

International Business News

India predicts growth at 7.2pc

AFP, New Delhi

India's economy should grow 7.2 percent in the fiscal year ending in March, an official forecast said Monday, as the economy's recovery from the global financial crisis picks up speed.

The projection was contained in an advanced estimate prepared by the statistics office for use by the government in drafting its budget for the next financial year.

The forecast growth is slower than the average nine percent expansion India logged before the global economic downturn, but marks an acceleration from the 6.7 percent posted in the previous financial year.

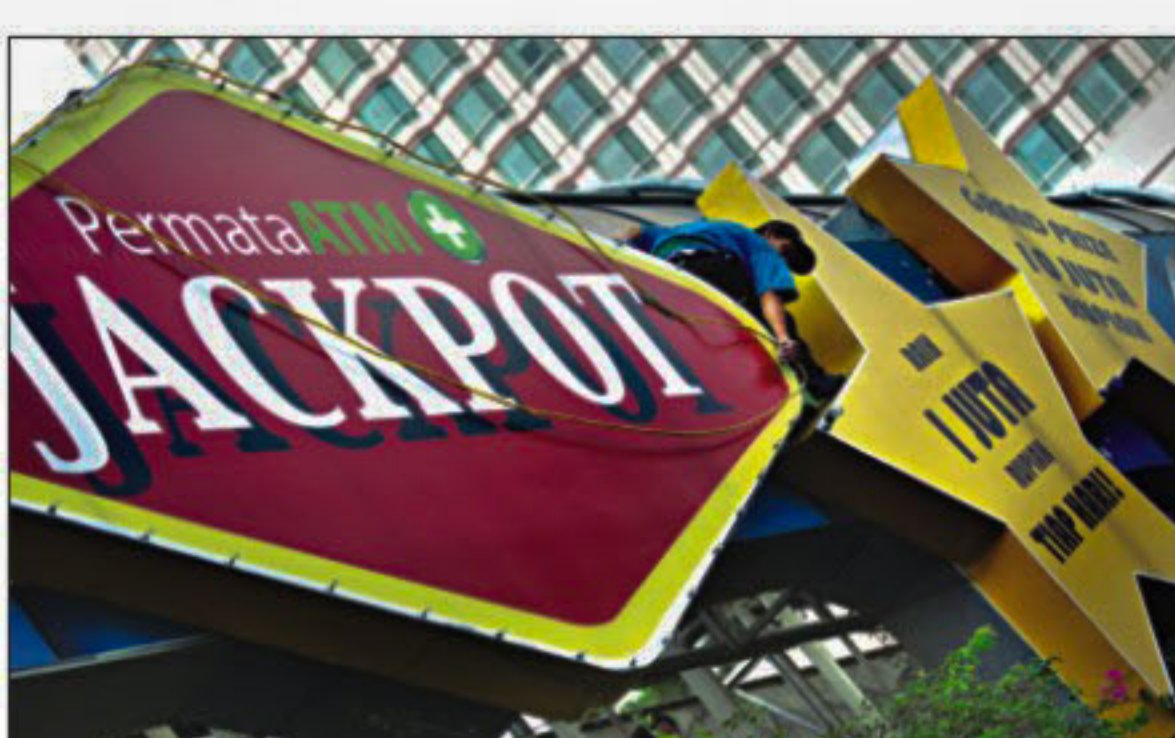
Late last week the International Monetary Fund said India has been among the first to recover from the global downturn while New Delhi and Beijing were making a "significant contribution" in the revival of the global economy.

China is likely to post 10 percent growth this year.

A surge in manufacturing, forecast to expand by 8.9 percent from a year earlier, and services, seen rising by 9.9 percent, have offset India's sharp drop in farm output.

Agricultural production is expected to shrink 0.2 percent as a result of monsoon rains in 2009 that were the weakest in nearly four decades.

The GDP forecast put out by the Central Statistical Organisation is lower than projections by the Reserve Bank of India and the Finance Ministry.



AFP

A man fixes lighting on a display board promoting private bank Permana in Jakarta yesterday. Indonesia's central bank left its benchmark overnight interest rate steady at 6.50 percent despite a sharper than expected rise in inflation in January 2010.

Singapore illegal loans rose sharply in 2009

AFP, Singapore

Illegal loans rose almost 60 percent last year as Singaporeans reeling from the economic crisis turned to loan sharks to tide them over the tough times, a senior police official said Monday.

There were 18,600 cases of illegal loans made by loan sharks last year, a 58 percent increase from 11,800 cases in 2008, said Ng Boon Gay, director with the criminal investigation department.

