

International Business News

Markets watch for clear British election outcome

AFP, London

Already jittery markets will reopen Monday hoping for a decisive outcome from Britain's post-election talks to form a stable government that can tackle the deficit and secure economic recovery.

The opposition Conservatives won the most seats but no parliamentary majority in Thursday's general election, leaving Britain in limbo, as the FTSE 100 fell and the pound crashed to a 13-month low against the dollar.

Stocks and sterling recovered some of their losses by the end of the day, after Conservative leader David Cameron began possible power-sharing talks with Nick Clegg, leader of the smaller opposition Liberal Democrats.

But the two leaders will be acutely aware that if the political uncertainty is prolonged, it could precipitate a further fall in the currency and stock markets, already highly volatile because of the Greek debt crisis.

"Horsetrading and deliberation will increase the pressure on the pound," said Phil McHugh, a dealer at Currencies Direct, adding that on the other hand any deal between the Tories and the Lib Dems could cause the pound to bounce.

Australia says deficit to be smaller than forecast

AFP, Sydney

Australia's budget deficit will be smaller than previously forecast, Treasurer Wayne Swan said Sunday, adding that the country's economy was in a good position to withstand any global shocks.

Swan, who releases the national budget on Tuesday, would not give an exact figure on the deficit, which was 12 months ago forecast to be a record 57.6 billion dollars (51.2 billion US) for 2009-2010.

"Certainly the deficit will be less than we were forecasting a year ago," he told commercial television, adding that the global downturn was still having a lingering impact on the economy.

"But, of course, the outlook will be better." Swan said the deficit would have been worse had the centre-left Labor government not introduced a 70 billion dollar stimulus package at the height of the global financial crisis in late 2008.

"If we hadn't moved to stimulate the economy, Australia would have gone into recession last year," he told Channel Nine television.

"Our deficit and our debt would have been far higher if we had not chosen to stimulate the economy in the way we did."



Saudi Arabia's Minister of Petroleum and Mineral Resources Ali al-Nuaimi, Kuwaiti Oil Minister Sheikh Ahmad Abdullah al-Sabah and Qatari Energy Minister Abdullah al-Attiyah arrive to attend the opening session of the ninth Arab Energy Conference in Doha yesterday. Attiyah said there was no proposal to hold an extraordinary meeting of the oil cartel Opec in light of falling prices.

Hong Kong's IPO market hits the brakes

AFP, Hong Kong

Hong Kong's IPO market -- the biggest in the world last year -- has hit the brakes with several companies shelving share sales as the Greek debt crisis pounds global markets.

Swire Properties, a major real estate developer in the city, Thursday pulled a planned 3.09-billion US dollar share sale, just two days after Giti Tire, China's largest tyre maker, shelved a 500-million dollar initial public offering.

On Friday, iron ore producer China Tian Yuan halted its 522-million dollar issue, Dow Jones Newswires reported, citing an unnamed source.

The shelving of the IPOs comes as British insurer Prudential on Wednesday delayed launching a rights issue in London aimed at helping it fund a 35.5-billion-dollar takeover of AIA, the Asian arm of troubled US insurer AIG.

BP's first attempt to divert Gulf oil leak fails

AP, On The Gulf Of Mexico

It could be at least a day before BP can make another attempt at putting a lid on a well spewing thousands of gallons of crude into the Gulf of Mexico, as a big box meant to siphon the oil away sat idle and encased in ice crystals.

The company's first attempt to divert the oil was foiled, its mission now in serious doubt. Meanwhile, thick blobs of tar washed up on Alabama's white sand beaches, yet another sign the spill was worsening.

It had taken about two weeks to build the box and three days to cart it 50 miles out and slowly lower it to the well a mile below the surface, but the frozen depths were just too much. BP officials were not giving up hopes that a containment box -- either the one brought there or another one being built -- could cover the well. But they said it could Monday or later before they decide whether to make another attempt to capture the oil and funnel it to a tanker at the surface would be tried. The box was moved hundreds of feet away while officials tried to figure out their next move.

INTERVIEW

BB on digital drive

Central bank governor talks to The Daily Star

REJAUL KARIM BYRON

Bangladesh Bank Governor Dr Atiur Rahman has said several steps have been taken to digitise the banking system, including the central bank, which would cut the cost of doing business.

"If any work that takes five days to finish can be done in five minutes, the cost of doing business will fall drastically," he says.

The central bank is at the forefront of the government's firm commitment to build a 'Digital Bangladesh'. The BB has marked a historic milestone in trade and business, delivering conventional banking services by introducing e-commerce recently -- a strong stride towards digital Bangladesh.

The banks have been allowed to transact online. People can pay utility bills through internet, transfer funds (account to account) and pay for trading goods and services. Also, the banks facilitate online credit card payments in local currency.

A national payment gateway, connecting all the banks for inter-bank transaction (e-banking), is expected to be in place soon.

The BB governor says licences have been given for e-commerce, but e-payment gateway is necessary for making it more dynamic. The work has started, the World Bank is financing the project and the work will be complete within one year, he says.

"We have awarded the work of banking solution to Tata. The Bangladesh Automated Clearing House has already gone into a trial run. Seventy-five percent cheques in Dhaka city are now being cleared automatically. The remaining 25 percent will be cleared under the system soon."

