

International Business News

Iceland announces relaunch of rescued banks

AFP, Reykjavik

Iceland unveiled a 1.5-billion-euro plan on Monday to recapitalise three major banks that it was forced to rescue when the financial crisis devastated its economy last year.

The government will issue bonds to the three new lenders that were born from the ashes of Iceland's biggest commercial banks, pillars of its economy, which were nationalised in October due to a worldwide credit crunch.

"The government is now in a position to capitalise all three of the new banks," Islandsbanki (formerly Glitnir), New Kaupthing and New Landsbanki, a statement from the finance ministry said.

Under the plan, the government will offer controlling stakes in Islandsbanki and New Kaupthing to the old banks' shareholders, while retaining some shares itself. A similar issue was planned for Landsbanki in ongoing discussions.

The issue will be worth a total of 270 billion kronor (1.5 billion euros, 2.12 billion dollars), it said.

"Our agreements announced today are a major step forward in the re-establishment of a strong banking system," Finance Minister Steingrímur Sigfússon said in the statement.

"Not only do today's announcements provide a firm basis for further progress, they also benefit customers of the new banks and the Icelandic economy in general."

The sale of the stakes is scheduled for August 14 and is subject to approval from regulators, the statement said.

Thai exports fall 25.9pc

AFP, Bangkok

Thai exports fell 25.9 percent year-on-year in June but after eight consecutive months of falls the sector's decline has likely bottomed out, the commerce ministry said in a statement Monday.

"Export figures fell because of slow global demand and increasing competition. Customers delayed their orders and there was more price negotiation," said Siripol Yodmuangcharoen, the ministry's permanent secretary.

However June showed the highest overall monthly export value this year at 12.3 billion dollars and expanded 5.8 percent from May.

Exports to Thailand's main markets in Southeast Asia, the European Union, Japan and the United States were down by an average 32.7 percent.

New markets in Latin America, Eastern Europe, South Korea and Indochina did not fare as badly, falling by 18.3 percent year-on-year.

"Our exports decline has bottomed out and will pick up in the rest of this year, especially in the agriculture sector," Siripol said, adding however that the fortunes of the automobile, auto parts and jewellery industries would continue to fluctuate.

Imports to Thailand also fell in June by 29.3 percent year-on-year giving the kingdom a trade surplus overall of 936.6 million dollars.



AFP

Office employees walk past a logo of remittance bank Western Union at the financial district of Manila yesterday. Filipinos working abroad sent home a record \$1.48 billion in May, up 3.7 percent from a year earlier, the central bank said.

Company forecasters less pessimistic

AP, Washington

With the US economy expected to emerge this year from the longest recession since World War II, business forecasters are feeling a bit less gloomy about the future.

The latest outlook from a quarterly survey being released Monday by the National Association for Business Economics finds that companies are still looking at job cuts in the coming months, though they may be scaling back.

Twenty-eight percent of those surveyed expect their companies to cut jobs through attrition or layoffs in the coming six months, the survey found, compared with 33 percent in April and 39 percent in January.

And some companies are even hiring. Eighteen percent of those surveyed expect their companies to start adding jobs in the coming months, the highest level in a year.

The industry survey "provides new evidence that the US recession is abating, but few signs of an immediate recovery," said Sara Johnson, NABE's lead analyst on the survey and an economist at IHS Global Insight. Fifty-six percent of those surveyed expect the gross domestic product to fall by 2 percent or more this year, while only 6 percent project economic growth.

Germany denies considering tougher line on banks

AFP, Berlin

Germany's finance ministry denied on Monday it was considering forcing the country's banks to accept public aid and partially nationalising them to jumpstart lending to cash-strapped firms.

The Sueddeutsche Zeitung daily had reported that Berlin was mulling such a move because of fears of a credit crunch in Europe's biggest economy later in the year.

The newspaper said that in exchange, the government was considering taking stakes in the banks along the lines of the partial nationalisations that have taken place in the United States and Britain.

"The federal government is not thinking about forced capitalisations," the finance ministry said in an emailed statement.

It added that with its 480-billion-euro (685-billion-dollar) banking rescue package rushed through parliament and the recent "bad bank" law, the state "offers banks a comprehensive range of stabilisation measures."

FINANCIAL MARKETS

Indonesia shakes off blast jitters

AFP, Jakarta

Indonesia's economy and financial markets are likely to be unscathed by the suicide blasts that hit Jakarta hotels last week, although its tourism industry will suffer, analysts said Monday.

Share prices and the rupiah currency were resilient Friday despite the bombs which tore through the JW Marriott and Ritz-Carlton, killing up to nine people including four foreigners attending a business breakfast.

"The sentiment generally is quite positive on Indonesia," said James McCormack, head of Asian sovereign ratings at Fitch Ratings in Hong Kong, pointing to strong public finances and balance of payments.

"Our expectation is that there will probably not be a big change in investors' views on Indonesia and the risk environment there," he said, adding that the outlook would change if there were further bombings.

"We've seen these kinds of things in Mumbai and other cities, and without a follow-up, business people get back to normal fairly quickly."

Financial markets were closed on Monday for a public holiday and trading will resume on Tuesday.

Indonesia has emerged from years of political crisis to become an engine of growth in Asia and an unlikely beacon of democracy in an increasingly unstable region.

The stock market has already soared almost 50 percent this year and the economy is forecast to post growth of more than four percent in 2009, third only to China and India of the G20 group of rich and developing countries.