Illegal moneylenders lend at exorbitant interest rates and use threats and intimidation to pressure debtors to pay up if they renege on payments.

"We expect loan shark cases to continue to be a concern. We'll try to take it down, but we'll see how it will turn out," said Ng.

"We are watching it very carefully," he said.

Ng said the police arrested 958 illegal moneylenders last year, a 90 percent jump from 2008 as the economic slump pushed cash-strapped locals to turn to loan sharks.

"Because of the economic crisis at the time, we expected... UML (unlicensed moneylender) cases to go up because there are people with financial difficulties and some may resort to these illegal means," he said.

Temasek plans \$704m bond offering

AFP, Singapore

State-linked Singapore investment firm Temasek Holdings said Monday it was planning a bond offering worth one billion Singapore dollars (704 million US) as part of its capital-raising programme.

The bonds are due in 2020 and will be issued by its wholly-owned subsidiary Temasek Financial, it said in a statement.

The bonds will pay an annual yield of 3.265 percent, Temasek said.

It said proceeds from the bond sale would help pay for the "ordinary course of business" for itself and its holding companies.

Temasek said the planned bond offering was part of a 10-billion-US-dollar bond programme, which it had increased from five billion dollars last week to cater for any possible future issues.

Global risk evaluator Moody's Investors Service on Monday assigned its top rating to the latest planned offering.

Indonesia sells \$850m worth of Islamic bonds

AFP, Jakarta

Indonesia has sold more than 850 million dollars worth of Islamic bonds to domestic retail investors, three-times more than its target, officials said Monday.

The bonds, or sukuk, will mature in three years and pay 8.7 percent, finance ministry director for debt Rahmat Waluyanto told reporters.

"The government earlier targeted to sell three trillion rupiah (318 million dollars) worth, as we're conservative. But we managed to sell 8.033 trillion rupiah," he added.

A total of 17,231 investors took part, he said.

"About 9,055 investors bought up to 100 million rupiah worth of sukuk. The top investor bought 25 billion rupiah worth. It seems that our investors are quite prosperous," Waluyanto said.

INTERVIEW

GP realigns market focus

Senior Telenor official speaks to The Daily Star

MD HASAN

Telenor now views Grameenphone as a market leader in innovation and not just in terms of a large subscriber base in the Bangladesh market.

The Norwegian company -- the major stakeholder of Grameenphone -- is ready to face any competition head-on in the six-operator mobile market.

"Our strategy is to continue to be a market leader. I am not talking about market share. I am talking about being a market leader in terms of innovation," says Sigve Brekke, executive vice president of Telenor Group, head of region Asia.

Norway's telecom giant owns a 55.8 percent stake in GP, while local Grameen Telecom owns 34.20 percent and the remaining 10 percent is held by the public and other institutions.

In a recent interview in Dhaka with The Daily Star, Brekke says GP is not ready to wait for the 3G spectrum to be disbursed before it massively enters Bangladesh's data market.

"Our strategy is not only to wait for the 3G spectrum. We are now starting new internet-based services even before the 3G licence is disbursed."

The telecom regulator has already announced to award the 3G spectrum by mid-2010. However, operators are tense over the process the regulator will adopt to disburse the licence, which may either be through auction or any other process.

Earlier, Bangladesh Telecommunication Regulatory Commission (BTRC) awarded each WiMax licence for a hefty Tk 215 crore.

Brekke, also chairman of GP, suggests BTRC come up with some conditions, like future rollout plans and pricing mechanisms, in awarding the 3G spectrum, which will benefit the masses.

"Do not make the same mistake as many other countries in Europe did in awarding the 3G spectrum at a hefty price."

Telenor has set two major areas of investment for GP: one is to invest in network expansion to rural areas and the second is investment in developing data services.

On potential competition from the Bharti Airtel debut in Bangladesh, Brekke



GRAMEENPHONE

Sigve Brekke, chairman of Grameenphone, says it matters to be a leader in innovation.

says: "Principally, we like competition. If the regulatory framework ensures a level playing field, competition brings good for the customers at the end of the day."

"Competition is a way for us to constantly improve ourselves. So we are not afraid of competition."

Telenor has recently launched its services in India, which is a 10 operator mobile market. "We really know how competition works."

Explaining why Asian markets interested Telenor in recent times, Brekke says all telecom markets were somewhat hit by the financial crisis. Revenue development was low in Europe last year, but markets in Asia were less affected by global recession.

