourne*

Australia on Wednesday became the only major western nation to avoid recession during the current global economic slump as it posted surprise growth in the first quarter of 2009.

The data came a day after better-than-expected export figures and led Prime Minister Kevin Rudd to hail Australia as the strongest advanced economy in the world.

Official data showed 0.4 percent gross domestic product growth in the three months to March, allowing it to sidestep a technical recession, defined as two consecutive quarters of negative growth.

Analysts had almost universally expected the economy to succumb to its first recession since the early 1990s after posting revised negative growth of 0.6 percent in the three months to December.

On Tuesday, data showed exports of goods and services rose 2.7 percent in the March quarter, in seasonally adjusted volume terms, while imports fell a sharp 7.0 percent, according to the Australian Bureau of Statistics.

Philippines electronics makers see recovery signs

AFP, *Manila*

Philippine electronics manufacturers believe they have seen the worst of the global downturn as hard-hit companies are hiring again and new investments are made, industry officials said Wednesday.

The development has immense implications for an economy teetering on recession because the sector accounts for more than half of its exports.

"There are signs that we've bottomed out," Dow Jones Newswires quoted Semiconductor and Electronics Industries of the Philippines Inc. president Ernie Santiago as saying.

"Our latest growth guidance for the whole year is a negative 20 percent. Before it was negative 30 percent," he added.

The government earlier reported that although electronics exports were down 33.9 percent from a year earlier to 1.619 billion dollars in March, the figure was up by nearly a fifth on February.

Santiago said that while electronics shipments have contracted year-on-year in each of the first three months of 2009, they have steadily grown month on month.

RMG

Exporters back interest subsidy

RUN-UP TO BUDGET

REFAYET ULLAH MIRDHA

Garment exporters and chamber leaders demand subsidies on bank interest rates instead of cash incentives as a stimulus in the upcoming national budget.

Finance Minister AMA Muhith has recently hinted that he will design a stimulus package for the ready-made garments (RMG) sector in the budget for fiscal 2009-10, as the sector was bypassed in the interim stimulus package.

But the minister did not disclose the type of the package to be offered -- whether it would be cash incentives against exports or subsidies on bank interest rates.

In the interim measure, the government announced a Tk 1,500 crore package for agriculture, Tk 500 crore for farm loan re-capitalisation, Tk 600 crore for the power sector, Tk 374 crore for social security (food) and Tk 450 crore for the export sectors.

Later, the spinning sub-sector was brought under the government stimulus package.

Jute and jute goods, leather and leather goods and frozen foods were beneficiaries of the stimulus for the export sectors.

While announcing the interim stimulus package, Muhith said different steps such as policy support and bank-loan rescheduling will be included in the budget for the RMG sector.

RMG exporters have been lobbying with ministers and influential sections of the government to receive the stimulus package.

Both leaders of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) and Bangladesh Garment Manufacturers and Exporters Association (BGMEA) met with newly appointed Bangladesh Bank Governor Dr Atiur Rahman and proposed a subsidy on bank interest rate as a stimulus package in the next budget.

AMRAN HOSSAIN

In the wake of global economic crisis, garment exporters and chamber leaders prefer subsidies on bank interest rates to a plan for cash incentives in the fiscal 2009-10 budget.

BGMEA President Abdus Salam Murshedy had urged the government to give subsidy on bank interest rates, at 5 percent.

Talking to The Daily Star, Murshedy said if the government feels that there may be mismanagement in disbursing the cash incentives, it can provide subsidy on bank interest rates, which is currently being preferred by the RMG exporters.

BKMEA President Fazlul Hoque said the subsidy on bank interest rate would be beneficial to the exporters if it were given at 5 percent.

Hoque said the proposed system of subsidy on bank interest may not equally benefit all exporters as the loan volume of many small and medium RMG entrepreneurs is very small. "But the system will be effective, as there is little scope for mismanagement."

Under the existing system of cash incentive disbursement, there are a lot of errors as a section of unscrupulous exporters over-invoice or take measures to receive more cash incentives.

At present, the government is giving cash incentives at 5 percent to the garment exporters.

Metropolitan Chamber of Commerce and Industry President Abdul Hafiz Chaudhury also supports the subsidy on bank interest rate to favour all concerned.

Dhaka Chamber of Commerce and Industry President Zafar Osman said he does not support cash incentives for the export-oriented sectors. "The system of giving subsidy on bank interest rate would be more effective."

"But, we need subsidy not only for the RMG sector, but also for frozen food, leather and other potential sectors," he said.

