International Business News

Two Gulf-based dailies close under economic pressure

AFP, *Kuwait City*

Two Arabic-language Gulf dailies, Kuwait's Awan and Bahrain's Al-Waqt, announced on Monday that they are closing due to economic difficulties.

Awan's editor Mohammed al-Rumeihi said in a front-page article that the newspaper was closing due to "extremely harsh economic reasons," without elaborating.

The daily, which published its last edition on Monday, is closing after about 30 months of publication.

Kuwait, which will still have 14 Arabic and three English-language newspapers, besides dozens of other publications, saw another daily close more than a year ago due to the impact of the global financial crisis.

Assawt was being financed by Investment Dar, a Kuwaiti Islamic investment firm that was severely affected by the economic downturn.

In Bahrain, Al-Waqt daily attributed its closure to the fact that it was unable to increase its income, or "find a strategic partner or ... buyer."

"It seems that no one in this country wants a national, independent and professional newspaper to continue," Al-Waqt said in a statement.

India manufacturing expands, stokes rate hike expectations

AFP, *New Delhi*

India's manufacturing output expanded for a 13th month in a row in April, a survey showed Monday, stoking expectations of further interest rate hikes to curb inflation.

The figures came as Asia's third-largest economy continues to shake off the effects of the global financial crisis.

India's Purchasing Managers' Index (PMI) stood at 57.2, down slightly from 57.8 in March, the survey by HSBC Holdings Plc and Markit Economics showed. Any reading above 50 signals expansion.

While output rose at a weaker pace in April than in the previous month -- retreating from a 20-month peak in February -- the data "still signalled a considerable strengthening in the health of the industry," the survey said.

Prices charged by manufacturers also posted their strongest rise in three months as work backlogs jumped to a record high, said the survey, which covers over 500 companies.

"Demand is growing more strongly than supply, giving companies the confidence to push through price rises," HSBC economist Robert Prior-Wandesforde said in a research note.

AFP

German Chancellor Angela Merkel (C) presses a button on a mock up of an electricity dispenser as she inaugurated a summit on electric mobility yesterday. Representatives of politics, economy, the auto industry and energy suppliers met to discuss the promotion of electric cars.

Hong Kong retail sales rise 19pc in March

AFP, *Hong Kong*

A stronger labour market and increased tourism helped retails sales jump by a fifth in March, the government said Monday, adding that the city's recovery from the global downturn will pick up.

Total retail sales for the month were 24.7 billion Hong Kong dollars (3.18 billion US), up 19 percent year on year and marking a seventh straight monthly rise, the Census and Statistics Department said.

For the first three months of the year sales gained 18.8 percent, the department said, noting that the figure included the Chinese New Year holiday in February, traditionally a good time for the city's retailers.

The March gain was led by motor vehicles and auto parts, which was up 49.7 percent, followed by durables (38.8 percent) and electrical goods and photography equipment (30.1 percent).

"Retail sales continued to grow robustly in March, supported by strengthening consumer sentiment on the back of improving labour market conditions and also by the vibrant expansion of inbound tourism," a government spokesman said.

Spain auto sales soar 39pc in April

AFP, *Madrid*

New car sales soared by 39.3 percent in Spain in April from the figure for the same month last year on the back of a government incentive programme.

A total of 96,637 new cars were registered during the month, up from 67,214 in April 2008, the Spanish car manufacturers' association ANFAC said in a statement.

It was the eighth monthly increase in a row.

Anfac attributed the rise to the government's subsidy of up to 2,000 euros (2,700 dollars) for new car purchases which came into effect in May last year.

The association appealed to the government on Monday to extend the plan, which is due to expire when the 100-million-euro fund is exhausted, probably in the next few weeks.

INTERVIEW

Orascom, a long-term investor

Group CEO speaks at a press meet in the Egyptian capital

MD HASAN, *back from Cairo*

Few mobile operators in Bangladesh have tasted the sweetness of profitability, thanks to a stiff price war in the industry.

Even when late night slots are higher in demand here than in other countries, only a single player -- Grameenphone -- has taken a bite into the 'profitability' cake, starting in 2002-03.

AKTEL, now rebranded as Robi, recorded some profits in 2007, but it is also in the red now.

However, Orascom Telecom, the holding company of Banglalink, has a different take on the matter.

"We're not in a rush," says Khaled Bichara, group chief executive officer of Orascom Telecom Holding. He was speaking to journalists at his office in Cairo recently.

From the most expensive rate (Tk 25 a minute) at a time when the handy telephony service was first locally launched in the early 90s, the market now offers the world's lowest tariff (Tk 0.25 to Tk 1 a minute).

Prices plummeted following a strategic war introduced by Orascom in late 2005.

Has Orascom been snared in its own strategy?

Bichara differs and completely endorses the strategy. He points to the SIM tax (Tk 800) behind the losses incurred.

"We believe prices should be at a level people can afford," he says.

Bangladesh's mobile operators are counting losses only because of the SIM tax, he adds.

