

International Business News

China forex reserves hit record \$2.13 trillion

AFP, Beijing

China's foreign exchange reserves surged to a record 2.13 trillion dollars at the end of June, the central bank said Wednesday, as money poured into the country while the economy strengthened.

The reserves, already the world's largest, grew by 185.6 billion dollars in the first six months of 2009, a rise of 17.8 percent year-on-year, the bank said in a statement.

The figure was the highest reported by the bank. Foreign exchange reserves were 1.95 trillion dollars at the end of the first quarter of 2009.

The nation's forex reserves have ballooned in recent years, fuelled by robust foreign investment, a hefty trade surplus and inflows of "hot money" or short-term speculative funds in search of quick profits.

The inflow eased as the economic crisis hit late last year, but the latest figures showed the trend was resuming.

"Overall, with China's economy recovering and asset prices rising, China is becoming more attractive to foreign investors, which leads to capital inflows," said Su Chang, an economist with Beijing-based consultancy the CEBM Group.

"China's real estate market has rebounded, also attracting overseas investors who are allocating capital (for such investments)."

Philippines says remittances still growing

AFP, Manila

Filipinos working abroad sent home a record 1.48 billion dollars in May, up 3.7 percent from a year earlier, the central bank said Wednesday, giving Manila hope it could avoid recession this year.

Remittances for the five months to May grew 2.8 percent to 6.98 billion dollars.

"The stream of remittances from overseas Filipinos continued to show signs of strength despite lingering global economic fragilities, providing some basis for cautious optimism regarding steady remittance levels for 2009," central bank governor Amando Tetangco said.

The bank earlier this month predicted remittance growth would be nil this year as the recession took hold in many of the countries where the Philippines' nine million overseas workers are based.

The cash transfers are the main impetus for the private consumption that fuels the domestic economy.

However, economic growth slowed to 0.4 percent in the three months to March as key exports in the electronics sector plunged, causing thousands of job losses.

The World Bank has said it sees the Philippine economy contracting this year due to the fall in exports and its expectation that remittances would also dive.



Pedestrians walk in front of an advertisement promoting the imported goods at a shopping mall in Beijing yesterday. US Secretary of Commerce Gary Locke said yesterday in Beijing that China should open its domestic markets and loosen its currency controls to help the global economy out of the financial crisis.

Australian bank asks workers to take unpaid leave

AFP, Melbourne

Bendigo Bank on Wednesday became the first Australian financial institution to ask its workers to take unpaid leave because of the economic downturn.

It said asking its 4,000 workers to take two weeks unpaid leave over the next 12 months "represents the next generation of thinking" on managing expenses in tough times.

"The scheme is voluntary, but we anticipate a strong take-up," spokesman Owen Davies said.

"All businesses, not just banks, face these pressures and have responded in different ways to adjust their costs to fit uncertain revenues."

Australia's major banks have cut jobs in response to the global financial crisis but Bendigo, a smaller regional player, said it hoped to avoid redundancies and keep skilled staff.

Leon Carter, national secretary of the Finance Sector Union, said: "We would like to meet with Bendigo and talk it through and not just have some edict delivered from on high saying this is what we are going to do."

British jobless claims in slowest rise for 13 months

AFP, London

The number of people claiming unemployment benefits in Britain rose in June at the slowest pace for 13 months, official data showed on Wednesday.

The number of people claiming benefits increased 23,800 last month to 1.56 million, the highest total since the Labour government came to power in 1997 but the slowest monthly increase since May 2008.

Unemployment, according to the International Labor Organization measure, rose by 281,000 to 2.38 million in the three months to May. The quarterly increase was the highest since records began in 1971.

The ILO unemployment rate rose to 7.6 percent, greater than analyst expectations for a rate of 7.4 percent.

"The unemployment data are a real mixed bag," noted Howard Archer, chief European economist at the IHS Global Insight consultancy.

LABOUR

Tea workers await better days



AMRAN HOSSAIN

Workers line up to hand tea-leaves to their employers after the day's work. They are expected to see a better future as the government plans to fix minimum wages for them for the first time.

SHAHNAZ PARVEEN

Tea plantation workers are expected to see a ray of hope as the government is on course to fix minimum wages for the sector for the first time.

Ikteder Ahmed, chairman of Bangladesh Minimum Wage Board, informed The Daily Star that a draft recommendation was prepared on Sunday.

The board recommended a Tk 48 minimum daily wage for category A, Tk 46 for category B and Tk 45 for category C tea estate workers. The workers will also be eligible to receive Tk 2,500 in festival bonuses.

"The board, along with a representative from tea estate owners and workers union, agreed on the proposed wage. The draft recommendation will be sent to the Ministry of Labour and Employment in a week," he said.

The draft recommendation will be finalised and gazetted with suggestions from the ministry, if there are no objections from owners or workers in 14 days.

The draft also includes provisions for a

tubewell for every 20 labour families and a 480 square feet house for each worker. Every worker will also be allowed to use a bigha of *khetland* (surplus land of the estate) for free.

