

International Business News

New-look Garuda seeks to raise \$300m in IPO

AFP, Singapore
 Indonesian flag carrier Garuda said Wednesday it expected to raise 300 million US dollars in an initial share offer this year and vowed to rigorously enforce safety measures to refurbish its image.

Company president and chief executive Emirshyah Satar said the money will be used to fund the airline's long-term growth plans following its removal from a European Union (EU) aviation blacklist due to safety concerns.

"Our debt restructuring is almost complete and we're looking to go public by mid this year," Satar told a news conference on the sidelines of the Singapore Airshow.

"We plan to raise approximately 300 million US dollars which will be used to support our long-term growth plans."

Satar said Garuda has yet to determine the underwriters of its initial public offering (IPO) which will either be in the "late second quarter or early third quarter" on the Jakarta stock exchange.

Garuda will take delivery of 24 new aircraft this year and plans to increase its fleet size to 116, from 67 at present, by 2014.

Honda Motor earnings boosted by strong Asian sales

AFP, Tokyo
 Honda Motor, Japan's second largest automaker, said Wednesday its profit soared almost seven-fold in the latest quarter from a year earlier, helped by increased sales in India and China.

The maker of the Insight hybrid and the Civic and Accord cars sharply hiked its earnings forecasts, offering another ray of hope for the battered sector.

Honda posted a better-than-expected net profit of 134.6 billion yen (1.5 billion dollars) for the fiscal third quarter through December, up from 20.2 billion yen in the same period of the previous year.

Along with robust sales in the rest of Asia, cost-cutting helped to boost the group's bottom line, offsetting an 11.5 percent drop in revenue in the quarter to 2.24 trillion yen.

For the full financial year which ends next month, Honda raised its net profit projection to 265 billion yen from 155 billion, and its revenue target to 8.53 trillion yen from 8.45 trillion.

Fitch warns China banks face big 'bubble risk'

AFP, Shanghai
 Fitch Ratings warned Wednesday that banks in China face the greatest "bubble risk" of any Asian country, one day after it downgraded two mid-sized Chinese banks due to the rising threat of bad credit.

The agency's comments in an Asia-wide assessment of the banking sector come as concerns mount that Chinese banks may be headed for trouble over bad debt after a record lending spree last year.

"The agency views 'bubble risk' as greatest for Chinese banks given their 32 percent loan growth in 2009; this looks likely to be followed by a further 20 percent in 2010," Fitch said in a statement.

"Credit growth of more than 50 percent over a two-year period in an economy where bank credit is already quite large relative to gross domestic product almost inevitably involves some misallocation of credit," it added.

Kuwait posts \$25b surplus in nine months

AFP, Kuwait City
 Opec member Kuwait posted a preliminary budget surplus of 25.2 billion dollars in the first nine months of the current fiscal year on higher oil income, the finance ministry said on Wednesday.

The ministry said on its website that revenues until the end of December reached 45 billion dollars, 60 percent above the 28.1 billion dollars projected for the whole 2009-2010 fiscal year, which ends on March 31.

That income is, however, far below the 64.4 billion dollars earned in the first nine months of the previous fiscal year when oil prices shot above 147 dollars a barrel.

Spending during the nine months was 19.8 billion dollars, just 46.9 percent of projected spending for the whole year of 42.1 billion dollars, the ministry figures showed.



AFP
 Vendors selling personal accessories wait for customers along a street in Manila yesterday. Filipinos have mostly not benefited from the country's economic growth -- equal to about five percent annually -- during President Gloria Arroyo's seven-year term, a top official admitted January 31. While the government had aimed for seven percent growth annually, the actual figure was insufficient to lift significant numbers out of poverty, Romulo Neri, head of the government-run pension system, said.

AUTOMOBILE

Toyota hit by new trouble

AP, Tokyo
 Toyota Motor Corp has been hit by over 100 complaints in the US and Japan about brake problems with the popular Prius hybrid, the latest in a spate of quality troubles for the automaker as it grapples with massive global recalls.

The Japanese company's sales are being battered in the US -- Toyota's biggest market -- after recalls of top-selling models to fix a gas pedal that can stick in the depressed position.

The new Prius gas-electric hybrid, which went on sale in Japan and the US in May 2009, is not part of the recalls that extend to Europe and China, covering nearly 4.5 million vehicles.

The US National Highway Traffic Safety Administration has received about 100 complaints involving the brakes of the Prius new model. Two involved crashes resulting in injuries.

Japan's transport ministry said Wednesday it has also received 14 complaints since July last year about brake problems with Toyota's new Prius hybrid.

The 14 complaints included an accident in July 2009, in which a

Prius crashed head on into another car at an intersection. Transport ministry official Masaya Ota said two people were slightly injured in the accident.

"The Prius driver in the accident told police that a brake did not work," Ota said. "Other Prius drivers also complained brakes were not so sharp." The complaints in Japan involve the new Prius model, and the vehicles were all made in Japan, he said.

The ministry ordered Toyota, the world's No. 1 automaker, to investigate the complaints. The other 13 cases happened from December to January 2010. Ota said the ministry has yet to receive a formal report on the complaints from Toyota.

Toyota spokeswoman Ririko Takeuchi said the company has received reports about the Prius complaints in North America and in Japan and was now looking into the matter.

