

International Business News

Obama unveils \$3.83 trillion budget with massive deficits

AP, Washington
President Barack Obama sent Congress a \$3.83 trillion budget on Monday that would pour more money into the fight against high unemployment, boost taxes on the wealthy and freeze spending for a wide swath of government programmes.

The deficit for this year would surge to a record-breaking \$1.56 trillion, topping last year's then unprecedented \$1.41 trillion gap. The deficit would remain above \$1 trillion in 2011 although the president proposed to institute a three-year budget freeze on a variety of programs outside of the military and homeland security as well as increasing taxes on energy producers and families making more than \$250,000.

Echoing the pledge in his State of the Union address to make job creation his top priority, Obama put forward a budget that included a \$100 billion jobs measure that would provide tax breaks to encourage businesses to boost hiring as well as increased government spending on infrastructure and energy projects. He called for fast congressional action to speed relief to millions left unemployed in the worst recession since the 1930s.

Russian economy shrinks almost 8pc in 2009

AFP, Moscow
Russia's economy contracted 7.9 percent in 2009, statistics showed Monday, after the economic crisis abruptly ended years of strong growth in the country and showed up its failure to implement reform.

However amid brightening prospects for the economy going into 2010, the figure was slightly better than predicted by the government, which had been forecasting an even worse contraction of 8.5 percent.

Economic growth in Russia in 2008 amounted to 5.6 percent but the economic crisis was already slamming the brakes then on several years of high Russian growth that had been fuelled by soaring energy prices.

Economists have said that Russia has been paying the price for failing to reform and diversify its hydrocarbon-reliant economy during the good times and is still highly vulnerable to any oil price shocks.

Among the sectors worst hit in 2009 was the construction sector, which contracted 16.4 percent in the period, the statistics office Rosstat said in a statement.

Also badly affected was the hotel and restaurant sector, which shrank 15.4 percent. A quarterly breakdown was not immediately available.



AFP
A young girl (R) points her finger at Indonesia-made colourful dolls on display at a street stall in Jakarta yesterday. Statistics agency Chairman Rusman Heriawan said the country's record surge in exports is a signal of the global economic recovery. A record surge in exports helped Indonesia's trade surplus jump to three billion dollars in December.

Indian automakers show strong sales in January

AFP, Mumbai
Indian vehicle sales rose in January due to robust demand, company data showed Monday, pointing to a strengthening economy that international carmakers are pushing to access.

Japanese-controlled Maruti Suzuki India and South Korea's Hyundai Motor announced higher sales of cars.

Maruti Suzuki India, the country's top passenger carmaker, said sales rose 33.3 percent to a record 95,649 vehicles in January, from a year earlier, aided by strong domestic and overseas sales.

"This is the highest-ever number of cars sold in a month," a spokesman for Maruti Suzuki said, beating a previous record of 87,809 vehicles sold in November 2009.

Its passenger car sales rose 21.2 percent to 80,952 units. Maruti sold 14,562 cars overseas, a three-fold jump in demand over last year, a statement to the Mumbai stock exchange on Monday showed.

Hyundai Motor India announced monthly sales of 52,635 vehicles in January, up 41.6 percent from a year earlier.

Thai inflation hits 16-month high

AFP, Bangkok
Thailand's inflation rate hit a 16-month high in January as it rose for the fourth straight month, the commerce ministry said Monday.

Consumer prices increased 4.1 percent year-on-year in the first month of 2010, after rising 3.5 percent in December, the ministry's permanent secretary Yanyong Phuengrath said.

He said the January figure -- the highest since an inflation rate of 6.0 percent in September 2008 -- was a sign of economic improvement, which would be further stimulated by the low interest rate.

"However the domestic political situation is a factor which may affect the economy," he said, as Thailand braces for fresh street protests by anti-government demonstrators in coming weeks.

OUTSOURCING

Asian plants to reap iPad boom

AFP, Taipei
The iPad may have been designed in the United States, but Apple's money-spinning products are manufactured in the high-tech factories of east Asia.

If the new tablet computer follows the iPhone and iPod by capturing the imagination of consumers around the globe, component makers in Taiwan, China and South Korea will reap the benefits.

"The iPad is likely to stimulate global demand for high-tech products and components," said James Chen, the vice president of Taiwan-based display and touch panel maker Wintek Corp.

Confidentiality agreements between Apple and its suppliers means no company is willing to openly discuss who does what, but analysts are free to make informed guesses.

