

International Business News

Malaysian manufacturing sinks 25.5pc in June

AFP, Kuala Lumpur

Malaysia's manufacturing sales, a key driver of the economy, dived 25.5 percent year on year in June, according to official data released Tuesday.

The government's statistic department said the poor figures were led by a heavy fall in the iron and steel sector as well as plastics manufacturing due to lower demand caused by the world economic slowdown.

The number of people employed in the manufacturing sector, which accounts for about a third of Malaysia's gross domestic product, dropped 7.8 percent from the same period a year ago, the department said.

Revised May manufacturing figures showed sales plunged 25.6 percent year-on-year.

Malaysia has said its economy is likely to contract by 4.0-5.0 percent this year, despite a massive 16.2 billion dollar stimulus package unveiled in March, after the economy shrank 6.2 percent in the first quarter.

Last week, the International Monetary Fund said the country had been hit hard by the global economic crisis but sound policies had positioned it to cope with the downturn.

Hong Kong's unemployment remains at 5.4pc

AFP, Hong Kong

Hong Kong's unemployment remained at 5.4 percent between May and July this year, official data showed Tuesday, although the government warned the figure may rise as graduates enter the labour market.

The seasonally adjusted jobless rate was the same as that recorded for the April-June period and beat a median 5.5 percent forecast of 10 economists surveyed earlier by Dow Jones Newswires.

The number of jobless increased by around 10,800 to 213,800 in the three months ending July, while the workforce increased by around 9,800 to an all-time high of 3,719,000, according to the Census and Statistics Department.

Matthew Cheung, Secretary for Labour and Welfare, said in a statement that while the labour market has displayed resilience amid the economic climate, unemployment may rise as school leavers and graduates enter the job market.

Business sentiment remained cautious while employers were still hiring conservatively, he said.

"Although the labour market showed signs of stabilisation in the second quarter in tandem with the improvements on both domestic and external fronts, the unemployment rate will continue to face upward pressure," he said.



AFP

Nurses who recently passed the licensure test take their oath during a ceremony in Manila yesterday with the majority of whom will work abroad as caregivers. Around 4,000 Filipino medical workers in Libya and new markets for workers in such countries as Algeria, Chad, Malta, and Morocco are needed according to Central Bank authorities who said Filipinos working abroad sent home a record \$1.5 billion in June.

Survey gives German economy extra boost

AFP, Berlin

A survey suggesting soaring investor confidence provided more cheer for the German economy on Tuesday, less than a week after data showed its worst recession in decades ending sooner than expected.

The closely watched ZEW index rose 16.6 points to reach a three-year high of 56.1 points, smashing expectations by economists polled by Dow Jones Newswires of an increase to 47.3 points.

"Positive growth figures for German gross domestic product (GDP) in the second quarter have improved financial experts' assessments of economic conditions," the ZEW said.

"Another rise in industrial orders and exports growing again are brightening Germany's economic prospects. As a result, business expectations for all sectors, in particular for exporters, have noticeably improved," it said.

Last Thursday, official data showed GDP growing 0.3 percent in the second quarter from the previous quarter, the first expansion in Europe's biggest economy since the first three months of 2008.

South African economy shrinks 3pc in Q2

AFP, Pretoria

South Africa's economy shrank by 3.0 percent during the second quarter of 2009, dimming hopes of an early recovery from the country's first recession since apartheid, the government said on Tuesday.

According to Statistics SA, the main contributors to the slowdown were the manufacturing industry, which contracted 1.6 percent, followed by wholesale and retail trade, finance and real estate.

In May, Africa's biggest economy entered recession for the first time in 17 years, as the country's industries were pounded by the global downturn.

The second quarter result, however, marked an improvement from the first quarter, when the economy shrank by 6.4 percent.

The second quarter data came in near market expectations.

TRANSPORTATION

Gridlock clogs business

SAJJADUR RAHMAN

An industrialist accompanies a foreign buyer to see his factory at Bhabanipur in Gazipur, just 54 kilometres away of his Dhaka head office at Banglamotor. They start at 9am and reach their destination at 12.30pm.

The less than an hour journey takes them three and a half hours to go.

The delay compelled the buyer to cancel another business meeting scheduled for that evening in Dhaka.

"Earlier, it took just 45 minutes to reach my factory at Sreepur in Gazipur from Gulshan. Now it takes at least two hours," says Nasiruddin Biswas, managing director of Nasir Group.

"The car does not even move for two minutes in the grid locked roads," says a frustrated Biswas.

