International Business News

Malaysia Airlines swings to first-quarter profit

AFP, *Kuala Lumpur*

Malaysia Airlines said on Monday it had made a profit in the first quarter due to compensation received from Airbus and an increase in traffic, but remained cautious on the outlook for the year.

The national carrier said net profits stood at 310 million ringgit (96 million dollars) in the three months to the end of March compared with a net loss of 699 million ringgit in the same period last year.

Revenue increased by 21 percent to 3.3 billion ringgit from 2.7 million ringgit a year earlier as global travel was boosted by the economic recovery. Traffic increased by 29 percent in the first quarter.

Managing director and chief executive Azmil Zahruddin said it had been an "encouraging" quarter.

"Both passenger and cargo business showed strong growth, boosted by the economic recovery, and our swift response in capitalising on the increase in demand," he told a news conference.

Azmil said profits were boosted by a 329 million ringgit payment by Airbus that was partial compensation for a delay delivering the airline's first A380 superjumbo -- originally due in 2007.

Singapore exports up 29.4pc in April

AFP, *Singapore*

Singapore said Monday that exports rose 29.4 percent in April from the previous year on strong demand from major trading partners such as the United States, China and Hong Kong.

The rise in non-oil domestic exports (NODX) beat expectations and was faster than the 25.4 percent growth in March, trade promotion body International Enterprise (IE) Singapore said.

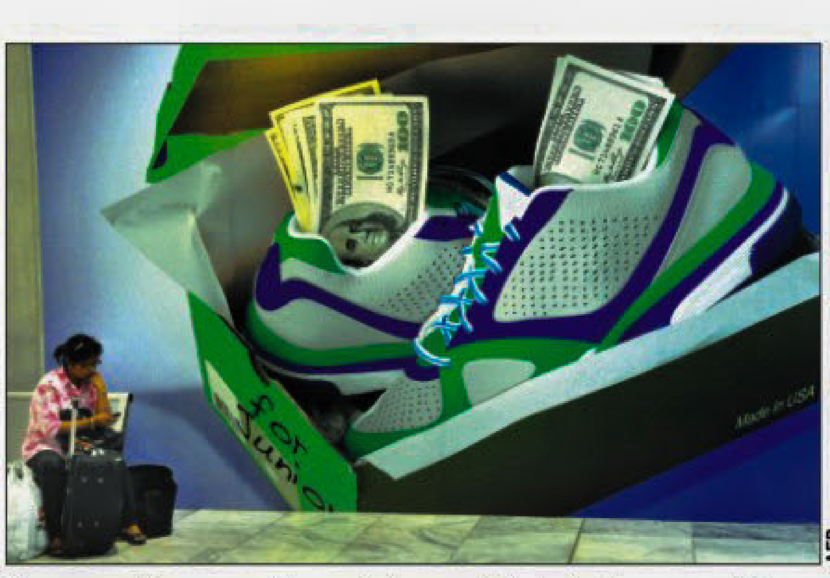
Exports of electronics and non-electronics goods powered the growth, it said in a statement.

Although shipments to all of Singapore's top 10 export markets climbed, "the largest contributors to the increase were the US, China and Hong Kong," IE Singapore said.

Exports to the US soared 46 percent, up from a 12 percent rise in March, while shipments to China rose 30 percent and to Hong Kong 41 percent.

On a month-on-month seasonally adjusted basis, NODX rose 2.1 percent in April.

Total trade expanded by 31 percent to nearly 77 billion Singapore dollars (55 billion US).



AFP

A woman browses through her mobile telephone next to an advertisement poster of a bank featuring remittance services from abroad displayed at the domestic terminal of Manila airport on Sunday. President-elect Benigno Aquino has an economics degree but he will need a lot more than that to solve the problems that have turned workers into the Philippines' most famous export.

Samsung Electronics to invest $22.7b in 2010

AFP, *Seoul*

South Korea's Samsung Electronics said Monday it would invest a record 26 trillion won (22.7 billion dollars) this year to cater for a global uptick in demand and to reinforce its market dominance.

It said about 18 trillion won would be spent on new facilities -- including 11 trillion for semiconductor plants and five trillion for LCD panel production -- while about eight trillion won would be spent on research and development.

The company said in a statement it expects to hire 10,000 new staff in 2010.

While the world economic environment remains uncertain, "if we invest aggressively in expanding facilities and in hiring, then these circumstances also present Samsung with an opportunity for future growth and to stimulate the economy," chairman Lee Kun-Hee said.

