

International Business News

Britain could legislate on bankers' bonuses: Minister

AFP, London

Britain's finance minister Alistair Darling indicated he could legislate against bankers' bonuses in an interview published Sunday.

Darling told the Sunday Times: "If we need to change the law and toughen things up, we can do that."

"I'm quite clear that some of the problems we have today were caused by the fact that some traders were incentivised to take risks which neither they nor their bosses fully understood."

The main opposition Conservatives, who opinion polls tip to win a general election which must be held within a year, have indicated that action will be taken to deal with excessive bonuses but have not proposed legislation.

Prime Minister Gordon Brown has previously said he wants to clamp down on bonuses in a bid to discourage excessive risk taking and said in February that Britain is "sweeping away" the City of London's bonus culture.

Ministers are reportedly disappointed that a new code of practice outlined last week by the Financial Services Authority watchdog did not go further in clamping down on bonuses.

British banks including Royal Bank of Scotland received massive bailouts from the taxpayer to stop them going under during the credit crunch last year.

Volvo engineers seeking to buy carmaker from Ford

AFP, Stockholm

Volvo engineers have launched a bid to buy the loss-making Swedish automaker from US giant Ford to stop it from falling into Chinese hands, a newspaper report said on Saturday.

Business daily Dagens Industri said a group of engineers was behind a consortium registered last month under the name of Jakob AB, adding that it was backed by Volvo Group chief Leif Johansson.

Dagens Industri said that a predecessor of Johansson, Roger Holtback, who headed Volvo Cars from 1984-1991, could return if Jakob AB's bid worth 15 billion kronor (2.08 billion dollars, 1.45 billion euros) succeeds.

The report, which gave no sources, said that Volvo Cars employees in Sweden and Belgium had been offered the chance to join the consortium with a stake equivalent to two months' pay.

Dagens Industri said that the engineers feared that Volvo would lose its technological edge if it came under Chinese management.

On August 6 the daily reported that Ford was in talks to sell a majority stake in Volvo Cars to China's Geely Automobile.

The paper said the deal would value Volvo Cars at between "20 (billion) and 25 billion Swedish kronor."



AFP

A Thai national on a scooter herds goats to a stall in the southern province of Yala. Confidence among Thai consumers has improved slightly on hopes of an economic recovery but still remains fragile, a poll showed.

Japan's big businesses expect recovery by mid-2010: Survey

AFP, Tokyo

Two thirds of big Japanese companies expect the country's economy to recover by the middle of next year, according to a survey by Kyodo News released Sunday.

Of 108 firms polled, 71 expected a recovery by the middle of 2010. Twelve of them said the economy was already recovering, 15 expected the turn to come in the second half of 2009 and the 44 others in the first half of 2010.

Kyodo attributed the optimistic outlook to improved business results sparked by cost-cutting, rebounds in production and inventory adjustments.

The survey followed a report by the Bank of Japan in mid-July that said the economy should start recovering from the second half of this year.

However, annual gross domestic product was expected to shrink 3.4 percent in the financial year to March 2010.

The bank also forecast GDP growth of 1.0 percent for the next financial year.

In the Kyodo survey, conducted late last month, 20 firms said the world's second biggest economy was "recovering slowly" while 51 firms said it was "leveling off despite signs of recovery."

German economy to shrink less than expected in 2009

AFP, Berlin

Germany's economy should contract less than the government's estimate of six percent in 2009 after upbeat data for the second quarter, an expert has told Der Spiegel weekly.

A 5.5 percent contraction is more likely after second-quarter figures released this week showed unexpected growth of 0.3 percent, Kai Carstensen of the Ifo economic research institute says in next week's edition.

He added that the third quarter could see growth of 0.5 percent. As for next year, Carstensen said a return to growth was likely.

Joachim Scheide from the IfW research institute said "we will fluctuate just above zero throughout next year."

Germany's second-quarter data was particularly welcome for German Chancellor Angela Merkel ahead of polls next month as Europe's biggest economy had not seen positive growth since the first quarter of 2008.

Analysts had forecast a 0.2 percent drop.