Dhaka city dwellers are fed up with heavy traffic they have to face every day. The congestion is also eating up the productivity of factories on a long stretch of the 100-kilometre Dhaka-Mymensingh highway.

Businesses are concerned over the worsening situation on the biggest industrial route in the country.

The manufacturing sector plays a key role in Bangladesh's economic growth.

The contribution of the industrial sector to the economy was only 17 percent in 1980-81, which rose to nearly 30 percent in 2008-09. The sector made contributions worth Tk 58,339 crore in the immediate past fiscal year.

At least 40 percent of the country's total industrial output comes from the industries located on both sides of the Dhaka-Mymensingh road.

But heavy traffic jam has become the biggest threat to industries, like textiles, readymade garments, knitwear, ceramics and pharmaceuticals, on the belt. Several thousands of small, medium and large-scale factories, mostly export-oriented, have sprouted between Tongi in Gazipur to Trishal in Mymensingh.

"The gas crisis is a big problem for industries in the pipeline. But traffic congestion is the biggest problem for existing ones," says



STAR

Traffic backs up on Dhaka-Mymensingh highway even on a dull day as seen in the picture taken on Thursday, a public holiday. Businessmen are concerned over worsening traffic jams on the country's biggest industrial route.

Iftekhar Uddin Farhad, chairman and managing director of FARR Ceramics, a fully export-oriented factory located in Bhabanipur in Gazipur.

"Buyers do not wish to journey to that area due to congestion," he says.

"It takes three hours or more to cover a distance of 54 kilometres," says Farhad, who has been running factories since 1993.

From the airport to Joydevpur, a distance of just 16 kilometres, it takes a passenger at least two hours to cross.

Industrialists blame the recklessness of bus and minibus drivers, the narrow roads, rickshaws and dug-up roads for the gridlock.

There are some key points on the route where vehicles are stuck for hours every day

--Jasimuddin Road of Uttara, Abdullahpur, Tongi Station Road, College Road, Salna Bazar, Gazipur Chourasta.

Congestion at the Tongi Station Road, College Road, Salna Bazar and Gazipur Chourasta was severe even on the last government holiday on Thursday. Buses and minibuses were seen loading and unloading passengers haphazardly on the roads.

"It seems nobody is there to take care of this vital issue. Businesses are facing difficulties, but the government seems indifferent," says Farhad.

In an advertisement published in national dailies in late April, the Bangladesh Ceramics Ware Manufacturers' Association tried to draw Prime Minister Sheikh Hasina's attention to the vital issue.

The association demanded construction of a flyover from the airport to Gazipur Chourasta and a six-lane road connecting Trishal.

"The government could charge high rates for use of the flyover. We want the problem solved by all means," says Farhad. "Otherwise we will lose our businesses."

Rasel, 35, a microbus driver who drives every day on this route to reach his owner's textile factory at Joydevpur, says it takes only 45 minutes if there is no traffic jam.

"I get exhausted after a six-hour plus journey every day for a return trip to Dhaka," adds Rasel, who has experience of driving abroad.

sajjad@thedailystar.net

AVIATION

US low-cost carriers face off

AP, New York

The cool kids of the airline industry are giving big-city travelers more opportunities to show who they like more.

For years, JetBlue and Southwest catered to customers in the same way -- with cheap fares and good customer service -- but avoided much head-to-head competition in major markets. These days, they are trying to distinguish themselves as they ramp-up competition in places like New York, Washington, Baltimore -- and starting this weekend, Boston.

Fliers stand to benefit as these airlines expand in the Northeast. This rivalry not only pits one popular low-cost carrier against another; it puts further pressure on other airlines to stay competitive with them.

It also means JetBlue and Southwest must find ways to differentiate themselves. Southwest is touting its fewer baggage fees and more extensive nationwide presence, while JetBlue is highlighting its live TV service and its own comprehensive route system.

Just over a month after Southwest began flying out of New York's LaGuardia -- eight miles from JetBlue's base at John F. Kennedy International -- Southwest began service on Sunday from Boston's Logan International Airport. In September, Southwest starts service between Boston and Baltimore.

A few years back, their flights mostly crossed paths in places like Burbank, Calif., and Orlando, Fla.

The move to New York was a game-changer for Southwest. Formerly it concentrated on smaller, less-congested airports, where it could count on quick turnarounds, a key to its low-cost model.

And with Southwest breathing down its neck, JetBlue has had to make a more aggressive defense of its traditional turf, cutting fares and mulling new routes.