"We're looking at healthy competition, which is enough to make sure that operators cannot take too much money from consumers."

Additionally, Bichara says, competition must make operators financially stable so that they can invest more in new technologies like 3G, or fibre-to-home services.

"I'm not a government. I cannot print money."

As a company, Orascom may have extra money for investment, he says. "Suppose Orascom has a hundred dollars. It can put $50 in subsidies and $50 in the network. The outcome is, covering a narrower area with fewer customers."

Khaled Bichara

"If there is no SIM tax, I think more money can be put into the network. It will allow more customers into the networks and ultimately the government can earn more as well from taxes on usage and others," says Bichara.

Banglalink become the market's second largest operator in January 2008, overtaking the then AKTEL.

Presently, Grameenphone, majority-owned by Norway's Telenor, is the market leader with 23.9 million customers, followed by Banglalink with 14.22 million and Robi with 10.59 million.

Backing Banglalink's low price plan, Bichara thinks its price plan contributed to making Banglalink the second largest player.

Banglalink's present position will help it take a leading position if the company goes for a merger in the future.

"We believe a merger could bring about dominance so that Orascom can be a bigger group."

Ten telecom groups are in a leading position worldwide. "If you do not become part of them, you will be left alone." And such consolidation will happen in the next two or three years.

The Orascom official says a few years back, the US had too many telecom operators. But fundamentally, now it has four.

"So in a market like Bangladesh, where six operators are operating, a merger will occur, sooner or later."

"We'll either buy someone or merge with someone by holding the majority stake, as we're in a size that is big enough for the Bangladesh market," says Bichara, who took over as the group CEO in April 2009.

Probably last year was not the best year for the world and so people could not expand investment because of economic slowdown, he adds.

But Orascom has not slowed investment in Bangladesh, even though the telecom group stopped or slowed investment in some other countries.

"We're a long-term investor. We're looking at Bangladesh market from a long-term point of view. We believe we're not there to come in and come out very soon."

hasan@thedailystar.net

ANALYSIS

Greek bailout viable, but risks linger

AFP, *Athens*

Greece's unprecedented bailout should allow the country to shake off its debt addiction without pressure from financial markets, but contagion risks still threaten other countries, economists said.

Eurozone countries and the International Monetary Fund tried to shock and awe financial markets with the weekend agreement of an unprecedented 110 billion euros (145 billion dollars) bailout for Greece to help avert default.

"We believe the sums made available to Greece are ample," said economists at investment bank UBS in a research note, adding that the funds would be enough through mid 2013 even if the country were unable to borrow on the bond market.

Faced with prospect of running out of cash to honour its debts later this month, the Greek government had few choices but to turn to its eurozone partners and the IMF for help.

"The bailout is sufficient. Greece needs to restore its financial credibility before it can go back to the markets. With this money, we buy some time" said Angelos Tsakanikas with the Foundation for Economic and Industrial Research.

Goldman Sachs economist Erik Nielsen said that although Greece appeared to be "fully financed for the next 12 months" the outlook was less certain in the coming years specially if social unrest erupted or more cuts were needed.

"I maintain my estimate that the total financing requirement will be about 150 billion euros over the next three years, so this means that the programme will not be fully financed throughout," Nielsen said.

In exchange for the loans, the Greek government agreed to cut 30 billion euros from its budget over three years, to cut its public deficit from nearly 14 percent of output last year to less than three percent by 2014.

Risking a fierce public backlash, the government plans on slashing bonuses for public sector workers and retirees, hiking sales tax and requiring workers to work three years longer to get their pensions among other measures.

AFP

Greek men read newspapers in downtown Athens yesterday. The Greek press warned that the country faced a new era of painful sacrifices a day after the government unveiled deep austerity cuts in return for EU and IMF loans.

"This is shock therapy, even its architects admit that this austerity programme is unprecedented. This philosophy has failed wherever it was attempted," said labour economist Maria Karamessinis at Athens' Panteio University.

"There were other alternatives, such as increasing the tax on the Church and the rich and cutting arms spending," she added.

Financial markets also showed scepticism about the plan on Monday as the euro and European stocks fell although Greek bond yields in a sign of investor relief.

The yield on 10-year Greek government bonds fell to 8.715 percent in morning trading on Monday from 8.938 percent on Friday.

After Standard and Poor's downgraded Greek debt to junk status last week, Greek 10-year bond yields shoot to a record over 11 percent over concerns the country might default.

At the peak of the crisis, the yields on bonds of other European countries with weak finances, namely Portugal but also Spain, surged on fears the debt crisis could soon engulf them as well.

Although Greece appeared to be out of the woods at least in the short term, economists warned that contagion risks still loomed over Portugal and Spain.

"Unless Portugal and Spain proactively take additional measures to bolster their fiscal and growth outlook, markets will be tempted to test whether the EU has appetite for any further rescues," analysts at Italian bank Unicredit warned in a research note.

UBS said that although there were big differences between Greece and Spain and Portugal, "it remains impossible to rule out a self-fulfilling crisis."