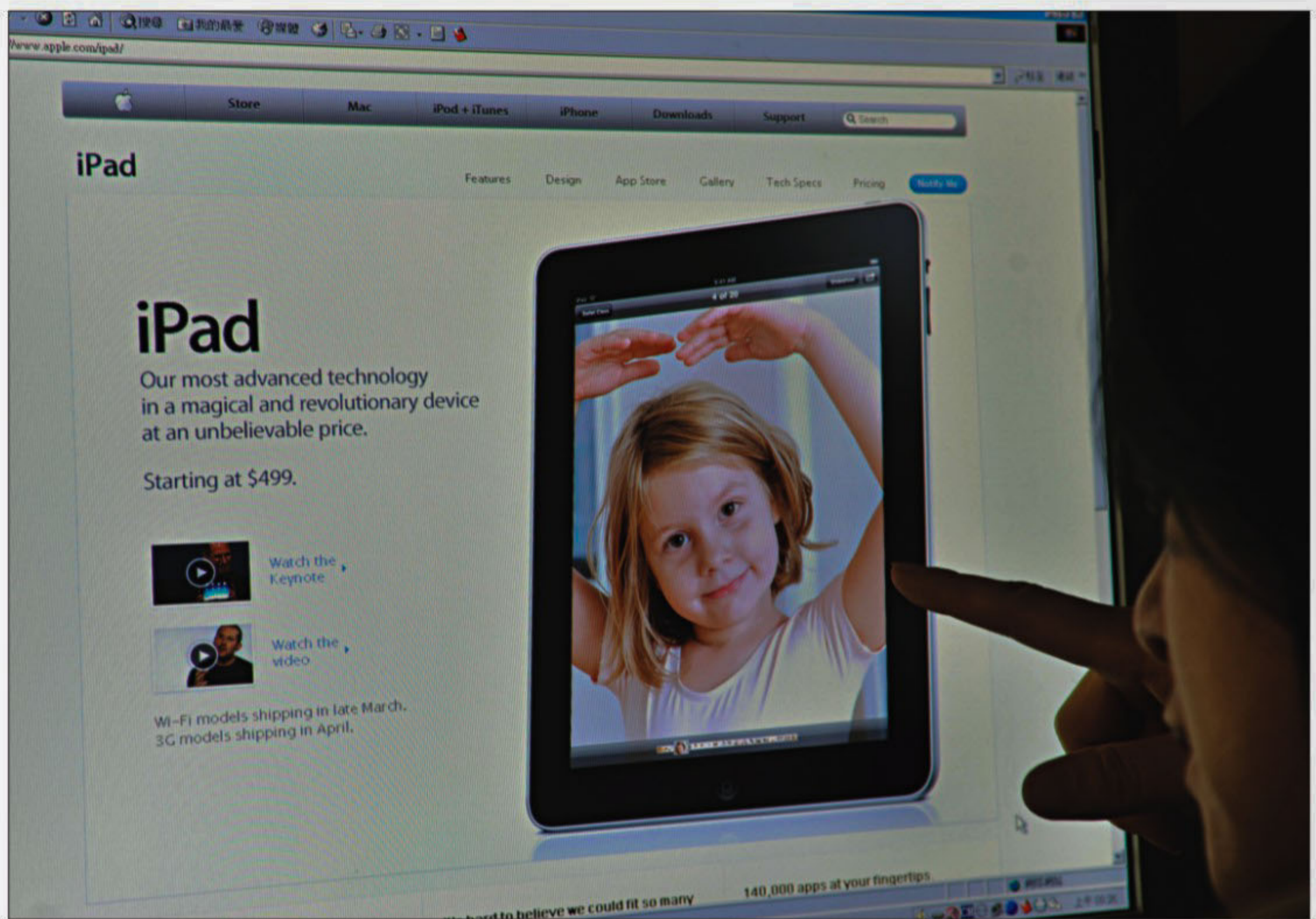
Wintek is widely seen as a likely supplier of iPad parts, although Chen declined to either confirm or deny the company's involvement.

The new touchscreen device, which was unveiled Wednesday, seeks to establish an entire new category between laptop and smartphone, but it does so by combining well-known components, most of them produced in Asia.

While the touchscreens are widely thought to be made by companies like Wintek, the chips are likely to come from companies such as Japan's Toshiba and South Korea's Samsung Electronics.

South Korea's LG Display is named as a probable supplier of the displays, while Taiwan's Hon Hai Precision Industry, a veteran Apple supplier, is believed to be in charge of assembly.

"In Taiwan, I expect Hon Hai will become the biggest beneficiary of Apple's iPad," said Mars Hsu, a Taipei-based analyst with Grand Cathay Securities.



