

International Business News

Asian cities among most expensive in the world

AFP, Singapore

Asian cities are among the most expensive in the world for expatriates this year as regional currencies have gained against the US dollar and other key units, a survey said Wednesday.

Tokyo was ranked the second most expensive in the world, up from number 13 in 2008, the survey by human resources consultancy ECA International said, as the yen has risen almost eight percent on the greenback in 12 months.

Nagoya was the third most expensive city in the world, up from 20th, while Yokohama came in fourth and Kobe fifth. The four Japanese cities beat Copenhagen, Oslo, Geneva and Zurich into 6th, 7th, 8th and 9th respectively. Basel in Switzerland completed the top ten.

Luanda in Angola was top due to the need to buy imported goods.

ECA International's cost of living survey compares a basket of 125 consumer items commonly purchased by expatriates in over 370 locations globally.

Beijing rose to 26th from 104th last year, with Shanghai and Hong Kong also sharply jumping up the most expensive list ladder.

Living costs in the Chinese cities were costlier than New York City, Munich, The Hague and Rome, the survey showed.

China consumer prices fall for fourth straight month

AFP, Beijing

China's consumer prices fell for the fourth month in a row in May, data showed Wednesday as the economy continued to be hit by the global slump despite a massive stimulus plan aimed at boosting spending.

The consumer price index -- the main indicator of inflation and deflation -- fell 1.4 percent last month year on year, according to the National Bureau of Statistics, which added that the figure was down 0.3 percent from April.

The data comes as Beijing tries to increase domestic consumption while its export-dependent economy is battered by the global crisis, which has slashed demand in key overseas markets such as the United States and European Union.

But analysts said that despite the falling prices, China's economy was showing other signs of recovery and deflationary pressures could ease in the coming months.

"The consumer price index is a little below our expectations," said Gao Yi, a Shanghai-based analyst with Oriental Securities.

"But concerns over deflationary pressures have significantly eased recently because nonferrous metal and crude prices rallied strongly in international markets over the past months."



AFP
A foreign tourist looks at orchids displayed at a shopping mall in Bangkok yesterday. Thailand is one of the largest exporters of orchids in the world with its last year export worth more than 2,900 million bahts (\$83 million).

India to bolster public banks

AFP, New Delhi

India's finance minister said Wednesday the government will continue to bolster public sector banks, but added mergers may be necessary to counter the effects of the global economic slowdown.

"The government will ensure that credit growth of the public sector banks will not suffer for want of capital," Finance Minister Pranab Mukherjee said at a meeting with the chief executives of state-run banks in New Delhi.

"The process of consolidation of banks may be necessary to improve the state of competitiveness of Indian banks globally and also to reduce the risk to financial stability," he added.

Mukherjee said the government would "recapitalise" public banks to improve their capital-to-risk ratio, but said it was up to bank management to decide on any mergers.

India's public banking sector grew 26 percent in 2008-09 as private and foreign banks were squeezed for credit and saw their non-bank financial resources dry up.

Mukherjee also urged banks to provide credit at reasonable rates and said the central bank must ensure rate cuts were passed down to consumers.

"The reduction in key rates by the Reserve Bank of India is not getting adequately reflected in the reduction of BPLR (benchmark prime lending rate) of banks," he said.

South Korea's job losses at highest for decade

AFP, Seoul

South Korea last month recorded its highest number of job losses for more than a decade, official data showed Wednesday, as export markets and domestic demand shrank amid the economic downturn.

The May unemployment rate was unchanged from April at 3.8 percent, the National Statistical Office said.

But 219,000 jobs disappeared last month compared with May 2008, the steepest year-on-year decline since March 1999 in the wake of the East Asian financial crisis.

"The sharp loss in jobs is attributed to sluggish exports and domestic demand, which caused companies to hold off on hiring workers out of fear of a bleak economic outlook," Jeong In-sook, head of the office's employment statistics division, told reporters.

"Employment conditions are showing few signs of marked improvement," Yonhap news agency quoted him as saying.

BUDGET

Great expectations

IFTY ISLAM and AHSAN MANSUR

We await the details of the much-anticipated 2009-10 national budget by Finance Minister AMA Muhith later today. This is the first budget of the newly elected government with a mandate to deliver on a broad range of economic and social issues in line with its election manifesto.

Numerous announcements by Muhith and other government officials point to an ambitious budget with a sharp increase in spending and the overall fiscal deficit.

On the expenditure side, the government's objectives to alleviate poverty, ensure food security and close the growing infrastructure gap will most likely be addressed through significantly higher allocations in these areas and by launching a new public private partnership programme for infrastructure development.

As a consequence of the global financial crisis, it is fair to say that every finance minister around the world has found managing his or her respective economies and public finances in the past 12 months uniquely challenging. Collapsing banking systems, imploding trade flows and bursting asset price bubbles has prompted varying degrees of fiscal activism that in the case of developed economies has amounted to several trillion dollars.

For Bangladesh, Muhith faces a difficult act of balancing calls for immediate steps to boost growth to offset the spillover effects of the global recession, while at the same time, addressing some of the severe bottlenecks that are constraining the economy.