Prudential launches record cash call to buy Asian insurer

AFP, *London*

British insurance giant Prudential said Monday it will raise 14.5 billion pounds (17 billion euros, 21 billion dollars) from the sale of new shares to help fund a record takeover of Asian insurer AIA.

"Prudential today announces further details of the proposed combination of the Prudential Group and the AIA Group, including the terms of its fully underwritten rights issue to raise approximately 14.5 billion pounds," a statement said.

The British group had delayed by almost two weeks details of the record rights issue needed to fund the insurance sector's biggest ever takeover, as regulators voiced concerns about the enlarged company's capital strength.

Prudential announced in March that it had agreed to buy AIA -- the Asian arm of troubled US insurer AIG -- for 35.5 billion dollars (29 billion euros).

It expects to complete the takeover in the third quarter of 2010 while reports suggest Prudential may have to sell its British operations to fund the rest of the deal.

ANALYSIS

Inflation haunts govt

REJAUL KARIM BYRON

BUDGET IN MIND

Containing inflation will depend much on the response of the supply side. The medium term challenge is increasing production by ensuring power Supply

One of the major election pledges of the present government was to keep the cost of living at a tolerable level. And so the recent rising trend in inflation must have become a cause of concern for the government.

In the budget for the current fiscal year, the government has set the average inflation target at 6.5 percent, but if the present trend continues, it may cross 7 percent.

However, the finance ministry, commerce ministry and Bangladesh Bank were taking various steps to keep the inflation rate within the target.

A major step taken recently -- the central bank has increased the cash reserve requirement for banks in a bid to contain inflation.

After the present government assumed power, the point-to-point inflation fell to 2.25 percent in June 2009 from 10.04 percent in June 2008.

And the average inflation rate was 6.6 percent during the same period, which was 9.94 percent one year back.

The inflation started going up from July. In February 2010, it reached 9.06 percent on a point-to-point basis.

Food inflation rose in the beginning and later non-food inflation also increased. In case of food inflation, the impact was felt much on the price of rice.

The price of coarse rice reached Tk 32 per kilogram in 2008 and after this government assumed power the price fell to Tk 22 in the first half of 2009. After that the rice price showed an upward trend and now the price of coarse rice is Tk 26 to Tk 27 per kg.

According to a report by Trading Corporation of Bangladesh, the price of different varieties of rice has now increased by 14-29 percent compared to a year ago.

The International Monetary Fund (IMF), in a report to the government last month, said inflationary pressure should moderate slightly as the rise in global commodity prices is expected to be less next year than in FY10, with the IMF projecting fuel and non-fuel commodity prices to rise by 9 percent and 7 percent respectively. However, possible rice shortages elsewhere in Asia could drive food prices even higher than anticipated.

The central bank has conducted an analysis of the causes behind the rise in inflation. A BB quarterly report released last month said, external supply shocks were the key drivers of inflation. The volatility in international commodity price induced similar pattern in domestic prices. International food markets showed signs of strains because of drought in India and successive cyclones in the Philippines and some other Southeast Asian countries causing lower food production, higher food prices and increased demand for import. International commodity prices have been on the rise due to higher energy and transshipment costs.

The report said, on the domestic side, though Aus rice crop in the current fiscal year suffered some decline due to drought and delayed rains, Aman output was substantially higher. It said, instead of the usual price decline following the harvest seasons, the prices of rice in the local market have been firm and are on upward bias, presumably due to a higher price in India and Philippines, two of the major players in the world cereal market.

The report also said excess liquidity in the banking system because of lower investment demand and higher inflow of remittances from the expatriates may also increase inflation rate.

Bangladesh Bank Governor Atiur Rahman in a recent interview with The Daily Star said: "We have done everything possible for containing inflation. We didn't waste a moment."

He said on the one hand demand has been managed through monetary policy and on the other hand steps have been taken so that supply of commodities remain adequate in the market.

The central bank governor said the inflation was rising due to international factors. He, however, said inflation rate in Bangladesh is much lower than the neighbouring countries.