Expect to see low fares discounted further on routes where Southwest and JetBlue will compete out of Boston especially to Northeastern markets, Chicago and Los Angeles.

When Southwest announced it would fly from Boston to Baltimore for as low as \$49, JetBlue said a week later it would launch the same route -- offering tickets for \$10 less.

"It makes me think of gunfighters in the Old West -- who is going to be the last man standing?" said Harlan Platt, a finance professor at Northeastern University who follows the airline industry.

Dallas-based Southwest is the biggest U.S. airline by the number of passengers flown. JetBlue is tenth, but it's No. 2 at Logan.

Much of JetBlue's model of low fares and quick turnarounds came right out of Southwest's playbook. It's no wonder. JetBlue founder David Neeleman started JetBlue in 1999 after he was fired from Southwest.

In 1993, Southwest bought a little-known discount charter airline called Morris Air,



AP

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based in Salt Lake City. Its co-founder -- Neeleman -- came to Southwest.

But that didn't last long. Southwest founder Herb Kelleher -- a cigarette-smoking, Wild Turkey-drinking Texas lawyer that revolutionized the airline industry in the 1970's -- fired Neeleman after just five months. Neeleman, a Brazilian-born Mormon father of nine who's never touched booze, had new ideas for expanding Southwest that were scoffed at by long-time executives there.

JetBlue (originally NewAir) was started with \$130 million from investors -- the most ever for a start-up carrier. Neeleman attracted several Southwest executives to the new airline as well. Three Southwest veterans are with JetBlue today. One worked with Neeleman since his days at Morris Air.

JetBlue started with a single flight to Fort Lauderdale, Fla. It now has 650 daily flights to 56 cities. Its rapid growth has now started to plateau, but JetBlue is still steadily adding new service in markets larger carriers have turned away from -- like the Caribbean.

JetBlue has been in Boston for five years, although it's only recently targeted the city as a focus of its expanding operations.

Southwest will start Boston service with five weekday non-stops to Chicago-Midway and Baltimore-Washington International, with connecting and direct service to 48 other spots including Houston, San Francisco, Las Vegas and Los Angeles.

Boston is familiar with Southwest because of its service in nearby Manchester,

N.H., Providence, R.I., and Hartford, Conn. -- three markets it has been serving for about a decade.

Both carriers' low fares and brand loyalty should give them a leg up against major carriers in Boston. It's already worked for JetBlue. The airline has worked its way up to second place at Logan in passenger traffic, behind American and ahead of US Airways, which operates a Boston-New York and Boston-Washington shuttle service.

"When you enter a town the size of Boston as really the sole low-cost carrier (like JetBlue did), you really can pick off a lot of the legacy carriers," finance professor Platt said. "But when the last two gunfighters are JetBlue and Southwest, you've got another game."

Platt thinks Southwest eventually will win the discount competition with JetBlue in Boston because of its large network and image as an anti-fee airline with ads that say "Your Bags Fly Free." Southwest lets two bags fly free, but charges for a third checked bag. JetBlue charges for the second checked bag.

JetBlue wants more business travelers, as does Southwest, which has tried to lure them with its "Business Select" option launched two years ago. Passengers that pay a premium can go to the front of the boarding line. Neither airline offers business or first class seats.

JetBlue said in July that although it has not focused on courting business travelers in the past, it's landing more of them in New

York and Boston as companies cut travel budgets.

Because of their cheap fares and high customer service rankings, both airlines have legions of loyal travelers. Part of that loyalty can also be traced to fresh marketing that tries to put some fun in flying. JetBlue's tongue-in-cheek ads have urged executives to get off their private jets and fly JetBlue. In Southwest TV ads, CEO Gary Kelly told customers "It's On" in New York.

Both airlines are on YouTube. Blogs and Twitter are also important parts of their brands.

Kelleher and Neeleman no longer run the airlines they started. Kelleher, 78, stepped down as chairman last year, but he is still under contract until 2013. Neeleman, 49, runs Azul Airlines in Brazil -- a venture he started after he was pushed out of JetBlue in 2007 following the company's bungled response to a Northeast snowstorm, leaving 130,000 passengers stranded or delayed.

But the airlines they started still have the low-cost, passenger-savvy traits of their founders. Both have flown farther and lasted longer than some of their larger competitors. Platt thinks the big airlines may have something to worry about now in Boston and JetBlue will have to ramp up its game, too.

"Boston has really been a two-horse town with (two major carriers dominating service there)," he said. "Just the mere presence (of another low-cost carrier) is going to change the landscape."