

International Business News

China could grow 10pc in Q4

AFP, Beijing

China's economy could grow by over 10 percent in the fourth quarter of 2009 spurred by massive investment and rising consumption, the state press said Sunday, citing a top government think tank.

"The economy is benefitting from fast-paced investment, record levels of consumption, rising exports to international markets and the stable resumption of industrial growth," China News Service cited Yu Bin, a top economist at the cabinet's State Council Developmental Research Centre, as saying.

Yu told a symposium that China's economy would witness growth of more than 10 percent year-on-year in the last three months of 2009, with full year growth of around 8.5 percent, the report said.

China could also maintain double-digit growth next year, Yu said, but the economy faced several challenges, including inflation linked to a vigorous government stimulus package and the appreciation of the yuan.

"If the Chinese yuan appreciates too fast, the huge numbers of export industries will suffer," Yu said.

"But a small appreciation will attract more capital inflows and speculation over the yuan could bring instability to financial markets. China is facing these two difficulties."

US chemical company gets buyout offer from Reliance

AP, Houston

LyondellBasell Industries said Saturday Reliance Industries offered to acquire a controlling interest in the beleaguered chemical company, which is under Chapter 11 bankruptcy protection.

LyondellBasell declined to disclose the value of the cash offer. India-based Reliance did not immediately respond to requests for comment.

Reliance's offer "represents a potential alternative to the initial plan of reorganization," LyondellBasell said, and it "will continue to work with all parties to design an approach that maximizes value for the company's creditors."

The offer is non-binding and is in addition to other non-binding equity financing proposals LyondellBasell has received.

LyondellBasell is the world's third-largest independent chemical company and is controlled by billionaire investor Len Blavatnik. Its products are used in gasoline, plastics, electronics, autos, paints and many other products.



Indian women Ranjana Duggal (R) and Komal Kaur embroidery a sequined wedding dress at a boutique in Amritsar on Saturday. Businesses across India celebrate the wedding season with increased sales and better revenues.

Profits of Kuwaiti listed firms slide 73pc

AFP, Kuwait City

Total net profits of firms listed on the Kuwait Stock Exchange slumped by about 73 percent in the first nine months of the year due to the global financial crisis, an economic report said on Sunday.

The 187 firms that declared results so far posted a total net income of 800.3 million dinars (2.8 billion dollars) compared to 2.93 billion dinars (10.3 billion dollars) in the same period last year, Al-Shall Economic Consultants said.

The 15 companies that did not declare results include five that have a different fiscal year and 10 that have been suspended from trading.

Al-Shall said that 112 companies posted profits while 75 others sustained a loss. But profits of only 47 companies increased while the results of 140 firms retreated, the report said.

The troubled investment sector topped the list of losers. The 47 listed investment firms posted a net loss of 944 million dollars. Profits of real estate firms dropped by 90 percent.

British business chiefs seek path to recovery

AFP, London

Britain's business leaders gather here on Monday for an annual conference expected to focus on how companies can recover from the country's longest recession on record.

The Confederation of British Industry (CBI), the nation's biggest employers' body, has billed its one-day gathering 'Routes to Recovery'.

The worst global crisis since the 1930s has hammered consumer demand, ramped up unemployment and ravaged manufacturing in Britain.

Businesses have also been blighted by the credit crunch as the struggling banking sector has tightened lending criteria, despite record low interest rates from the Bank of England.

Britain faces a general election by next June and ahead of the polls, one of the biggest headaches facing the government is how best to fix the dire state of the nation's public finances.

INTERVIEW

Smart card to earn more

The City Bank boss speaks to The Daily Star

SAJJADUR RAHMAN

An increased use of plastic money pulls in more earnings in taxes for the government. Shops in the US and many European countries prefer debit or credit cards to cash. The same system persists in many emerging Asian countries as well.

"It helps a country boost revenue earnings," says Mahmood Sattar, managing director and chief executive officer of The City Bank.

"Transaction by card is an accounting trade. Nobody can show anything less than their actual consumption," says Sattar, who also heads the association of the managing directors of all private banks.

Sattar sat for an interview with The Daily Star at the company's newly built headquarters in Gulshan on various issues, particularly plastic money, investment and the overall banking industry, interest rates, financial crisis, entrepreneurship and the country's economic prospects.

Recently, The City Bank introduced the American Express credit card in Bangladesh, at a time when the world is passing through an economic slowdown. The excessive use of credit cards, also known as plastic money, was partly blamed for the crisis in the US.

But The City Bank believes the credit card brings substantial benefits, as it is an effective device to pay and borrow. To an extent, consumer spending, consumer borrowing and entrepreneurial activity are important drivers of economic growth. The card is an important component of a modern healthy economy.



Mahmood Sattar

The top executive however hopes for good credit card business here because he believes the market is hugely underserved.

According to him, 10 million people are prospective clients of credit cards in Bangladesh, but only 5 percent of them use the cards. There is a huge vacuum in the market.

"People shy away from using credit cards here. We are a cash-based society," says Sattar. The good thing is that the market is growing constantly for the past several years, he adds.

The minimum income required to obtain the American Express credit card is Tk 30,000 a month, while it is Tk 75,000 a month for the

gold card.

Presently, the Visa and Master credit cards are used in Bangladesh. With introduction of the American Express card, the number of credit cards available has reached three.

"We have already received huge responses from customers," says Sattar.

The bank offers American Express card members a range of benefits, designed to cater to individual lifestyles.