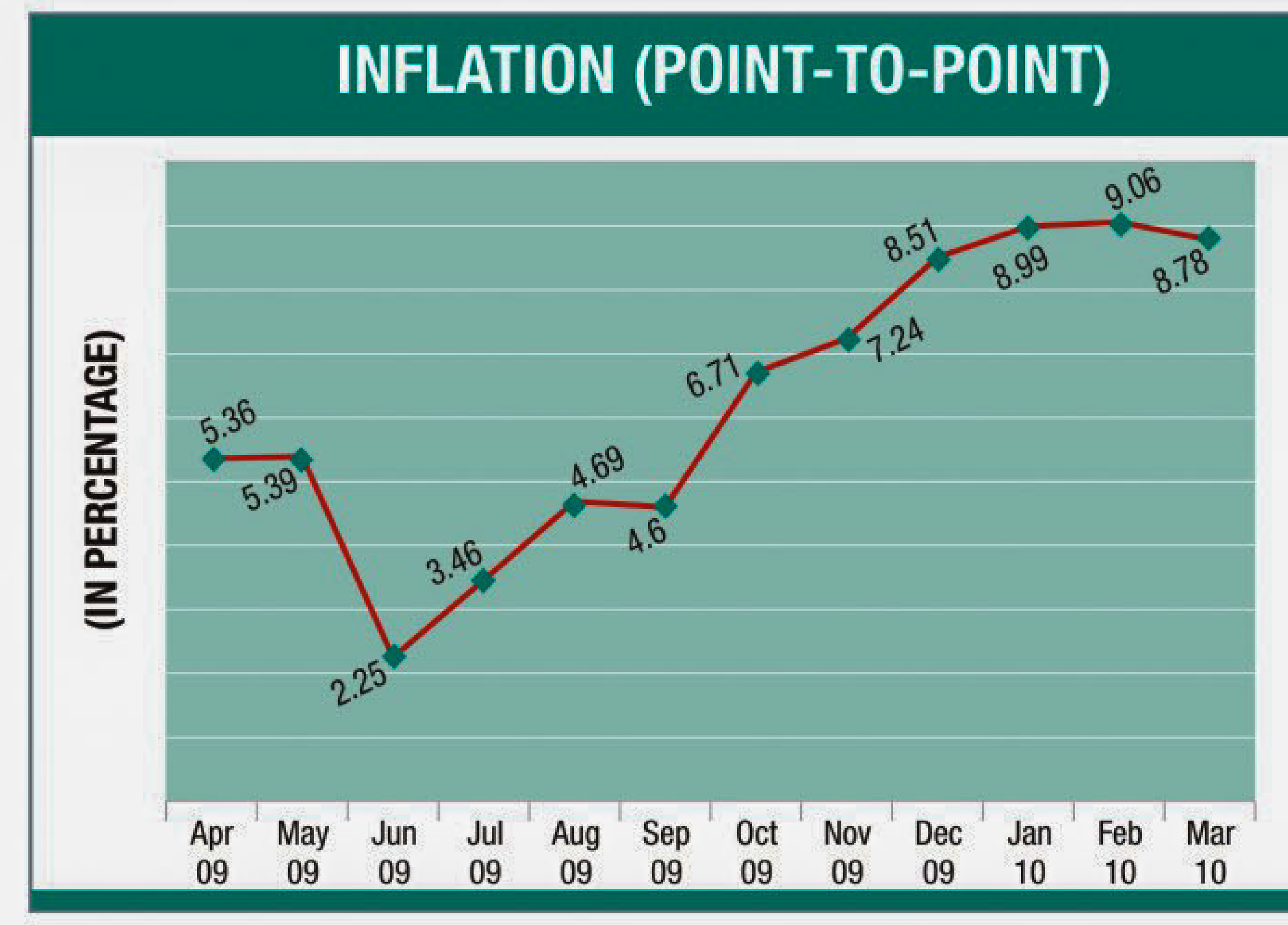
BB officials said the central bank has started withdrawing excess liquidity from the banks from August last year through reverse repo. Till March this year it has mopped up around Tk 7,000 crore from the market.

They said the recent step of increasing cash reserve requirement of the banks would also help mop up more Tk 2,000 crore from the market.

Although private sector credit will shrink, inflation will come down because of the step, they said.

Executive Director of Centre for Policy Dialogue (CPD) Mustafizur Rahman said the central bank has gone for contractionary policy to some extent, which is okay. However, the major factor in containing inflation would depend on the response of the supply side, he said.