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AUTOMOBILE

Bankrupt GM changes tone with customers

AP

After filing for bankruptcy protection, General Motors is pushing a new ad campaign promising it will emerge from its financial troubles leaner and stronger.

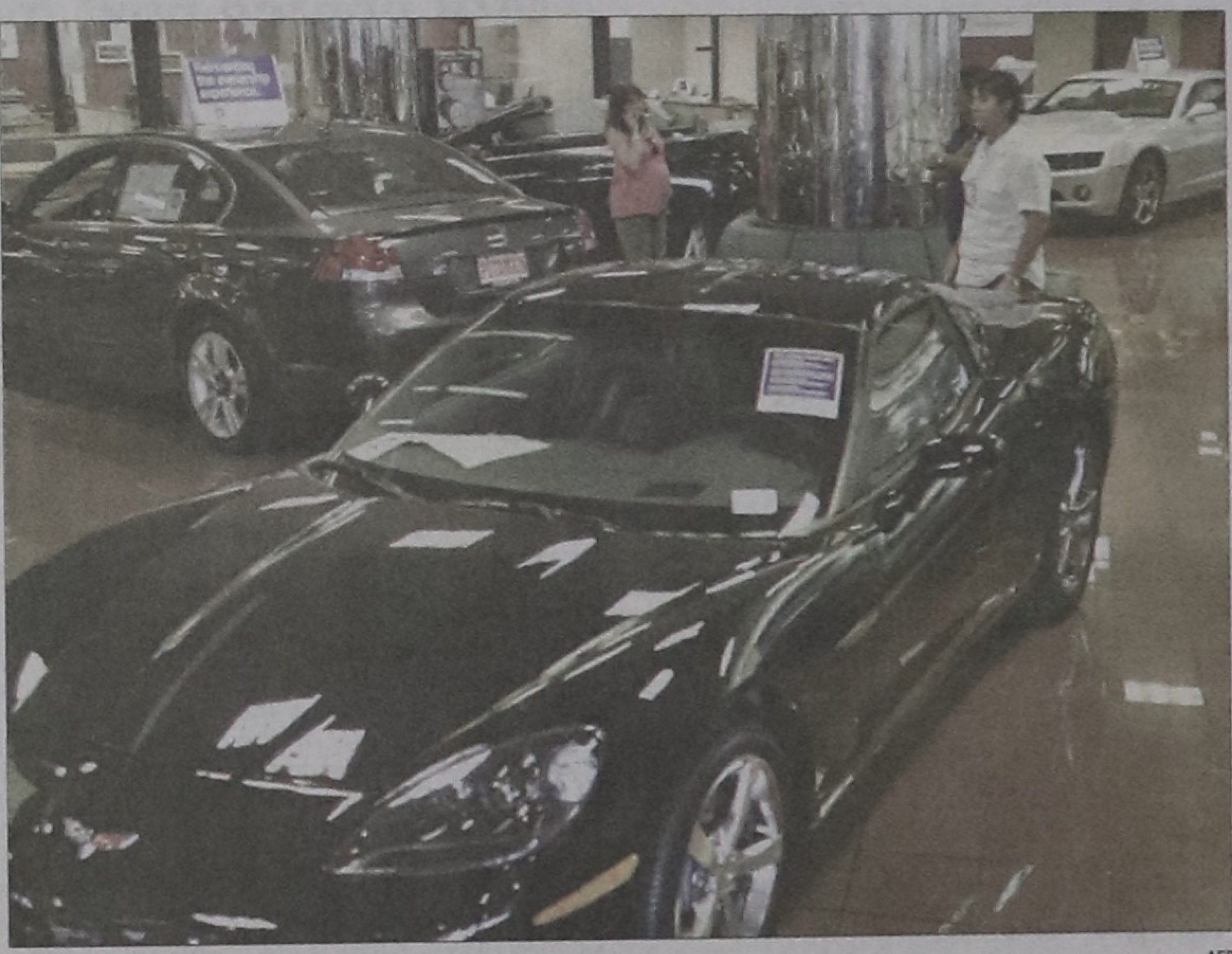
Is this a good marketing approach? Will it allay consumer fears about buying from a carmaker with an uncertain future?

Advertising experts say GM -- and fellow Chapter 11 filer Chrysler -- should move past the negative and focus on their brands as they try to get car sales rolling again. Consumers are staunchly loyal to their car brands, they say.

GM says its brands are key to emerging from these tough times. But first it has to tell consumers how it will remake itself and what to expect, Jay Spenchian, GM executive director of corporate advertising strategy, said Tuesday.

"There are lots of questions," he said. "The best thing we can do is quickly get out there and assure them."