However, the 118,000 tea plantation workers in the country will not receive payments for their weekly day-off and food rations have not been increased either.

Tea workers have been living a dejected life for long -- deprived of education, housing and health facilities. Labour laws have also been violated often at the tea gardens and they remain isolated from the mainstream.

The highest daily wage currently stands at Tk 32.50, and to be able to claim this amount, a tea worker must collect 20 to 23 kilograms of tealeaves a day, working from 8am to 5pm. Wages are as low as Tk 25 a day in many estates. Furthermore, each worker receives Tk 500 or less in festival bonuses and 3 kilograms of rice at Tk 1.30 per kg every week.

Actual take-home salaries for workers are further trimmed as electricity bills and a 7 percent provision for provident funds are

deducted from the already meagre salaries. Also, for the use of a bigha of *khetland*, about 3 maunds of rice are deducted from the ration.

Bangladesh produces around 58 million kilograms of tea a year and is ranked 10th among the tea producing countries in the world. In fiscal 2007-08, Bangladesh exported about 10.02 million kilograms of tea, earning \$13.28 million.

There are 163 tea estates in Bangladesh. Four foreign companies own 28 tea estates while the remaining 61 are owned by local companies: 13 by National Tea Company, three by Bangladesh Tea Board and 58 by individual proprietors.

Most of these tea estates are situated in Moulvibazar, Habiganj and Sylhet, while there are a few in Panchagarh, Chittagong, Rangamati and Brahmanbaria.

Duncun Brothers established the country's first commercial tea garden in 1854 in Malnichera (Surma Valley) in Sylhet. Prior to that, the first experimental tea garden was established in Chittagong in 1840.

Rambhajan Koiri, general secretary of Bangladesh Tea Workers Union, said: "This

is a good sign, but tea workers deserve more. The Tk 48 minimum wage is not enough to keep up with the escalating prices of necessities."

He also urged workers be paid on weekly holidays.

Philip Gain, general secretary of Society for Environment and Human Development, said, "It is a small victory for a lengthy struggle. The government must now ensure strict implementation in all the tea estates."

However, with current profit margins, salaries could have been increased further, he said.

"A kilogram of tea auctions for about Tk 147, while production costs hover at around Tk 80 for a kilogram. Besides, tea estates are located on government land, which are leased at unbelievably low prices," he added.

Wages for tea workers in Bangladesh are also much lower than tea workers in India. The daily wage for a tea worker in Darjeeling, Terai and Doars of West Bengal was Rs 53.90 (around Tk 75) in 2008. It was Rs 76 in several other districts, he said.

ECONOMIC CRISIS

Goldman Sachs shatters glum forecasts

AFP, New York

Wall Street giant Goldman Sachs shattered forecasts Tuesday with 3.44 billion dollars in quarterly profit after paying back a US government bailout, suggesting the financial crisis is easing.

Goldman, which reimbursed a 10-billion-dollar federal bailout in full in the second quarter, said its net profit soared 65 percent thanks to robust trading operations.

The prestigious financial firm is the first of the "big guns" in the sector to report second-quarter results. Rounding out the week is JPMorgan Chase on Thursday, followed by Bank of America and Citigroup on Friday.

Investors are keenly awaiting the round of quarterly results to see whether massive public aid and better conditions in the stock market have positioned the ailing sector for recovery.

Goldman reported earnings per share of 4.93 dollars, besting analysts' forecast of 3.54 dollars.

"While markets remain fragile and we recognize the challenges the broader economy faces, our second-quarter results reflected the combination of improving financial market conditions and a deep and diverse client franchise," chairman and chief executive Lloyd Blankfein said in a statement.

Goldman, the last of the major Wall Street investment banks left standing after the financial meltdown late last year, said that exclud-

ing its payback of government aid under the Treasury's Troubled Asset Relief Program, it had earnings per share of 5.71 dollars.

The 700-billion-dollar TARP was launched as the global financial crisis accelerated after the collapse of rival Lehman Brothers in September. The government poured taxpayer funds into the financial sector in an effort to unblock frozen credit and pull the economy from the worst recession since the Great Depression.

Last month Goldman was among 10 major US banks repaying the Treasury for the capital injections, in a sign of a stabilizing financial system.

A number of firms were eager to get out from under the TARP in part to escape federal scrutiny of executive compensation.

Goldman repurchased the 10 billion dollars in preferred shares taken by the government and paid a dividend of 425 million dollars.

As expected, trading was the key profit driver for the investment bank, which converted to a commercial bank amid the financial meltdown last year to gain access to Federal Reserve resources.

"Goldman Sachs is living up to every bit of its expectations on how it is routinely and systematically taking money out of the markets in its trading activities," said Jon Ogg of 24/7WallSt.com.

During the quarter, the Dow Jones Industrial Average put in its best performance in six years.