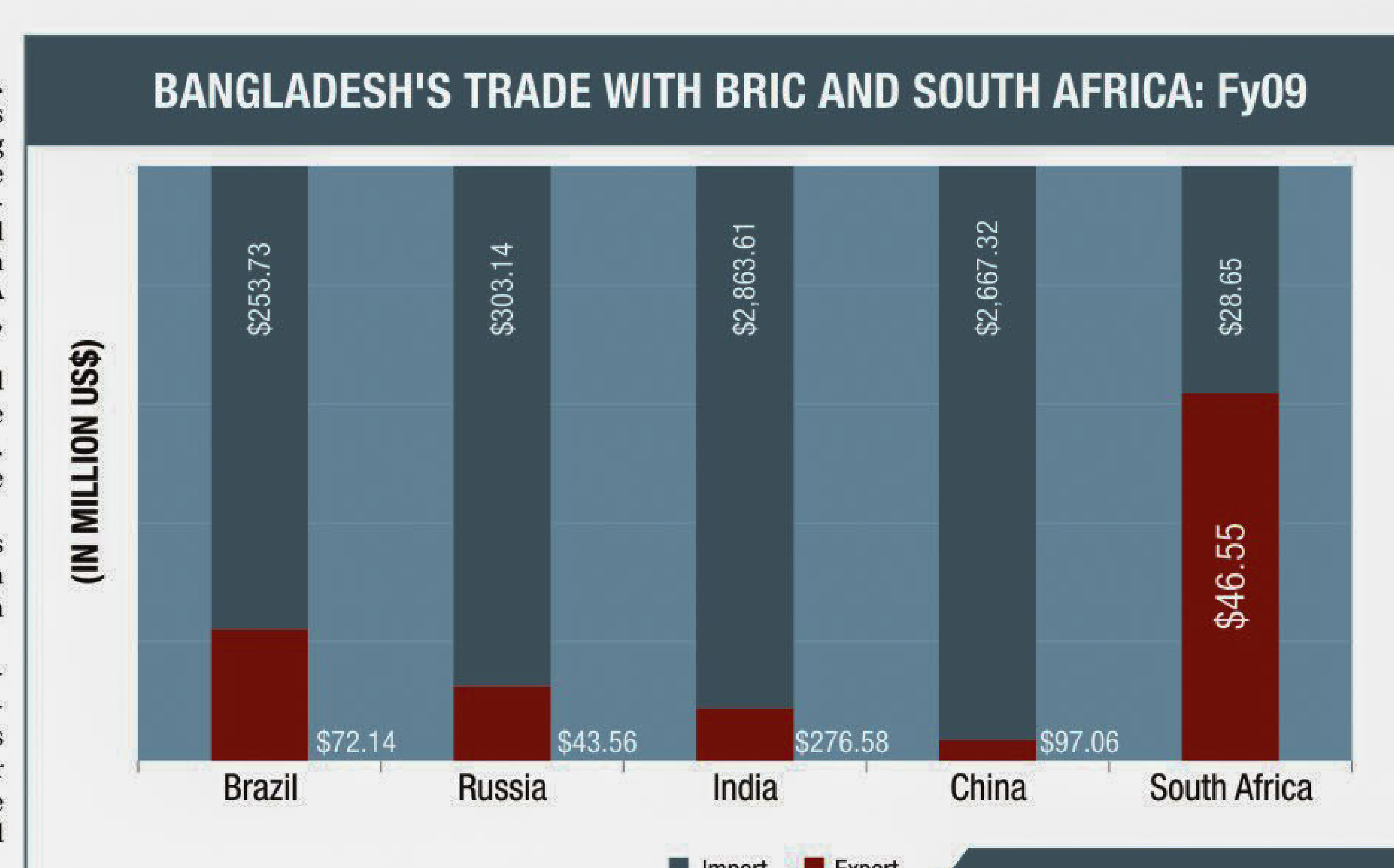
The CPD researcher said there is much to be done in the supply side. Medium term challenge for containing inflation is increasing production by ensuring smooth supply of energy and power.



ANALYSIS

BRIC and beyond

ASJADUL KIBRIA



The emergence of 'advanced developing' countries has created a shift in the global economic order. Despite being slow and steady, the shifting process became more visible during the last two decades. Thus, such developing countries are also feeling their significance in global trade and politics. In fact, economic strength gave the countries an opportunity to flex their muscles in global geo-politics. A good example is formalisation of BRIC countries: Brazil, Russia, India and China.

About nine years back, Goldman Sachs, a US-based investment bank, coined the BRIC. These are the four large developing countries, moving with high growth rates. Since then, the BRIC countries have become one of the major magnetisms of global trade and economy.

To formalise the notion, top leaders of the countries gathered at the first BRIC summit in Yekaterinburg, a city in central Russia, last year. This year, they meet again in Brasilia, Brazil.

However, the members of the group have some convergence among themselves. All four are quite big in geographic size. They are among the 10 largest accumulators of the foreign exchange reserve and jointly account for about 40 percent of global forex reserves. All of them have annual GDPs in excess of $1 trillion. The Economist called them "the Trillion-Dollar Club".