The budget will also be expansionary, with the level of deficit at least 5 percent of GDP. Such a fiscal stance would be appropriate, given the need for adopting counter-cyclical fiscal policy, to offset some signs of softening economic activity resulting from the global economic meltdown.

However, Bangladesh's relative economic resilience, with our GDP growth declining by less in the past year than virtually any other country, has meant that the case for a much larger broad-based demand stimulus beyond selective export sectors is less compelling than in other economies.

In our view, the critical priority in the budget should be to support the "growth enablers" that one can see as the oxygen that fuels higher growth trends in areas such as infrastructure. To this extent, we are encouraged that the finance minister has signalled that public private partnerships (PPP) will form a major new element in the budget.

If done successfully, it has the potential to firstly leverage government funds by 3-4 times with private sector capital, both domestic and foreign infrastructure investors.

Secondly, it can also help overcome capacity constraints within the governments by utilising private sector expertise and knowledge in projects. Making PPP a core initiative is what makes the 2009-10 budget stand out and in this way the government can lay the foundations for Bangladesh becoming an 8 percent + growth economy in the longer-term.

From minor league baseball teams letting kids eat free to banks making a \$100 deposit into new checking accounts, merchants are realizing that giving recession-battered consumers something for nothing can be a good way to get them to buy something else.

The Nardini family of Toms River, N.J. took their four children to a Lakewood BlueClaws minor league baseball game one recent night, drawn by the promise of free food for the kids.

Ellianna, 8; Gianna, 6; Gemi, 4; and Talianna, 1, each walked away from the concession stand with a hot dog, a bag of potato chips and a soda, on the house. That would have set their parents back \$21.

The free food was the main reason the Nardinis decided to go to the game.

"It makes it affordable for a large family like ours," said Albert Nardini, a business consultant. "We've become very cost-conscious this year. We're cutting corners and pinching pennies and being careful how we spend our money."

The free food benefited the team, too. The Nardins paid \$32 for tickets and parking in addition to whatever Albert and his wife Kirsten spent on food and drinks for themselves, or souvenirs for the kids.

That's an example of smart, effective marketing, according to Jean-Pierre Dube, a professor of marketing at the University of Chicago's Booth School of Business.

"You're essentially giving the person a deal, but not discounting the price of the main product," he said. "Very often the extra thing is less costly than the discount the firm would have had to make in order to get you to buy the original item."



Bangladesh's relative economic resilience, with GDP growth declining less in the past year than virtually any other country, means that a much larger broad-based demand stimulus beyond selective export sectors is less compelling.

According to a The Daily Star report on June 10, there will be an overall allocation of Tk 2,500 crore (approx \$350 million) for the PPP initiative with Tk 2,100 crore for loan and equity participation in PPP project, a Tk 300 crore fund would be kept for subsidy to any project "which is risky but essential" (which is known in PPP systems in other countries as Viability Gap Fund) and another Tk 100 crore would be kept for technical feasibility studies for PPP projects.

It was also reported that when the finance minister places the budget at the Jatiya Sangsad later today, he will also release a more detailed position paper on the PPP initiative.

The objectives are appropriate and laudable. The real issue is whether the government will be able to execute the budget effectively to realise the objectives. There is a real risk that like most other years, there will be a sizable revenue shortfall which will be more than offset by a large under-utilisation of the annual development plan (ADP), and the much higher allocations for the agricultural and poverty alleviation programmes would not reach the intended targets.

The clear commitment for the government to PPP is a critical first step. But as the saying goes "the devil is in the detail".

In the case of PPP, in coming months, the challenge for the government will be to operationalise the different elements of PPP from the proposed Bangladesh Infrastructure Fund, Viability Gap Fund and Technical Feasibility Fund. Much will rest with the effective staffing and institutional support for the proposed PPP cell which

can, given the experience of India, play a critical role for PPP projects between government ministries, donor agencies, foreign and local financial institutions and project sponsors.

For example, the announcement from the DSE president that the stock market can deliver Tk 20,000 crore for infrastructure projects, is welcome and should be encouraged. A shift towards leveraging government finances with private sector resources

is exactly what the spirit of PPP is all about.

But the PPP cell needs to be in a position to work out an effective strategy by which infrastructure projects can draw financing through our capital markets. It also needs to attract global infrastructure funds to participate in Bangladesh PPP projects. India really only began their PPP programme in earnest in 2007 and has already made good progress. They proactively took support from the World Bank and ADB to develop their PPP capabilities and if the Bangladeshi government does the same along with private sector expertise, there is no reason we cannot make similar tangible progress over the next 6-12 months.

While PPP can play an important catalysing role in infrastructure projects, a broader partnership between the government and private sector in policy formulation and implementation can also help overcome slow policy implementation.

That being said, this still does not remove the need for long term capacity building and appropriate incentives for public officials, especially at more senior levels.

On another critical issue, the government's commitment to increase the revenue

base for Bangladesh, which is one of the lowest in Asia, is absolutely necessary. This requires greater pressure from the National Board of Revenue to ensure that both individuals and corporates pay their taxes. There should be greater sanctions for non-payment or misrepresentation of individual or corporate balance sheets to reduce the tax burden.