The system will support both intra-regional and inter-regional clearings based on a central processing centre in Dhaka and designated clearing regions, conforming to the international best practices and cost-effective solution for cheque processing.



Atiur Rahman

The governor says the BB is going to introduce central depository system. Transaction of the secondary bills will be done under this system. And transactions of treasury function and savings instruments

will be automated. The central bank is strengthening its muscle. No contracts were awarded on political influence. "After taking the charge, I myself have given all the contracts."

The Central Bank Credit Information Bureau will start functioning online by June. All the departments of BB headquarters and its nine branch offices have already been brought under a network, connecting around 3,100 computers, the governor says.

Enterprise Data Warehouse creates an electronic data bank, which will provide all information and statistics of monetary, trade and fiscal areas of the national economy. The BB officials concerned will have access to the data warehouse to conduct any policy analysis.

The governor says mobile banking has been introduced to ensure quick delivery of remittance.

Asked whether such banking will lead to money laundering, he says the cellphone operators will act as the lone service providers. The bank concerned will control the whole banking and will be responsible for any irregularities. The mobile banking will be conducted through a bank-led model.

About interest rate, the governor says many banks keep interest rate below 10 percent in case of big loans, but for other loans the rate is high.

"We are taking steps to minimise the cost of doing business. In the next one year there will be a big change in lowering the cost of doing business."

There has been an allegation that directors are appointed on political consideration in the state-owned banks. Asked whether it would lead to an increase in default loans, the BB chief said the central bank does not differentiate between the public and private banks. "If anybody violates regulations, they will be charged."

Atiur says the central bank has prepared a detailed guideline for the bank directors. The government should monitor whether the directors are following the guidelines.

AUTOMOBILE

India's Ambassador carmaker hit pothole

AFP, New Delhi

Losses at Hindustan Motors, maker of the Ambassador car -- easily India's most recognisable vehicle -- have been mounting, raising questions about the company's survival.

The snub-nosed Ambassador once ruled India's potholed roads, but last week Hindustan Motors reported that losses widened in the last fiscal year to 429 million rupees (9.5 million dollars) from 378 million rupees the previous year.

In addition, India's oldest automaker said its net worth has tumbled by over 50 percent and it must now report to the state-run Board for Industrial and Financial Reconstruction -- part of India's socialist-style bureaucracy that oversees revival of "sick companies" as financially troubled firms are known.

But the company remains upbeat, insisting the future appears much brighter, helped by an improving outlook for sales which took a hit during the financial downturn.

"Our operations are looking up," Ravi

Kathuria, Hindustan Motors' senior vice president, told AFP, adding that the company has extensive land assets "which can be leveraged."

"We're not in a bankruptcy situation," Kathuria said.

In a boost to the company's spirits, the Ambassador also has been chosen as the official car to ferry athletes around at the October Commonwealth Games.

But analysts are doubtful about longer-term prospects for the company, whose shares have nosedived.

It "could hang on tenaciously to some small corner of the market, but it's no longer the purchase of choice," says Murad Ali Baig, one of India's leading independent automobile analysts.

The woes engulfing Hindustan Motors come as the rest of India's vehicle industry booms with firms such as automaker Maruti Suzuki doubling profits in the world's fastest-growing automobile market.

Hindustan Motors, flagship company of the CK Birla Group, joined forces with

Japan's Mitsubishi Motors in the 1990s to manufacture Lancer sedans and Pajero sports utility vehicles (SUVs).

But it has never returned to its glory days in the 1970s when "the Amby," as it was affectionately known, held a market stranglehold of around 70 percent.

For much of independent India's history when the economy was closed to foreign manufacturers, "the joke was you could buy any car in India so long as it was an Ambassador," Hormuz Sorabjee, editor of automobile magazine Autocar, said.

The Ambassador was muscled out by sleek new cars that made its plump contours look dowdy when India began opening its markets to the world.

Kathuria said he sees a rebound in demand for the Ambassador, with sales expected to double to 1,000 units a month in the coming year, but this represents just a fraction of India's total annual car market of 1.53 million units.

The Ambassador's bulky design, based on the 1950s British-built Morris Oxford,

has changed little since it first rolled off the assembly line in 1957, although the engine is now more powerful.

For years the Ambassador was the only car driven by senior government officials and people always knew when a "power do" was on in the national capital because of the fleet of Ambassadors outside.

The car's "power status" allowed Islamist terrorists to drive an Ambassador past security and attack parliament 10 years ago, bringing nuclear-armed rivals India and Pakistan to the brink of war.

But now many bureaucrats have abandoned the 9,460-dollar Ambassador in favour of sportier sedans or SUVs. Prime Minister Manmohan Singh is ferried around in an armoured black BMW.

Even taxi drivers -- who were among the Ambassador's most loyal buyers -- are opting for more fuel-efficient compacts.

"This is cheaper to run, it's more reliable and it's easier to drive," said New Delhi taxi driver Rajiv Singh, who drives a small Maruti hatchback.



In this picture taken in 2006, Indian men wash a white Ambassador car at a roadside in Kolkata. Losses mount at Hindustan Motors, maker of the Ambassador.