Investors were also heartened by the recent re-election of President Susilo Bambang Yudhoyono, who has been praised for his sound economic management and anti-corruption efforts.

Yudhoyono said in the immediate aftermath of the attacks that they "will have wide effects on our economy, trade, tourism and



AFP

Youths pay respect to the victims of the recent Jakarta bombings at a makeshift memorial in front of Ritz Carlton hotel in Jakarta on Sunday. Indonesia's economy and financial markets are likely to be unscathed by the suicide blasts that hit Jakarta hotels last week, although its tourism industry will suffer, analysts said Monday.

image in the eyes of the world".

While observers were more confident about the wider economy, there are concerns for the tourism industry, particularly on the resort island of Bali which is still recovering from 2002 blasts that killed over 200 people.

"The impact of bombings is getting much less. The last time we had a negative impact from a bombing on the Indonesian financial markets was the Bali bombing

of 2002," said Chatib Basri, a University of Indonesia economist.

Blasts in following years on the JW Marriott and the Australian embassy in Jakarta had only a "very mild" effect.

"There will be an impact on the Indonesian economy but it will be on tourism. If you look at hotels the occupancy rates are falling," he added.

Australia, which lost three of its

citizens in last Friday's attacks, on Sunday issued an updated travel advisory that said there was a possibility of further attacks and urged citizens to reconsider travelling to the country.

Australian media reports have suggested that the Marriott bomber deliberately targeted the weekly business breakfast which was attended by some of Jakarta's most influential foreigners.

The Sydney Morning Herald

said that the Marriott bomber, caught on security cameras entering the dining area with a backpack on his chest and dragging a suitcase, talked his way into the private meeting room.

The deaths of the prominent figures, and the bombers' success in breaching security at the two hotels -- among the best-guarded buildings in the country -- has shocked Jakarta's business and expatriate community.

HOUSING

Insecurity fuels property boom in Kathmandu

AFP, Kathmandu

Former Miss Nepal Malvika Subba had a successful career in television before she gave up showbusiness for the distinctly less glamorous job of selling housing.

"This is where the money is," the former actress and presenter told AFP in her plush new office in downtown Kathmandu.

"When I was offered a job marketing real estate, I said yes straight away, because it looked interesting and I could see that business was booming."

Subba is head of sales and marketing at Nepalese property developer Shangri-La Housing, which builds and sells luxury apartments -- until recently a virtually unknown concept in Kathmandu.

As the global credit crunch has sent housing markets around the world reeling, Kathmandu is experiencing a surprise property boom as wealthy Nepalese seek a safe haven for their money -- and themselves.

"Many people tell us that it is not safe outside the capital and that they live in constant fear," said Subba, who believes insecurity and investment are the two biggest drivers of the capital's housing market.

"People see property as a good investment opportunity."

Kathmandu's population exploded during the decade-long civil war between the Maoists and the army as people flocked to the relative safety of the capital.

The influx pushed up land values in the city. The Nepal Land and Housing Association, which groups many of the country's estate agents, says land prices have risen by 300 percent since the height of the Maoist insurgency in 2003.

"Land became a valuable commodity," said Chiranjibi Subedi, the government's top planning official for Kathmandu.

Subedi said the influx had continued since the end of the conflict in 2006, with many property buyers citing continued instability in their home districts as their primary reason for moving to the capital.

"Insecurity seems to be the main driver of internal migration into Kathmandu since the conflict," he said.

"The number of proposals for new high-rise buildings and apartment complexes just keeps on growing."

Government figures show the num-

ber of new apartments built in Kathmandu rose more than three-fold last year to 3,385 from 1,088 in 2007, as high land prices and poorly enforced planning laws made building upwards more attractive.

There are currently more than 250 high-rise blocks being built in the capital, according to the planning ministry.

Wealthier residents are increasingly opting for apartments over houses, citing security and ease, despite prices of up to 12,000 rupees (160 dollars) per square foot in one of the world's poorest countries.

"The building is guarded and you can trust the neighbours. It's also convenient because you don't have to worry about maintenance," said Juna Manandhar, 35, who lives in an apartment block in an upscale area of Kathmandu.

For Dinesh Shrestha, 29, owning an apartment offers "a blend of privacy and community," and is also an investment. "Land prices never go down," he said.

Shangri-La's Subba said many of her company's apartments were being snapped up by Nepalese people living abroad who, similarly, view them as a good investment.

But some experts believe prices are now simply too high to be sustainable.

"The real estate boom in Nepal is purely speculative," said Sandeep Gautam, editor of the English-language monthly New Business Age.

"The economy is shrinking and people's purchasing power is declining. (The market) can't support this kind of aberrant growth in any sector for long."

Planning official Subedi said 70 percent of apartments in Kathmandu currently stood empty, suggesting those who have bought purely as an investment have been unable to let their properties.

The rise in property prices is fuelled partly by the lack of alternative investment opportunities in Nepal, where political instability has long hampered economic development.

But Gautam points out that Nepal's gross domestic product is falling, and says the country's banks are too heavily invested in property.

"Some banks have up to 70 percent loan exposure in real estate. The banks have invested in both the buyers and the builders," he said. "You do the math."



AFP

Miss Nepal 2002 Malvika Subba poses with a model of apartments by Shangri-La Housing where she works as a manager. The former beauty queen gave up a successful career in television to sell housing.