A failure by the wealthier in society to pay direct taxes on income results in high levels of indirect tax on goods and imports, which is ultimately regressive, such as it falls disproportionately on the poorer segments of society versus those with a greater ability to pay.

Revenue mobilisation will be particularly difficult in the coming fiscal year with the value of imports projected to decline in dollar terms. The intended emphasis on collecting higher revenue from domestic sources is appropriate, but without a fundamental reform of the tax policy and administration, would the ad-hoc reorientation of the revenue deliver the intended revenue objective.

In conclusion, we look forward to what will be an exciting and ambitious first budget from the new Awami League administration. While some of the new initiatives, such as PPP, will prove challenging, along with the broader issue of ADP implementation and delivery, a close partnership between the private sector and government can, we believe, lay the foundations for Bangladesh to continue to outperform other economies in the region.

Ifyy Islam is the managing partner of Asian Tiger Capital Partners and Ahsan Mansur is the executive director of the Policy Research Institute.

MARKETING

These days, sometimes best price is 'free'

AP, Lakewood, New Jersey

Some businesses are finding that the best price they can charge is nothing at all.

From minor league baseball teams letting kids eat free to banks making a \$100 deposit into new checking accounts, merchants are realizing that giving recession-battered consumers something for nothing can be a good way to get them to buy something else.

The Nardini family of Toms River, N.J. took their four children to a Lakewood BlueClaws minor league baseball game one recent night, drawn by the promise of free food for the kids.

Ellianna, 8; Gianna, 6; Gemi, 4; and Talianna, 1, each walked away from the concession stand with a hot dog, a bag of potato chips and a soda, on the house. That would have set their parents back \$21.

The free food was the main reason the Nardinis decided to go to the game.

"It makes it affordable for a large family like ours," said Albert Nardini, a business consultant. "We've become very cost-conscious this year. We're cutting corners and pinching pennies and being careful how we spend our money."

The free food benefited the team, too. The Nardins paid \$32 for tickets and parking in addition to whatever Albert and his wife Kirsten spent on food and drinks for themselves, or souvenirs for the kids.

That's an example of smart, effective marketing, according to Jean-Pierre Dube, a professor of marketing at the University of Chicago's Booth School of Business.

"You're essentially giving the person a deal, but not discounting the price of the main product," he said. "Very often the extra thing is less costly than the discount the firm would have had to make in order to get you to buy the original item."



Gemi Nardini, 4, red shirt, works on his hot dog during a BlueClaws minor league baseball game in Lakewood, N.J., as mom Kiersten, left, holds his sister Talianna. To Gemi's right are sisters Elliana and Gianna, and dad Alan. Kids eat free at the games as part of a season-long promotion to encourage families to go to the games.

It's not a new phenomenon. But it is being used to great effect during the current recession, he said.

"People tend to have a perception of 'free' that exceeds the true value of the product," he said. "The mere fact that you're getting something for free makes you happy."

The BlueClaws, a Philadelphia Phillies farm team, had allowed kids to eat free on Monday nights last year. This year, the deal was extended to every game all season.

And it's paying off. Geoff Brown, the

BlueClaws' general manager, said the team had sold 20 percent more tickets through its first 17 home games this year than it had last year -- something he attributes in large part to the food giveaway.

In Portland, Ore., Powell's Books turned to freebies to drum up more business during its normal afternoon lull in business. In May, anyone who spent \$30 at the bookstore between 3 and 6 p.m. got a Powell's pint glass and a coupon for a \$1.25 pint or 25 cent soda at the nearby Bridgeport Brewing Company.

"It's fun, it's something different," said Kim Sutton, corporate marketing manager at Powell's. "What bookstore do you know that has happy hour?"

Sutton said Powell's saw a great response although it hasn't tallied the promotion's direct impact on traffic or sales yet.

Even opening up a bank account can mean, well, money in the bank. Chase, Citibank and PNC Bank recently ran promotions in which they would deposit up to \$100 into a new checking account when customers sign up for direct deposit, an indication to the bank that they'll be keeping money there for awhile.

That's a chump change compared with giveaways by condominium developers in Asheville, N.C., Philadelphia and Jersey City, N.J. They're offering a free Smart Car with the purchase of units ranging from \$550,000 to \$2.1 million.

Some businesses have taken free too far and paid the price. Complimentary meals, drinks, hotel rooms and entertainment at many Atlantic City casinos are down this year as the recession forces the gambling halls to pay closer attention to expenses. Total comps fell by nearly 5 percent last year, to \$1.55 billion.

Struggling Resorts Atlantic City gave away \$6.3 million in comps in January; last January, it handed out \$7.8 million.

Co-owner Nick Ribis told New Jersey casino regulators earlier this year his casino had been giving away "too much food, too much drink, too much everything."

But others still view those freebies as indispensable marketing tools to lure gamblers.

Free didn't work out so well for Kentucky Fried Chicken. Or did it?

Last month, the fast food chain offered online coupons giving away two pieces of grilled chicken, two side orders and a biscuit.