

International Business News

US housing starts, permits surge in June

AFP, Washington

US housing starts and construction permits surged in June after strong gains the prior month, government data showed Friday, suggesting the prolonged real-estate slump may be easing.

The Commerce Department reported permits to build privately owned homes rose to a seasonally adjusted rate of 563,000, a sharp 8.7 percent higher than in May.

Permits, a forward-looking indicator of the housing sector, had climbed to a revised May rate of 518,000. That was a 4.0 percent gain from April when they had tumbled to an all-time low.

The June permits were far stronger than the 524,000 expected by most analysts.

However, permits were still 52.0 percent below their June 2008 level.

The number of permits to build single-family homes, the largest segment of the housing construction sector, rose for the third month running, by 5.9 percent, after gains of 7.4 percent in May and 5.0 percent in April.

Permits for buildings with five units or more shot up 18.8 percent in June.

Construction starts on privately owned homes rose 3.6 percent in June after soaring 17.3 percent the prior month. On an annual basis, they were 46.0 percent lower.

The Commerce Department said the housing starts rate climbed to 582,000 after a revised 562,000 in May, up from an initial estimate of 532,000.

GE reports lower earnings, all segments profitable

AFP, Washington

US conglomerate General Electric said Friday profits in the past quarter fell 49 percent from a year ago to 2.68 billion dollars.

The company, which makes aircraft engines, energy equipment and owns the NBC Universal media entertainment group, remained profitable in all its segments, including its struggling finance unit.

"In a global economic environment that continues to remain challenging, GE delivered solid second-quarter business results," GE chairman and chief executive Jeff Immelt said.

"We are executing through the recession by aggressively controlling costs and driving working capital improvements while continuing to invest for future growth," he added.

"At the same time, we are actively maintaining our backlog, focusing on higher-margin services and continuing to run our financial services business for safety and soundness. We continue to position GE to win in a reset economy."

The profit amounted to 26 cents per share, three cents better than expected by Wall Street, on revenues of 26 billion dollars, a 17 percent drop from a year ago.



AFP

Indian women browse through saris and other clothes on sale during "Deep Mela" in Hyderabad on Friday. Deepshikha Mahila Club, a women's organisation in India, organised the three-day event for woman entrepreneurs from India, Malaysia, Thailand and China.

London market eyes economic data next week

AFP, London

Investors in Britain will look to more economic data next week for prospects of extending this week's unchecked surge on the London stock exchange.

London's FTSE 100 index gained a huge 6.34 percent over the past week to close on Friday at 4,388.75 points -- its biggest weekly surge since its record 13.41 percent run amid global financial turbulence in November.

It was boosted by better-than-expected earnings statements from the major US banks Goldman Sachs, JP Morgan, Citigroup and Bank of America, which raised optimism for a recovery in the stricken financial sector.

More boosters could come next week with Britain due on Friday to publish a preliminary estimate of gross domestic product in the second quarter.

Economists polled by Calyon bank estimated a relatively mild 0.3 percent contraction from the previous quarter, when the economy shrank 2.4 percent.

The year-on-year contraction is forecast at 5.2 percent in 2009, up from 4.9 percent in 2008.

Other data on British public finances for June, due on Tuesday, was expected to confirm that the country's budget deficit was rocketing, like those of other European states, raising concern over how it will manage its growing debt.

German economy may be on way up

AFP, Berlin

A severe drop in German economic activity may be coming to an end, the economy ministry said on Friday in its latest monthly report based on several encouraging indicators.

"Many signs suggest economic activity might have stabilised in the second quarter" of 2009 after plunging by a record 3.8 percent in the first.

The comments would undoubtedly raise hopes ahead of the August 13 release of Germany's gross domestic product figure from the period between April and June.

Government officials nonetheless still expect Europe's biggest economy to contract by a whopping 6.0 percent this year, despite the arrival of some good news recently.

"Industrial demand has come back to life" and prospects for the key sector "have improved markedly," the ministry said.

US BANKS

Healing, but still fragile

AP, New York

The big banks are making big money again, but they won't be back to health as long as they have to deal with a recession and customers defaulting on mortgages and credit cards.

The impressive numbers included a \$3 billion second-quarter profit announced Friday by Citigroup and \$2.4 billion for Bank of America. They followed similarly robust earnings for Goldman Sachs and JPMorgan Chase.

That the banks managed to turn a profit at all is remarkable. Just 10 months ago, many of them looked to be on the verge of collapse. The stock market staged a huge rally this week, driven by the signs of health in banking.

But Bank of America CEO Ken Lewis had some sobering words during a conference call with Wall Street analysts after his company's results were released Friday: "Profitability in the second half of the year will be much tougher than the first half."

Bank of America Corp, JPMorgan Chase & Co and Goldman Sachs Group Inc earned profits this spring largely on investment banking and trading -- not traditional banking businesses, which still look shaky. Citi benefited from selling its majority stake in the Smith Barney brokerage.

Strip away those money-makers, and the banks have to rely on customers who are losing their jobs or earning less money. The banks will suffer as long as their customers do.

Bank of America, JPMorgan Chase and Citigroup Inc all reported they lost more money on loans during the second quarter. Bank of America alone set aside \$13.4 billion to cover loan losses. But the banks also saw signs that loan delinquencies were starting to stabilise.



AFP

The Citigroup building in New York. Surprising Wall Street, Citi reported a \$4.3 billion profit in the second quarter, spurred by the sale of its majority stake in the Smith Barney brokerage.

Celent analyst Isabel Schauerte said Bank of America's earnings tell the story of the financial industry.