For Charles Geisst, a finance professor at Manhattan College, the consolidation of the financial sector amid the crisis has been a boon to Goldman.

Fewer competitors exist today, he said, "allowing them more latitude in trading and underwriting."

"Also, their appetite for risk never diminished and as a result, they were able to take advantage of the market which has some distinct bargains in it. They may not be that successful in the future, however, if the competition returns."

The Standard & Poor's ratings agency raised concerns about Goldman's dependence on "a highly favorable trading environment."

"Although GS may well continue outperforming its close peers, we don't consider its first-half results to be sustainable," S&P analyst Scott Sprinzen said.

"Moreover, we continue to have concerns about the confidence sensitivity of securities firms with sizable trading operations and high reliance on wholesale funding, despite this strong recent showing," Sprinzen said.

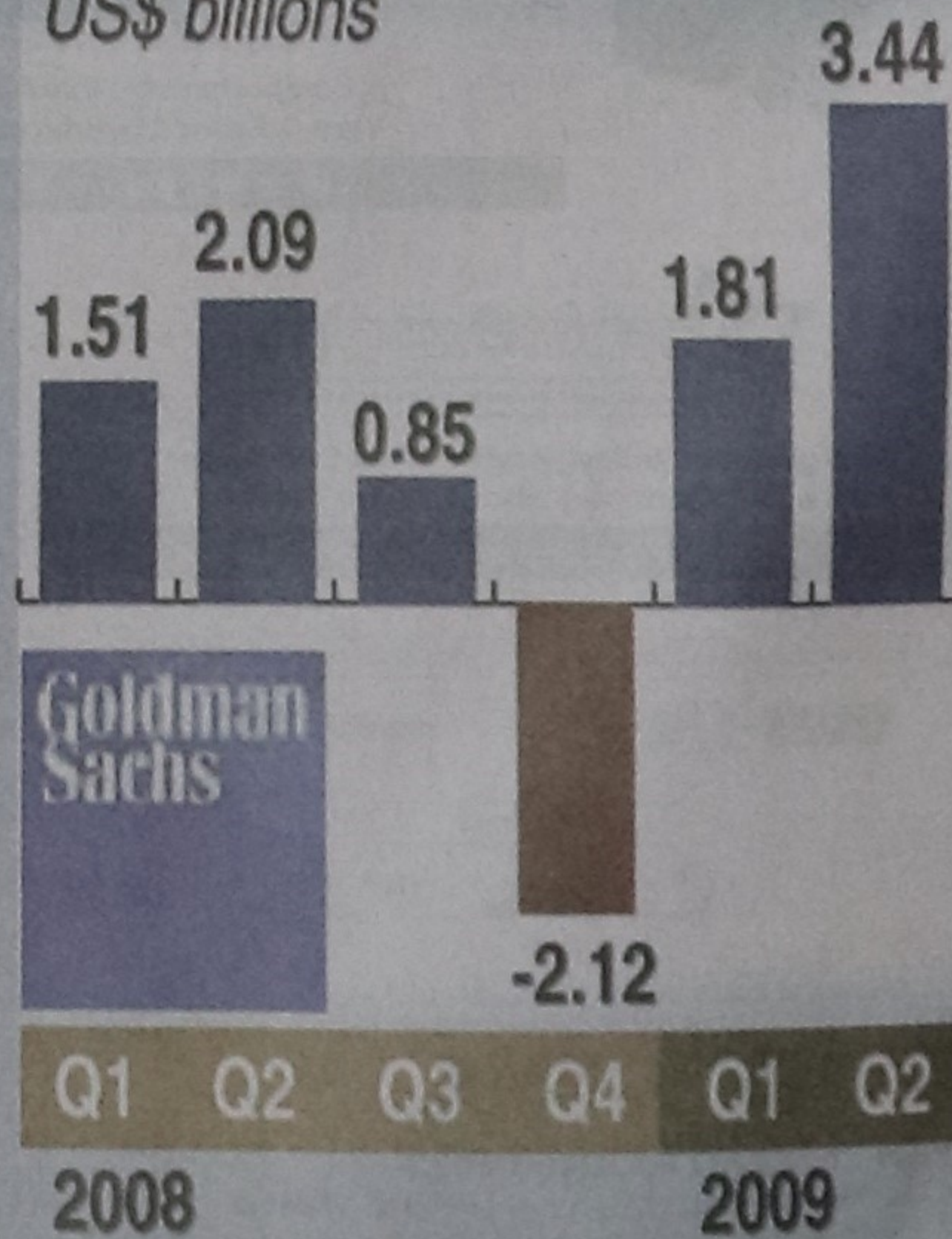
Goldman's gold-plated earnings came as investors fretted about embattled CIT Group, a major player in industrial loans.

CIT, which operates in more than 50 countries and provides financial services to small and medium-sized businesses, is seeking fresh government aid to avoid collapse.

Goldman Sachs

Quarterly earnings

US\$ billions



Source: Goldman Sachs

150709 AFP