A gold credit card user will receive a complimentary air ticket to Kolkata and a silver card user will receive a Mercedes-Benz coach ticket to Cox's Bazar. Card users will also give 6 percent cash

back on all purchases at Agora and Nandan superstores and a free breakfast and buffet dinner at The Westin, Dhaka. Discounts are offered on 700 selected programmes.

The interest rate is 20 percent.

"The rate is not high as the normal rate is 20 to 30 percent globally," he says.

On the extra charges imposed by merchants to carry out transactions, he says, "It is unlawful and a violation of agreements with the banks."

A tax identification number (TIN) is mandatory for credit card users and this requirement will not deter credit card growth, he says.

Sattar predicts 2.5 lakh American Express credit card users in Bangladesh in the next couple of years.

Quick measures taken by both the central bank and individual banks helped the industry shield itself from the negative impacts of global recession, the top banker says on the financial crisis.

However, he says the banking sector is feeling the pinch through other channels.

"A drastic fall in commodity prices forced banks to write-off and reschedule many loans," says Sattar.

He blames uncertainties in the global export market and a lack of energy for poor imports, especially capital machinery imports.

"Investors still fear the future outcomes of the global markets." Infrastructure constraints and a poor law and order situation also discourage investors to invest.

On the high lending rates charged by banks, the top banker believes it should drop to a single digit. But Sattar says many good clients are able to obtain loans at a 10.5 percent rate of interest.

The bank's net margin is no more than 5 percent.

Sattar says banks now experience fierce competition among themselves in retaining good customers. Often, competition affects pricing.

However, competition has improved the quality of bank services. Sattar believes further adoption of high-tech services by banks will have a positive impact on costs in future.

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TOURISM

Mumbai sights still shadowed by attacks

AFP, Mumbai

Bapu Kamble raised his right arm and pinched his thumb and forefinger together, as instructed by the photographer in front of Mumbai's Gateway of India monument and Taj Mahal Palace and Tower hotel.

Minutes later, he received the 30-rupee (64 US-cent) print showing him "holding" the luxury sea-front hotel from the tip of its majestic red dome.

"I just wanted a picture of myself outside the Taj," said the 41-year-old from Kolhapur, in the centre of western Maharashtra state, grinning through teeth stained red with betel nut juice.

Domestic tourists like Kamble are coming back to Mumbai's most recognisable symbols 12 months after 10 Islamist militants attacked the city, including the Taj, killing 166 people and injuring more than 300.

For many, it is a chance to see -- and be seen -- at the places that were shown on fire or under siege live on television.

"About 90 percent of tourists want the Taj as the backdrop after the attacks," said photographer Ram Lakhan, 40, who toots for business on the plaza between the Gateway and the hotel.

But foreign tourists have dwindled due to security fears, plus the combined effects of the global economic slowdown and concern about swine flu.

Statistics show a sharp fall in foreign tourists in the immediate aftermath of the attacks, which has persisted into this year.

In the December following the attacks, arrivals fell 12.5 percent on the previous year -- a heavy toll for hoteliers in the middle of the peak season for foreign tourists.

The latest available figures indicate that 3.58 million foreigners visited India in the January-September period -- down eight percent on the same period in 2008 in an industry considered a major growth sector.

Jaideep Ghosh, director at



The photo taken on November 5 shows tourists taking pictures outside Taj Mahal hotel in Mumbai. Domestic tourists are coming back to Mumbai's most recognisable symbols, 12 months after 10 Islamist militants attacked the city, including the Taj, killing 166 people and injuring more than 300. But the number of foreign tourists has dwindled because of security fears and the combined effects of global recession and concern about swine flu.

KPMG advisory services in Mumbai, said the hospitality sector remained subdued, with hotels offering discounts and cheaper facilities like video-conferencing to cash-strapped businesses.

"Speaking to several of our clients in the sector, we see that revival for the sector has not come about. Hotels continue to offer attractive rates to woo customers," he told AFP.

Mahantesh Sabarad, an aviation analyst at Centrum Broking in Mumbai, said there had been "no perceptible change" in foreign air travel since November last year.

"First there was the global

meltdown, then security concerns followed by swine flu," he said, summing up growth as "flat".

Hotels saw cancellations after the attacks, with business hit as much as 30 percent, according to trade bodies at the time.

Both the Indian Hotels Co. Ltd, which owns the Taj, and East India Hotels, the hospitality arm of the Oberoi group that owns the Trident-Oberoi hotels, attributed a fall in net profits to the attacks.

A recent report by global consultancy HVS Hospitality Services described the financial year 2008-9 as "an unforgettable one for the Indian tourism" with an overall decline in occupancy and revenue

per available room (RevPAR).

"Mumbai reported the largest RevPAR decline of 20.1 percent for 2008-9 amongst the major cities in India," said the report. "Hotels in India -- Trends and Opportunities" -- published in October.

Revenue per room in Mumbai hotels fell to 6,513 rupees from 8,155 rupees a year earlier.

"This was due to the Mumbai terror attacks... The event raised concerns in the minds of international travellers regarding India's worthiness as a safe and secure travel destination," the report said.

Occupancy rates were at 60.9

percent in 2008-9, down 18.4 percent on the previous year.

Nationally, tourism contributed 6.1 percent of India's GDP -- down 0.7 percent on 2007-8.

But HVS predicted that Mumbai -- India's financial capital -- would see strong demand in coming years, as the economy rebounds and business travellers return.

"With all the various redevelopment/rehabilitation schemes of mill lands and the master development of Mumbai's international airport, we expect there to be good opportunities for hotels to come up during the next decade or so," it added.