International Business News

Global crisis hitting IT spending: Microsoft

AFP, *Seoul*

Companies worldwide are slashing spending on information technology because of the global downturn and will have to learn to do more with less, Microsoft chief executive Steve Ballmer said Monday.

Ballmer, on a visit to South Korea to promote the newly-released Windows 7 system, said IT spending represents about half of all capital expenditure in developed countries such as the United States and South Korea.

"With capital more scarce, we know IT budgets are more scarce," Ballmer told chief information officers (CIOs) from local businesses.

"There is going to be pressure in businesses to drive for a new level of efficiency."

Ballmer said the global economy went through a set of "once-in-a-lifetime" changes last year.

"So it's important that we're not saying we just had a crisis and we are going to have a recovery. We are going to live in what we like to call the new normal.

"The new normal will be a more scarce environment than we saw a year, two years, three years ago. While we will see growth, we will not see recovery," he said, citing a 15 percent drop in global personal computer and server sales.

Australia ramps up growth, jobs forecasts

AFP, *Sydney*

Australia sharply upgraded its growth and jobs forecasts on Monday after bouncing back from the downturn but warned it was still on course for a record budget deficit.

Treasurer Wayne Swan said the economy was set to grow 1.5 percent in the current financial year, up from a 0.5 percent contraction forecast in the May budget, while unemployment would peak at a lower-than-expected 6.75 percent.

The forecasts, unveiled in the government's mid-year budget update, come a day before Australia is expected to raise interest rates for the second time in as many months following its world-leading recovery.

"What Australia has achieved is something special. We have avoided the destruction of our capital and our skills base that is usually accompanied by a sharp recession," Swan told reporters.

"That's something that all Australians can be proud of because it's something that we have done together."

However, the record budget deficit outlined in May looked set to widen slightly from 57.6 to 57.7 billion dollars (52.0 billion US), or 4.7 percent of GDP, while the economy will operate below capacity "for some time", Swan said.

AFP

A Chinese boy looks out from his home at a poor area that will make way for luxury apartments and two five-star hotels in Hefei, in east China's Hefei province, on Sunday. Property prices in major Chinese cities accelerated in September, the National Bureau of Statistics said, in a further sign of the strength of recovery in the world's third largest economy.

Malaysian palm oil earnings to fall 25pc this year

AFP, *Kuala Lumpur*

Malaysia, the world's second-largest palm oil producer, said Monday it expects its palm oil export earnings to fall 25 percent this year due to falling prices.

Official data showed export earnings from oil palm products stood at 65.2 billion ringgit (19 billion dollars) last year, up from 45.17 billion ringgit in 2007. Malaysian palm oil is exported to more than 150 countries worldwide.

Crude palm oil prices (CPO) plummeted from a peak of 4,312 ringgit (1,257 dollars) per tonne a year ago to a low of 1,390 ringgit in October last year. Prices have recovered somewhat at 2,170 ringgit per tonne currently.

"Our output has not dropped, but in terms of value and export earnings it has dropped and we will not get as much as last year," Bernard Dompok, the plantation industries and commodities minister told reporters.

He said that the earnings drop would be "about 25 percent".

Thai inflation rises for first time this year

AFP, *Bangkok*

Thai consumer prices rose for the first time this year in October, the commerce ministry said Monday.

Inflation was up 0.4 percent year-on-year compared with a 1.0 percent fall in September, owing to rises in prices in the food and beverage sector, said the ministry's permanent secretary Yanyong Phuangrach.

"It was the first rise following nine months of contraction," he said.

In the first ten months of 2009 overall, the ministry said Thai inflation dropped 1.5 percent, mainly from a fall in oil prices.

But consumer prices in the fourth quarter of the year are expected to rise 1.5 percent, lifting the total inflation for 2009 to between minus 1.0 percent and 1.0 percent.

EXHIBITION

Time to clinch investment

Entrepreneurs flock to Knitexpo to study business climate

REFAYET ULLAH MIRDHA

The chance has come again for Bangladesh to present itself as a lucrative investment destination for foreign investors, as oversees entrepreneurs flock to the annual Knitexpo to study whether to put money here.

Bangladesh has already shaped up into a strong apparel exporter even in the midst of global recession -- at a time when giant economies shrank.

Although exports declined by more than 3 percent in the first two months of the current fiscal year, Bangladesh maintained about 20 percent apparel export growth last fiscal year.

Bangladesh Knitwear Manufacturers and Exporters Association organised the three-day annual exhibition in Dhaka, in anticipation of a greater number of international buyers and investors.

A special aspect of this year's knitexpo is the arrival of 52 buyers and investors from Japan, a country that imports apparel items worth $25 billion a year.

The Daily Star meets with a Japanese investor who seeks to set up a socks company in Bangladesh. On the sidelines of the exhibition at Dhaka Sheraton Hotel, Tetsuji Okamoto, owner of Japan's top socks manufacturing company Okamoto, said Bangladesh is a lucrative place as it is still a less risk-prone country.

The company markets socks under the brand 'Super Sox'.