ENTREPRENEURSHIP

SMEs still face fund crunch



Sanowar Hossen, right, is the managing director of SKS Sweater Training Centre, left. The young entrepreneur says the access to SME loans is still not too easy.

SAJJADUR RAHMAN

A tiny factory he runs for now. But there is a dream in his eyes.

And it is turning his present unit that could engage 18 young people in manufacturing sweater into a big one in a near future.

This is Sanowar Hossen. He appears to be too young to become an entrepreneur. Still in his 30s, Hossen is the managing director of SKS Sweater Training Centre.

Located at Hizal Hati of Baroi Para under Kaliakoir of Gazipur district, around 50 kilometres off Dhaka, SKS Sweater was set up just eight months back with only two machines. Two months later, in March this factory went into production. At that time it earned another two machines.

Capitalising on his 13-year experience as a sweater worker and his zeal, Hossen ventured into the risky business. The capital base was a meagre amount of Tk 40,000.

"Now I am running the factory on sub-contract basis at minimum Tk 20 a piece. Our daily production capacity is 250 pieces," the small entrepreneur said.

Relationships with some large factories he once worked for have helped him a lot to get work orders, Hossen went on.

He also pointed out that his business did not witness any recession fallout to the extent he heard from others.

But a hurdle he has to overcome to translate his dream into a reality. The hurdle is

finance. Easier access to bank finance could make his business expansion plan a success, says Hossen, a secondary school certificate holder.

He wants to develop his factory. Installation of at least 400 machines in the unit is his dream. He will leave no stone unturned to get it done, Hossen expresses his firmness.

Already he has contacted a private bank, but it declined to lend him without collateral. The situation might force him to knock the doors of micro-financiers.

"The private bank I have talked to is reluctant to lend me without mortgage, particularly land," Hossen says. He further says such attitude from a bank with whom he maintains an account has frustrated him a little.

"Now I am trying to borrow from a nongovernmental organisation at a much higher rate," he discloses.

This non-accessibility of finance to small and micro entrepreneurs remains a severe problem for years in the country.

Commercial banks often do not pay heed to the simultaneous pressure both from the central bank and finance ministry for lending to small and medium enterprises (SMEs) without collateral or mortgage. Banks are also blamed for imposing higher interest rate for SMEs, the growth of which in terms of size and number has a multiplier effect on the national economy, specifically on employment, economic growth and

poverty reduction. The sector is also considered a highly cost-effective and socially desirable road to industrialisation in Bangladesh. According to a study of Bangladesh Bank, investment cost per person employed in large industrial units is 78-100 times more than it costs in the case of a worker at an SME.

Another main feature of the SME sector is its capital investment return. Such return is above 30 percent compared with 13 percent for the medium enterprises. Operating profit for SMEs is 12 percent, which is higher than in some industrial countries, the BB study shows.

In the past, the government attempted to ease loans for SMEs by targeted lending. It made directives to banks that a certain share of loan portfolio was to be earmarked for small and cottage industry financing. The government also set up Bank of Small and Cottage Industries (BASIC) in 1988 with the objective of financing small and cottage industries. However, many point to the fact that this specialised bank had failed to serve the purpose of easier access to finance.

Afterwards, several commercial banks have come forward, mainly in papers, with special packages for SME development.

The Bangladesh Bank is also providing refinancing facilities by using its own fund as well as channelling funds under International Development Assistance by World Bank, and from Asian Development Bank.

But it did not work to the expected level.

Another study by SEDF shows that SMEs have limited access to bank financing. It recommended funding at reasonable rates with suitable repayment schedule. The study also stressed removal of bureaucratic tangles.

It also shows that about two-thirds of the SMEs did not approach banks for working capital loans due to this bureaucratic tangle. It takes about two months on an average to have a loan sanctioned, the study finds.

Fazlul Hoque, president of Bangladesh Knitwear Manufacturers and Exporters Association, thinks fund constraint is a major barrier to the SME growth.

"Many small enterprises have been stuck in the same situation for years. Some even faced closure because of their inability to bear the operational expenses," said Hoque, who represents the country's largest export sector. Knitwear exports stood at \$6.24 billion in fiscal year 2008-2009.