In Asia, he says, Bangladesh, India and Pakistan were better off than Malaysia and Thailand. The telecom business is a growth business. Telenor has focused on Asia, as not much growth remains in Europe.

"That is also why Telenor decided to enter India last year. India has a large market to grow in," says Brekke.

Telenor has no plans to expand its footprint in any other Asian country. "I think India was a big investment for us, not only in terms of money but also in terms of organisational capability. For the time being, India is our main focus," says the Telenor official.

Bangladesh is still a growth market, he says. "If you look at the mobile penetration rate today, it is only 33 percent. Even neighbouring Afghanistan has more than a 40 percent rate of penetration. So there is much more growth left in Bangladesh."

However, the main problem in Bangladesh right now is Tk 800 in tax on SIM (subscriber identity module). "We are no longer growing in the city now. We are going to rural areas. But the SIM tax remains an

entry barrier to rural Bangladesh."

About the upcoming mobile banking in Bangladesh, Brekke says many still do not have an access to banking. Telenor's idea is to work together with GP's mobile system to make every mobile phone a bank branch.

Mobile banking is a business that is new to telecom operators, but old to banks, says Brekke. "So we will not do this alone in Bangladesh. We will do this in partnership with banks."

"If we do that, the banks will take care of the system, including security, and we will just take care of the distribution of money," he says.

"We have not come up with a dividend policy as yet for the GP IPO. We hope we are able to find a balance. The balance will be between paying dividends to shareholders and also investing for future growth."

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AUTOMOBILE

Toyota faces fresh scrutiny as woes deepen



AFP

A general view shows the main entrance of the Toyota Motor Corp Tsutsumi Plant, the production venue of Prius hybrid vehicles, in Toyota, Japan's Aichi Prefecture.

AFP, Tokyo

Toyota's handling of a dangerous gas pedal defect came under fresh scrutiny Monday after the group said it had fixed the flaw for some cars in Europe last year but initially decided against a global recall.

Toyota's woes are set to deepen this week when the world's largest auto maker is expected to pull as many as 300,000 Prius hybrid vehicles because of a separate issue with the braking system.

The brake trouble comes on top of recalls of more than eight million vehicles worldwide due to sticking accelerator pedals that have severely tarnished the Japanese giant's reputation for reliability.

The company, whose brand has long been synonymous with safety and quality, faces a class-action lawsuit on behalf of owners in the United States alleging that it hid problems that have led to the rash of recalls.

And Toyota's North America president, Yoshimi Inaba, is set to testify at a US congressional hearing on Wednesday as part of a wider probe by lawmakers.

Toyota has denied it was slow to respond to the unintended acceleration issue but faces new questions about its handling of the episode, after it emerged that the company acted on the problem in Europe about six months ago.

"We did fix this in August last year (in Europe) after first hearing about the issue at the end of 2008," said Toyota spokesman Paul Nolasco.

But it was initially thought that the problem only affected European right-hand drive vehicles, sold mainly in Britain and Ireland, he said.

The trouble was attributed to the car heater blowing hot air on the gas pedal, causing condensation to build up inside and result in sticking, but was not thought to occur in left-hand drive models, he said.

Toyota officials could not immediately confirm whether any action was taken at that point for vehicles already on the road in Europe.

Toyota has come under fire after saying it had fixed the brake system flaw during production of the latest Prius model last month, without warning drivers of those vehicles already on the road.

Toyota is believed to have already notified its dealers in Japan that it will pull all the new model Prius vehicles sold in Japan, in a recall that is also expected to affect the United States, Europe, China and other markets.

The company is also expected to begin recalling its Sai and Lexus HS250h hybrids, which use the same braking system as the Prius, by the end of this month, the Nikkei business daily reported.

The Prius -- which combines a petrol combustion engine with a battery-powered electric motor -- is Toyota's flagship hybrid

car and key to its efforts to stay in pole position in fuel-efficient vehicles.

Toyota, which in 2008 dethroned General Motors as the world's biggest car maker, has seen its brand image badly hurt by its handling of recalls affecting more than its entire 2009 global sales of 7.8 million vehicles.

The accelerator problems have been blamed for several accidents, including one in California in August in which four family members were killed.

Company president Akio Toyoda said Friday he was "deeply sorry" for the string of quality issues and said he would head a new task force to raise standards and investigate the cause of the problems.

Toyota shares fell 1.05 percent to 3,280 yen on Monday, having plunged by more than 20 percent in roughly two weeks.

Toyota has said it expects the accelerator trouble to burn a two-billion-dollar hole in its profits this year in recall costs and lost sales.