International Business News

Sharp unveils 3D televisions in Japan

AFP, *Tokyo*

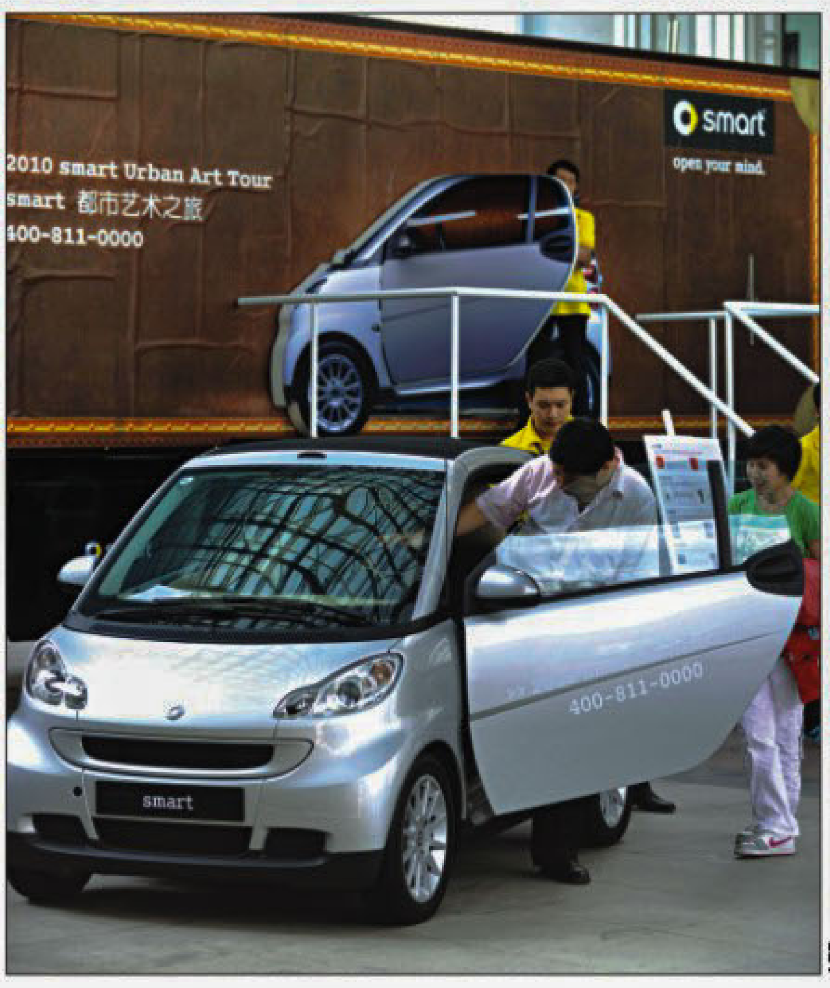
Japanese electronics giant Sharp unveiled a line of 3D televisions Monday, joining rivals Samsung Electronics and Sony Corp. in an increasingly competitive sector the industry hopes will drive profits.

Sharp's first line of three dimensional liquid crystal display TVs will start selling in late July in Japan before roll outs in the United States, Europe and China by the end of the year, executive vice president Masafumi Matsumoto said.

The four 3D Aquos "Quattron" models incorporate what Sharp has called the world's first four primary-colour 3D displays, adding yellow to the traditional red, green and blue for more brightly defined images.

As with existing 3D TVs, the Sharp sets will require the viewer to wear special glasses, the company said. The sets will enable images created in 2D format to be viewed as 3D.

Sharp also announced it would launch in July two new Aquos Blu-ray recorders that support playback of high definition 3D disks.



AFP

A man sits inside a Smart car at a promotion event outside a shopping mall in Beijing yesterday. Chinese Premier Wen Jiabao warned that the world must stay alert to the risk of relapsing into economic crisis as Europe's debt woes drag on, and not withdraw stimulus measures prematurely.

Bernanke calls for G20 to coordinate reforms

AFP, *Seoul*

US Federal Reserve Chairman Ben Bernanke called Monday for the Group of 20 world powers to coordinate financial reforms more closely in order to strengthen the global economy.

Addressing a Bank of Korea conference via video link, Bernanke said there was a need for "extensive international cooperation" as governments overhaul market rules in the wake of the global economic downturn.

"On a global level, the leadership of the... G20 -- which Korea is currently chairing -- will be essential in ensuring that reforms are not only strong and effective but also consistent and coordinated across countries," he said.