AFP
A woman looks towards a website showing the latest Apple iPad in Taipei, Taiwan on Saturday. Designed in the US, Apple's products are manufactured in the high-tech factories of East Asia.

Hon Hai Precision was not immediately available for comment.

However, an official at Innolux Display, Hon Hai Precision's flat panel manufacturing arm, told AFP on condition of anonymity that the company will try its best to team up with Apple in the production of the iPad.

Meanwhile, Simplo Technology and Dynapack, both of Taiwan, have been major battery pack providers for Apple in the past, and they could maintain their role,

Taiwan's Capital Securities said in a report.

"They've already served as component suppliers to Apple's iPhone. That means they've reached economies of scale and enjoy cost advantages," said Taiwan International Securities analyst Michael Chiang.

But on the big question -- how much money the iPad will make for the suppliers -- the jury is still out.

An official with South Korea's LG Display said the latest Apple device was likely to revitalise the

market as a whole.

"The iPad will help increase demand for new components," he said on condition of anonymity.

Also among the optimists was Taiwan-based Topology Research Institute, which this week raised its 2010 forecast for iPad sales to seven million units from five million previously.

In a statement, Topology said it based its higher forecast on iPad's pricing strategy, with the cheapest version costing as little as 499 US dollars.

However, TLG Asset Management analyst Arch Shih said it was too early to say how much iPad will do to lift contract makers' profitability.

The reason is the global economic outlook, with further volatility in US securities markets threatening to spill over into the real economy, he said.

"A market pullback could impact global demand for high tech products. At the moment, I'm cautious about iPad sales," Shih said.

TOURISM

China's online travel market on the rise

AFP, Beijing
China's online tourism market is booming as an increasingly wealthy middle class travels for pleasure and the use of credit cards and the Internet soars, analysts say.

As millions of people pack their bags for Lunar New Year holidays, the busiest travel period of the year, many will have booked their trips home online, according to Chinese Internet research and consulting firm iResearch.

Revenue from online flight, hotel and package tour bookings will hit 4.75 billion yuan (695.8 million dollars) in 2010, up 27 percent from last year, iResearch says, with that figure due to balloon to 9.01 billion yuan by 2013.

"People's lifestyle attitudes have changed and their spending ability has improved and people now view holidays as part of a healthy lifestyle," the firm said in its latest report on the fast-growing sector.

China's travel industry generated 1.3 trillion yuan in revenue in 2009, up nine percent from 2008, state media reported earlier this month, citing figures from the National Tourism Administration.

While a separate figure on overall bookings revenue was not available, China Market Research Group senior analyst Ben Cavender estimated online bookings accounted for 8-10 percent of the market.

"More and more consumers are turning to the Internet to book trips," Cavender told AFP, adding he expects online bookings to make up 15-16 percent of the total within two years.

"Consumers are becoming more and more comfortable with the concept of online purchases... and the use of credit cards has exploded over the last few years," Cavender said.

China has at least 384 million Internet users, according to offi-



AFP
Travellers pull and carry their luggage to catch their train at the main railway station in Beijing on Sunday. China's online tourism market is booming as an increasingly wealthy middle class travel for pleasure with millions of people packing their bags for Lunar New Year holidays, the busiest travel period of the year. Many will have booked their trips home on websites, according to Chinese Internet research and consulting firm iResearch, and as the nation's 1.3 billion people become wealthier, with urban and rural per capita income rising more than eight percent in 2009, more and more are taking holidays.

cial figures, more than any other country in the world and the number of credit cards issued has ballooned.

As the nation's 1.3 billion people become wealthier -- urban and rural per capita income each rose more than eight percent in 2009 -- more and more Chinese are taking holidays.

In 2009, the number of domestic tourist trips rose 11 percent to

1.9 billion from a year earlier, state media reported, citing tourism bureau figures, indicating some people went on more than one holiday during the year.

The number of overseas tourist trips increased 3.6 percent to 47.5 million compared with 2008, according to the report.

This year is expected to be even better for the domestic tourism market with the World Expo in

Shanghai expected to draw at least 70 million visitors, most of them Chinese, said Royal Bank of Scotland analyst Wendy Huang.

"Travel consumption per capita should increase over the next three years, said the Hong Kong-based Huang.

"I think 2010 will be an especially good year for the travel industry because you have the Shanghai Expo and it should bene-

fit travel demand in China."

Cavender said young professionals between the ages of 24 and 35 living in Beijing and Shanghai were driving demand for flights, hotel rooms and package tours.

"They are by far the most optimistic consumer segment... they are also the ones most comfortable with alternative forms of payment like credit cards," he said.