"B of A's results are the bellwether of where Main Street is headed. Measured by credit losses, a moderation of default rates is not in sight," Schauerte said. "For the investment banking business of B of A, in contrast, the worst days seem to have passed."

President Barack Obama's top economic adviser said the signs of improvement displayed by the banks would not have been possible without government infusions, guarantees and other programs

provided by the government.

"There is no financial institution that would be reporting the kind of positive results that we have seen in the last quarter but for the extraordinary public support provided by the government," said Lawrence Summers, the director of the White House's National Economic Council.

The profits announced this week raise more questions about when banks will be able to repay their bailout money. Goldman Sachs and JPMorgan Chase have already repaid their loans. Others, like Bank of America and Citigroup, have not.

"Moving forward, companies that are solvent and performing should be held to the promise to repay the taxpayers with interest," said Rep. Darrell Issa of California, the top Republican on the House Oversight and Government Reform Committee, which is convening a hearing next week on bailout oversight.

The banks that reported earnings this week cited similar trends: Mortgages: Bank of America's second-quarter revenue was bolstered by a spike in mortgage refinancings as interest rates tumbled early in the quarter. But rates have been

climbing lately, and analysts expect that surge in refinancings to taper off. And more people are defaulting on mortgages.

Credit cards: Credit card losses tend to track the unemployment rate, and banks are expected to keep losing money on credit cards as more people lose their jobs. JPMorgan Chase, Citi and Bank of America all have huge credit card operations.

Investment banking: By far the quickest recovery in the banking business has come in the investment banking sector, helping Goldman Sachs earn \$2.7 billion in the second quarter. Some of the rebound has

come from the big stock market rally this spring. Companies also did well because there's less competition since Lehman Brothers and Bear Stearns went under.

Analysts say that besides the problems with loans, bank earnings may suffer because the country has less of an appetite for debt.

Commercial real estate: While home foreclosures are increasing, the commercial real estate market is expected to keep causing loan losses for banks. Rising store and office vacancies are cutting into landlords' and developers' cash flow, and leading them to default on their mortgages.

COLUMN

SARWAR AHMED

Dream makers

Advertising and its twin, personal selling, create a make-believe world where gullible people like me and you get trapped into buying things that in reality may not give us any benefit, per se. During my student life, I was negotiating the crowded pavements of Station Road, Chittagong. Like any other salesman you meet on pavements, this one was pitching a magic block that would copy anything and you could reprint the copy on paper. He had a mesmerised crowd watching him do the act and I too melted into that crowded circle. Then the final pitch, one for one taka, and a special discount of three for two takas. As I watched the crowd part with their notes, I too took the plunge and parted with mine, a hard earned pocket money, but I was now an owner of three beautifully wrapped magic blocks.

Rushing home, and resisting the temptation not to open the wrappers on the way, the salesman was clever enough to explain that the magic only works after the wrapper is opened, I took the daily newspaper and a piece of paper on which to transfer the image. I unwrapped the magic block with much care and pressed it on the picture in the newspaper. Lo and behold, the image was on the block. Then I pressed it on the blank paper, and the picture was now on the paper. What magic. Curiosity got the better of me by then as the material felt familiar. A bit of scratching turned out the magic block to be nothing but mere wax. Such is the power of dream makers.

Making an exhaustive seven-hour bus trip from Chittagong late at night recently, I was greeted by my daughter with a deodorant can, a gift, bought for me. I hardly use any deodorant anyway and was surprised at her excitement to present me with the chocolate 'flavoured' deodorant. I do have a tooth for chocolates, never mind the worries of sugar and sweets at this age. But wearing chocolate smelling deodorant was carrying the liking a bit too far. The very thought of sticky chocolate under your armpits gave me distasteful goose pimples. Of course my wife too was having second thoughts of allowing me to use the deodorant. What if the chocolate smell begins to attract the better of the species? Not a pleasant thought for her, and another useless piece of cosmetic, decorating the shelves for the years to come.

What really makes me wonder is how



countless women, and men, are conned into believing that a cream will turn them fair and lovely. Biologically we are coloured the way we are because of a pigment, melanin, the presence or lack of which colours us. Such chameleon creams should absolutely be material for a Nobel Prize for the promise they hold to beautify us, which they do not, unless of course you can afford the total surgical transformation like the likes of late Michael Jackson. As a layman, I do not see a scientific basis for the claims made, but there you are, such creams are top selling products, serving the vanity of women who want to be beautiful and live their dreams to be air hostesses or whatever.

How morally responsible is this? May be, as I work for an industry where we need to deal with agriculture, food security and

farm families, I find it quite difficult to accept these kind of dream making where the promise is nothing more than a zilch. What we promise to farm families with our products and services brings tangible benefits and better their lives, not just conjures dreams of frivolity.

As you walk through the malls in Singapore, you will come across wizards doing their act of selling their ware. And I marvel how frail we are in the way we are tempted to buy things on the spur of the moment, without thinking of whether we really need it. One of my hobbies is to do yourself stuff at home. Thus, I recall buying a glass cutter in a Singapore mall. The fellow made it so easy to cut glass and do wonders with the cut glass, a bit of glue and you were soon looking at a lovely showpiece. Of

course on returning home, I was lucky enough not to cut my fingers on the sharp edges of glass, forget cutting the glass.

Advertising and personal selling build brands. Brands are promises that consumers learn to trust over a painstakingly long period of time. And if you stumble on your promise, like a corrosive acid, you quickly erode the trust. We can be fooled once in a while before we understand how foolish we are. Thereafter, the realisation begins to act, acid like, destroying the value of the brand in our minds. Next time you design your message, check how authentic you are, or are you seeking a one-time dream to build your coffers?

The writer is the managing director of Syngenta Bangladesh Ltd.