Toyota shares plunged 5.7 percent to 3,400 yen (\$38) with jittery investors dumping stocks in the wake of the Prius woes in the US and Japan. The benchmark Nikkei stock index edged up just 0.3 percent to 10,404.33 as the



Toyota's sticky pedals
 Auto company says pedal problem can be fixed quickly

Added resistance

- Friction device adds resistance when pedal is pressed to provide "feel," make pedal steady
- Device sits in a "shoe" that rubs against surface in normal operation

The problem

- Problem arises when system is worn and certain points stick. This can cause the pedal to return slowly to idle position, or to remain in an open throttle position

The fix

- A thin piece of steel is inserted
- This pushes the friction device away from the "shoe" reducing surface contact, and therefore reducing friction

Source: Toyota/iRacing.com
 AFP 030210

drop in Toyota dampened sentiment.

"Investors were worried the latest trouble involving the Prius could get bigger. The problem could pose a bigger question on Toyota's quality and safety," said Kazuhiro Takahashi, market analyst at Daiwa Securities SMBC Co Ltd.

The Japanese automaker is facing growing criticism that it has not done enough to ensure the safety of its vehicles.

US Transportation Secretary Ray LaHood told The Associated Press Tuesday that federal officials had to alert Toyota to the seriousness of the safety issues that eventually led to the recalls.

"They should have taken it

seriously from the very beginning when we first started discussing it with them," he said. "Maybe they were a little safety deaf."

LaHood also said the US government was considering civil penalties for Toyota for having dragged its feet on safety concerns.

Toyota executive vice president Shinichi Sasaki acknowledged Tuesday in a Nagoya, Japan, news conference that it took prodding from NHTSA officials for the company to decide on the US recall.

Toyota has long prided itself on sterling vehicle quality and assembly line methods that empowered workers to ensure faultless production.

The latest recall, announced Jan. 21, over sticky gas pedals affects 2.3 million vehicles in the US alone.

Any serious problems emerging in the Prius, Toyota's flagship green car model, is certain to further tarnish its brand.

The Prius, now in its third generation since its 1997 introduction, is the best-selling gas-electric hybrid in the world, racking up a cumulative 1.6 million units sold so far, according to Toyota.

Hybrids, by going back and forth between a gasoline engine and electric motor, tend to offer better mileage in slow-speed and stop-and-go driving that's common in crowded cities.

US EMPLOYMENT

Jobless rate rises in most metro areas

AP, Washington
 Unemployment rose in most cities and counties in December, signaling that companies remain reluctant to hire even as the economy recovers.

The unemployment rate rose in 306 of 372 metro areas, the Labour Department said Tuesday. The rate fell in 41 and was unchanged in 25. That's worse than November, when the rate fell in 170 areas, rose in only 154 and was unchanged in 48.

The metro employment numbers aren't seasonally adjusted and can be volatile. Many of the increases were due to seasonal factors.

For example, Ocean City, New Jersey, which bills itself as "America's Greatest Family Resort," saw its unemployment rate jump to 16.4 percent in December from 14.8 percent the previous month.

That's double the 8 percent it reported in July, even though the nation's economy was in worse shape then.

Ocean City is one of the 19 metro areas that reported unemployment rates of at least 15 percent. Twelve of those are in California and three are in Michigan, the department said.

Joblessness topped 10 percent in 138 metro areas, up from 125 in November but below last year's peak of 144 areas in June.

Improvement in the auto industry, meanwhile, saw unemployment rates drop in the metro areas around Detroit and Warren, Michigan. Automakers and auto parts companies have recalled workers in recent months as they seek to replenish inventories depleted by the "Cash for Clunkers" program, which caused a jump in car sales in August.

The Detroit area saw unemployment fall to 15.7 percent from



AFP
 US President Barack Obama answers questions during a town hall meeting on Tuesday at Nashua North High School in Nashua, New Hampshire. Obama discussed jobs and the economy while outlining a new small business lending proposal following last week's State of the Union address where he made jobs and the economy a top priority.

16.4 percent, while the Warren area reported a drop to 14.3 percent from 14.8 percent. While still high, the rates are down about 2 percentage points from last fall.

Steve Cochrane, a regional economist at Moody's Economy.com, said it isn't clear if the gains are sustainable once the auto companies have rebuilt their inventories.

"There are no guarantees the unemployment rates won't go up again," he said.

The US economy benefited heavily in the fourth quarter from inventory changes. Companies ramped up production and reduced inventories less in the

October to December period, which accounted for about two-thirds of the 5.7 percent growth in the economy during that period.

Nationwide, the unemployment rate was 10 percent in December, unchanged from the previous month, as employers shed 85,000 jobs. The Labour Department will report January figures on Friday, and economists expect a gain of 5,000 jobs and a slight increase in the unemployment rate to 10.1 percent.

In the past year, unemployment rose in almost all of the 372 metro areas tracked by the report, except one: Troubled Elkhart, Indiana, saw its jobless rate fall to 14.8

percent in December 2009 from 16 percent a year earlier.

Unemployment in Elkhart and the surrounding region in northern Indiana soared during the recession after many recreational vehicle manufacturers laid off workers and in some cases closed their doors. President Barack Obama visited Elkhart twice last year.

Recently, the area has attracted several electric car manufacturers, including Think North America, a subsidiary of Norwegian-based Think Global. The company plans to sell electric cars in the United States later this year.

Think North America said last month it will open a factory in

Elkhart in a former RV plant, potentially creating 415 full-time jobs by 2013.

The lowest unemployment rates are in the upper plains states, with Fargo, North Dakota reporting the nation's lowest rate, at 4 percent, followed by Grand Forks, North Dakota, and Lincoln, Nebraska, at 4.1 percent each.

The highest rate is in El Centro, California, with 27.7 percent, followed by Merced, California, at 19.8 percent. El Centro is heavily agricultural and has many seasonal farm workers that are frequently unemployed. Its jobless rate is down from 33.1 percent in August.