But the BRIC nations have very little in common in culture, politics and economy. A conflict of interest and geo-political rivalry exists among them. Tension on the international boarders of India-China and China-Russia are well known. The group has no similarities as quite visible in the European Union or the G-8. Despite the differences, the bloc has already created a position.

Many, however, pointed that the bloc should include South Africa and be named the 'BRICS', as the country is also large with strong growth and high per capita GDP. In fact, the country is considered an important player in multilateral trade negotiation under the World Trade Organisation (WTO).

Brazil and India, the two strong players that continued their fight with the United States and EU in WTO, always have South Africa on their side during such negotiations. They also formed the alliance-IBSA, a trilateral, developmental initiative between India, Brazil and South Africa to promote South-South cooperation and exchange.

South Africa has also tried to join the BRIC, but failed to get support from Russia. So, it is uncertain when the BRIC will become the BRICS.

Bangladesh can consider the relevance of BRICS for several reasons. One can remember that Bangladesh was included in the 'Next-11' by Goldman Sachs in 2005. The investment bank projected that 11 countries, along with BRICs, may emerge as the world's largest economies by the 21st century.

In the N-11, there is one developed country -- North Korea; three newly industrialised countries -- Turkey, Mexico and Philippines; and seven developing countries -- Bangladesh, Egypt, Indonesia, Iran, Nigeria, Pakistan and Vietnam.

Bangladesh has trade relations with South Africa and all the BRIC countries. But trade with China and India is high mainly due to geographic proximity, better connectivity and historic linkages.

Reviewing trade statistics, it is revealed that trade with Brazil, Russia and South Africa gained momentum in 2005, but volumes are yet to reach significant levels. And trade with South Africa is the lowest among these countries.

Bangladesh has a trade deficit with all BRIC countries, which implies that they are basically sourcing from them.

Statistics show that readymade garments, jute and fisheries are the major export items from Bangladesh to the BRIC countries and South Africa. On the other hand, major imports include textiles, machinery, electronics, vegetables, edible oil, metal and food items.

In fact, China's export commodities mainly include food items, textiles, chemical products, machinery and electronic products. India mainly exports software products and textiles. Brazil's leading export items are agriculture products, minerals and aerospace products. Russia exports minerals, energy products and aerospace products.

However, initiatives to tap the export markets in Brazil, Russia and South Africa are not significant. An absence of easy connectivity as well as the long distance makes trade costlier for Bangladesh. Cumbersome rules in those countries also create disappointments sometimes.

For example, Brazil imposed an anti-dumping duty on Bangladeshi jute bags in 1992 and levied similar duties on Bangladeshi jute yarn a year back. Dhaka is yet to make any effective move to withdraw the anti-dumping duty.

When Bangladesh is looking for new export destinations, the BRIC countries and South Africa should be considered. So far, Bangladeshi exporters have dedicated their efforts mostly to Indian and Chinese markets. Now, some innovative efforts need to be taken to explore the other three markets. Last year, a delegation of Bangladesh Knitwear Manufacturers and Exporters Association visited South Africa to tap knit exports.

The expansion of trade with BRIC and South Africa also requires some diplomatic effort. Prime Minister Sheikh Hasina is likely to visit Russia later this year. Now, diplomatic initiatives need to match the business interests of the country.

Bilateral trade with Russia has been surging since 2005. In fact, exports to Russia crossed $30 million in 1995, while imports touched $87 million. Two-way trade crossed the $100 million mark in the mid-nineties. Later, exports started to decline and dropped to $5 million in 2003. The recovery of exports to Russia started in 2005 and touched $66 million in 2008. Imports also surged and crossed $300 million in 2009.

A parliamentary standing committee has already recommended opening the Bangladeshi mission in Brazil, which was closed in 1994. In a similar note, the Brazilian mission in Dhaka should be opened. All these require diplomatic effort. In fact, during the caretaker government's regime, there was a move to increase trade with Brazil as well as Latin America, which is yet to gain momentum.

Interestingly, Bangladesh's export to Brazil was $ 26 million in 1992. Since then, it gradually declined to $ 4 million in 2004. There was a surge in exports in the last couple of years and it reached $72 million last year. Imports from Brazil also increased significantly and crossed $250 million last year.

Bilateral trade with South Africa has been increasing in the last three years, where Bangladesh exports more than imports, tilting the trade balance in its favour.

Thus, opportunities are there to enhance trade with Brazil, Russia and South Africa, which means more political and diplomatic level interaction.

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