He says the country still enjoys cheap labour and Japan launched the China+one campaign. "And we found Bangladesh may be a good investment destination, out of the China box, as the country is showing strength in the global apparel business."

At present, Okamoto, with annual sales turnover of $250 million, has operations in three countries, including Japan (10 percent market share), China and Taiwan.

Recently, the Japanese government asked entrepreneurs to diversify investment destinations and set up factories in places other than China. As a result, Japanese entrepreneurs are coming to Bangladesh, either to set up factories or outsource apparel products.

Tetsuji Okamoto

The largest retail chain in Japan, Uniqlo, set up an office in Dhaka and started purchasing apparel products from local markets. Uniqlo invested $70 million in Bangladesh to produce quality garments, said BKMEA President Fazlul Hoque.

"We produce socks for all customers, especially for executives," Tetsuji Okamoto says. His company has been conducting a survey in Bangladesh in the last few months to start business.

As part of plans, Okamoto will begin outsourcing socks from different factories in Bangladesh by confirming quality in the first quarter of the next year.

Later, Okamoto will establish a factory to produce quality socks, as Japanese consumers are quality conscious.

He says if the company finds a suitable partner, it may run on a joint venture basis.

Okamoto celebrated its 60th anniversary last year, he adds.

Bangladesh may be a good place to market socks, as the country needs high quality sock production in different categories, he says.

Bangladesh exported ready-made garments worth $74.381 million in fiscal 2008-09, compared to $28.035 million in fiscal 2007-08, according to Export Promotion Bureau (EPB) data.

Japan reduced its dependence on imports from China, which gave a boost to RMG exports from Bangladesh, say manufacturers and exporters.

Recently, the Japanese government has advised entrepreneurs to divert investment to other countries.

Knitwear accounted for $21.986 million of total apparel exports in fiscal 2008-09, up from $7.234 million a year earlier. Woven garment exports rose to $52.395 million in fiscal 2008-09 from $20.801 million in the previous year, the EPB data shows.

Hoque said the trend shows Bangladesh will be able to export apparel items worth a billion dollars in the next 5 years.

Japan, being the second largest economy in the world with a $4.348 trillion GDP, is the fourth largest knitwear importer in the world. It imports knitwear items worth $11 billion and woven goods worth $12 billion a year.

Exporters said Japan bought garments worth $20 billion, or 84 percent of its total global purchase, from China in 2008.

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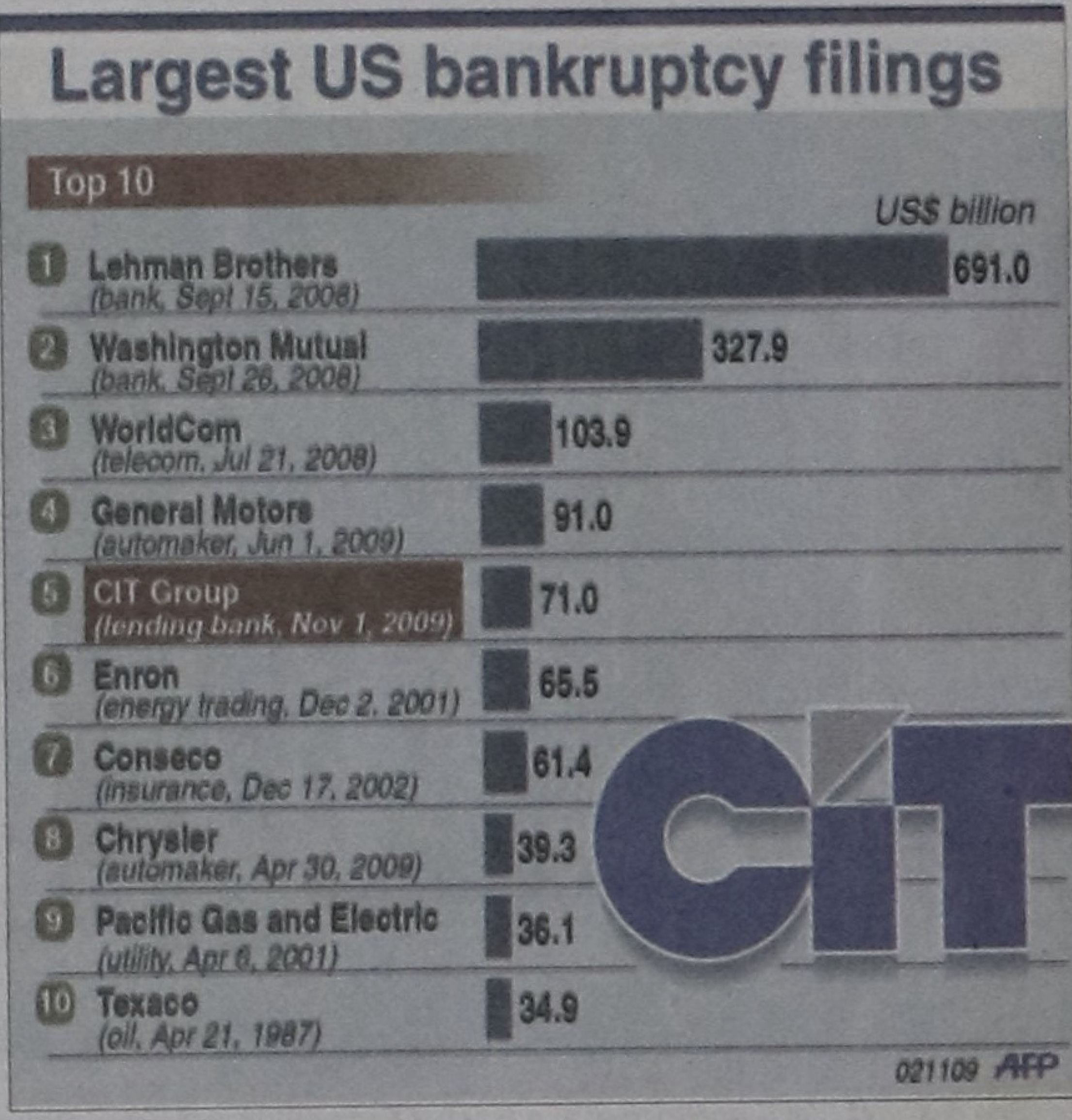
US ECONOMY