Despite all odds, Jarina Akter, 24, young entrepreneur Hossen's wife, is upbeat on her husband's fortune.

Akter, who works 10-12 hours a day in SKS Sweater, says that day will definitely come when their dreams will be materialized.

Every time she walks past HAESONG, a giant Korean sweater factory located within 20 yards away of her husband's tiny one, she recalls Sanowar's dream.

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REAL ESTATE

Dubai housing in uncharted territory

AFP, Dubai

Just one year ago, property prices in Dubai were surging to record peaks undeterred by a real estate slump in major markets, but they have since gone into free fall and have yet to find the bottom.

Market watchers in the former Gulf boomtown differ slightly on the magnitude of the decline so far, but all seem to agree that the prices of Dubai property, which was selling unchecked over the past three years, should drop further.

"The decline in prices still has a little bit to go before bottoming out," said Sana Kapadia, vice president of equity research at the regional investment bank EFG-Hermes.

"We expect a total drop in Dubai of between 50 to 60 percent from peak prices in 2008. We have seen a cumulative decline of 45 to 50 percent so far in Dubai," she told AFP.

Consultancy firm Colliers International echoed similar estimates in its quarterly report this month stating that the prices of Dubai housing units had dropped by half by the end of June, compared to peak prices last summer.

A report by Landmark Properties last week put the drop in villa and apartment prices in the same period at 44 and 36 percent respectively.

According to a price index set by the real estate brokerage firm, the average sale price for apartments has dropped from around 1,500 dirhams (405 dollars) per square foot to around 950 dirhams (257 dollars).

Prices are expected to fall further as market liquidity remains tight and costly. Mortgages are scarce, with interest rates between 8.5 and 9.0 percent, Landmark Properties said.

"Our forecast is that prices will have bottomed out by the end of the year, and should stabilise in the first half of 2010," Kapadia said.

This crash has dragged the emirate's economy into contraction after years of breakneck growth, driven mainly by a property sector benefiting from an abundance of cash from a huge regional oil windfall and foreign investments.

Economic slowdown has also led to job losses in the emirate, which had become a

workforce magnet during boom time, leading to forecasts of a drop in population that would put further pressure on demand and prices.

A few areas, however, have seen flickering signs of recovery.

Prices in the recently completed upmarket neighbourhoods on the palm-shaped island Palm Jumeirah, which took a severe beating after shooting to record levels, rose slightly in the second quarter as investors with cash appeared to jump on bargains.

A report by the property management company, Asteco, last month said the prices of villas and apartments on the Palm have risen respectively by 20 percent and 7.0 percent in the second quarter, compared to the first quarter, when they tumbled up to 65 and 53 percent respectively from peak levels.

Asteco still however registered an average drop of 13 and 15 percent in the average value of villas and apartments in Dubai in the second quarter.

"It would be a terrible mistake to believe that we are out of the woods," said Jeremy Mayhew-Sanders, head of investments and development at Sherwoods Property, referring to such few recovery signs.

He said that some prices had improved due to an artificial shortage of units on offer in some areas, as low prices had pushed some owners to pull their units from the market.

But a shortage of new housing units -- a major catalyst for the surge in prices and rents over the past few years -- should be the least worry for buyers as thousands of new units are being delivered this year, with more scheduled to be ready next year.

"Many under-construction projects are nearing delivery time, bringing more units into the market... There is a lot of supply that has to be absorbed," Kapadia said.

Landmark Properties projects some 22,700 residential units to be delivered by the end of this year, with 40,400 others to be delivered in 2010, although many projects have reportedly been put on hold for lack of cash and interest.

Selling these units would be an uphill struggle for their owners as speculators, who were the real movers of the market, have vanished.



AFP

Foreigners walk along the Jumeirah Beach Residence in the Gulf emirate of Dubai on August 14. Just one year ago, property prices in Dubai were surging to record peaks undeterred by a real estate slump in major markets, but they have since gone into free fall and have yet to find the bottom. Market watchers in the former Gulf boomtown differ slightly on the magnitude of the decline so far, but all seem to agree that the prices of Dubai property, which was selling unchecked over the past three years, should drop further.