Here's a look at what GM is saying to consumers right now and how it's delivering the message -- think social media -- followed by some thoughts by marketing experts on whether the company's approach will likely work.



AFP

Customers look through a GM showroom after the company announced that it had filed for bankruptcy protection on June 1 in New York. President Barack Obama said the federal government would act as a reluctant caretaker of what was once the world's largest automaker.

Detroit-based GM wasted no time acknowledging its problems to consumers. Shortly after it filed for bankruptcy protection on Monday, GM launched a Web site with a message built into its address: www.gmreinvention.com. The site is forward-looking, showing videos of satisfied consumers -- like a former Jaguar owner who never thought he'd own a GM product -- and engineers talking about new technologies.

But it doesn't ignore the company's current situation. There are links to financial filings under the header "progress," and articles with headlines like, "What happens to my warranty if GM files for bankruptcy?"

The company has released a 60-second ad on the site that will air nationally on TV starting Wednesday, pledging a "reinvention."

"Let's be completely honest, no company wants to go through this," the ad begins. "But we're not witnessing the end of the American car. We're witnessing the rebirth of the American car."

Among the images in the ad: city skylines, shots of Detroit, a sun rising, plants growing, people raising a house's frame, athletes commiserating and later celebrating.

Also on Wednesday, GM will print a letter to customers from chief executive Fritz Henderson in major newspapers in markets including New York, Cleveland, San Francisco and Miami. He tells customers the company cannot afford to lose their business, "or your trust. You have our word."

Key to the pledged "reinvention" will be an effort to leverage social media, GM's Spenchian said. The company has links to social media staples like Twitter and Facebook on its new site, which will also host a Web chat later this week with Henderson.

One major advantage of this approach: It's a lot cheaper than traditional advertising.

"We believe it's an easy way to engage a lot of consumers and be able to tell a story and have them help us tell a story in a very short period of time," he said. "We need to change opinions very rapidly and get people to think differently."

How effective will this be? It's a mixed bag, the experts say.

The GM newspaper and TV ads coming out Wednesday could hurt more than they will help since they harp on negativity surrounding corporate GM, said Deborah Mitchell, a marketing professor at Wisconsin School of Business.

She said consumers are worried about risking such a big purchase on a company that may not be around to honour their warranties. GM has said warranty coverage, service and customer support will continue, and the Obama administration has said it will back warranties of Chrysler and GM -- but that doesn't mean potential customers won't be nervous.

Automakers shouldn't dwell on the negative, Mitchell said. Even if they're offering reassurances, she said, the message will make people remember that GM is hurting.

Instead, carmakers need to focus on their brands -- like GM staples Chevrolet and Cadillac -- that people already know and feel loyalty to, she said.

"When you buy one of these cars, you're buying a Chevrolet. You're not buying a GM," said Mitchell, who has consulted in the automotive industry since the 1990s. "In terms of consumer memory, where the positive associations lie are primarily with the brands."

And that's what they need to leverage, she says.

Spenchian said GM will tout its brands -- and new models -- after its current campaign of reassuring customers ends in a couple of weeks. But GM wanted to be as open as possible with customers about its problems first, before showing new models, he said.

"The brands are going to tell the reinvention story for GM," he said. "Cadillac, Chevrolet, GMC, they're going to lead the way out."

At least one marketing expert saw a lot of positive in the decision to advertise through social media.

By using that approach, the carmakers can be active in the conversation about their company, even if it's negative, said Jeremiah Owyang, a senior analyst at Forrester Research. He likened GM's pledge of transparency and use of social media to Obama's presidential campaign and said it can be crucial in keeping customers as it changes its ways.

"To win back trust, you need to have an open conversation," he said. "It's really important that they live what they're saying, that they want to change their company."

He said Ford is doing something similar with its site www.thefordstory.com. The automaker hasn't filed for bankruptcy protection but it's undergoing changes too, and highlighting them and current industry issues in videos and stories on its site.

Brands that go deep into social media face more intense scrutiny from their customers, who will talk about them and analyse their changes, said David Reis, chief executive of social media agency Dei Worldwide. But the payoff could be bigger than traditional marketing if they win over consumers this way, since consumers tend to be more passionate when interacting online, he said.

Other carmakers have tried to be so open and it hasn't worked out well, he said, citing a short-lived social media campaign he worked on for Chrysler last year after it entered bankruptcy protection. The company promised change but consumers didn't see substance in its pledges and Chrysler stopped the campaign.

He said GM should commit to this new way of marketing and stay in. Leaving, he said, could turn consumers off even more.

"The big question is going to be are they committed to staying in the space," he said. "They're going to be exposing themselves, scabs and all, to the world, if they want to do it right."