CIT bankruptcy deals new blow

AFP

The file photo taken on July 16 shows people walk by the CIT Group headquarters in New York City. A key lender to small US firms, CIT declared itself bankrupt becoming the fifth largest failure in American history. The group has agreed a restructuring plan with creditors that will reduce its debt by about $10 billion, it said late Sunday.



AFP, *Washington*

CIT Group, a key lender to small US firms, declared itself bankrupt becoming the fifth largest failure in American history and dealing a new blow to market nerves.

CIT said late Sunday it has agreed a restructuring plan with creditors that will reduce its debt by about 10 billion dollars. But amid doubts about the prospects for the bank and the US economic recovery, Japanese shares fell more than two percent on Monday.

The bankrupt group received an emergency loan of 4.5 billion dollars on October 28 after struggling for months through the fallout of the global financial crisis.

It was also rescued in July after the US government rejected a bailout plea and had received 2.3 billion dollars of taxpayers money in December last year which will now probably be lost.

CIT, like many US banks, hit major problems because of the home mortgage meltdown which briefly crippled the global economy and is still causing major pain. The bankruptcy heightened international doubts about the strength of the US recovery.

Japanese stocks ended 2.31 percent lower on Monday because of fresh doubts about the sustainability of a US rebound, compounded by CIT's bankruptcy.

Manoj Ladwa, a senior trader at ETX Capital in London, said: "CIT's bankruptcy is a stark reminder that a full-blown economic recovery is still a long way off. The commercial lending market just got tougher as small businesses will struggle to source funds."

CIT's board expressed confidence that the firm, which provides financing to nearly one million small and middle market companies and operates in 50 countries, could weather the bankruptcy storm.

"With the overwhelming support of its debt-holders, the board of directors voted to proceed with the prepackaged plan of reorganization for CIT Group Inc and a subsidiary that will restructure the company's debt and streamline its capital structure," the company said in a statement after a board meeting.

CIT said it aims to emerge from court protection by the end of the year.

"Under the plan, CIT expects to reduce total debt by approximately 10 billion dollars, significantly reduce its liquidity needs over the next three years, enhance its capital ratios and accelerate its return to profitability."

CIT Group chairman and chief executive Jeffrey Peek, who has announced he is stepping down at the end of the year, said the plan would allow subsidiaries, including CIT Bank in Utah state, to continue operations.

But not all experts shared the company's confidence.

"There's no guarantee," Scott Peltz, managing director of corporate restructuring at RSM McGladrey told The Washington Post about CIT's prospects, highlighting the need to get an investment grade rating.

In the voluntary Chapter 11 filing with the US Bankruptcy Court in New York, CIT reported total assets of 71 billion dollars and liabilities of nearly 65 billion dollars, making the bankruptcy the biggest behind Lehman Brothers, Washington Mutual, WorldCom and General Motors.

Founded in 1908, CIT became the largest lender to the US retail sector, although it also operates in aeronautics, defense and rail and has lent money to technology giants Dell, Microsoft and Toshiba.

Most worries now are focused on CIT's smaller customers, many of whom have fallen behind on repayments during the recession.

"This bankruptcy shows us the clearly the road to strong robust economic recovery is like the road to hell. Paved with good intentions. The ramifications will not be immediate but you can bet your last dime that the retailers and small businesses locked into CIT are going to find it a nightmare for financing," said Manus Cranny, analyst for MF Global Spreads in London.

About 85 percent of the holders of CIT's reported 30 billion dollars in bond debt participated in voting, with 90 percent supporting the bankruptcy plan, the company said.

Public money injected into CIT Group over the past year is expected to be wiped out in the restructuring.

The US government has injected tens of billions of dollars into the banking system because of the crisis. But when the government rejected a rescue in July, a US administration official said the decrease in the level of loans granted by CIT Group indicated that the firm was not too big to fail.