G20 finance ministers will meet in Busan, South Korea, later this week for talks likely to be dominated by the continued fallout from the global crisis.

Indian growth higher than expected

AFP, *Mumbai*

India's economy grew 7.4 percent in the year ended March, official data showed Monday, but analysts said uncertainty in the global outlook meant the government was in no rush to raise interest rates.

The strong growth data, which also showed 8.6 percent year on year growth in the fourth quarter, was boosted by stellar performances in the industrial and service sectors and comes as inflation is running at almost 10 percent.

However, concern over the eurozone debt crisis and the hopes for the coming monsoon are likely to dissuade the Reserve Bank of India (RBI) from hiking the cost of borrowing, experts said.

"We expect no upward revision in rates at the next meeting," said Ritika Mankar, economist with financial services firm Executive Noble, after the central bank last week announced fresh measures to boost liquidity.

Honda says production 'partially resumes' at China plant

AFP, *Shanghai*

Japan's second-largest automaker Honda Motor said Monday production had "partially resumed" at a parts factory in China where an unprecedented strike has forced the company to close other plants.

Honda's assembly lines in China came to a halt last week due to a lack of parts from Honda Auto Parts Manufacturing Co, located in the southern city of Foshan.

A Tokyo-based Honda spokeswoman said that despite a partial restart at the parts plant Monday, production at all four of its car assembly factories would remain frozen Tuesday as negotiations with striking workers continued.

"Parts production has partially restarted this afternoon, but auto assembly will not be restarting yet," said Honda spokeswoman Natsuno Asanuma, without giving further details. "We need more time."

She said Honda's Chinese joint ventures, Guangqi Honda Automobile and Dongfeng Honda Automobile, would stay closed Tuesday as negotiations continued at the transmission and engine components unit.

CURRENCY

BB's smart move

SAJJADUR RAHMAN

Demand for the dollar has marked a fall in the last two years mainly because of the impact of global recession on the country's external trade.

But the value of the greenback did not go much down, thanks to prudent interventions by Bangladesh Bank (BB) in the money market.

And exporters and remitters -- the two drivers of the economy -- did not feel much of the recession's pinch. They were the beneficiaries of the BB interventions.

The central bank has bought $1.77 billion from the market until May 11 of the current fiscal year against a sale of just $76.5 million.

Last fiscal year's buying was $1.48 billion, while the sale was less than $100 million.

Two years ago, in fiscal 2007-08, the trend was opposite. At that time the BB had bought only $202 million against a sale of $735 million to cool down the soaring market.

"It's all about a managed exchange rate, not floating," said Monzur Hossain, research fellow of Bangladesh Institute of Development Studies (BIDS) and an expert on the exchange rate.

The researcher has questioned whether the BB move will sustain.

"So far, the foreign exchange management is all right. But it will not work when demand and inflation go up riding on the recovery from global recession," Hossain said.

Bangladesh has adopted a floating exchange rate in 2003, meaning that demand and supply will determine the rate. But in reality, the central bank is intervening in the market, by selling and buying the foreign currency.

The dollar traded at Tk 69.37 for sale and the buying price was Tk 69.34 yesterday, according to BB data. But more than four years ago, in March 2006, the BDT-USD exchange rate had reached a peak of Tk 71.75 in the inter-bank foreign exchange market.

Central bank officials, including the governor, believed the dollar could have dropped further from the present level if they had not intervened in the market frequently for the last two years.

"Yes, we are intervening to keep the market stable," BB Governor Atiur Rahman told The Daily Star. The price of the greenback could have fallen sharply if there had been no intervention, he said.

"The exporters and remitters were the biggest beneficiaries of the intervention," said the governor defending the BB intervention.

An appreciated dollar against the taka will benefit exporters, remitters and foreign investors, but it may fuel inflation and import costs, the BB officials said.

The fluctuations in the foreign exchange rate not only affect the exporters and importers but also banks, foreign investments, remittances, inflation and balance of payments.

"We try to manage the rate prudently, to ensure the interests of all the stakeholders," said a senior BB official.

On the frequent interventions in the foreign exchange market in the last two years, the official said it was necessary.

"The value of the dollar could have dropped further without the intervention," said the official. There was low demand for the foreign currency during the past two years because of recession and a sharp decline in domestic and international trade, he said.

But the International Monetary Fund (IMF) in its country report published in February 2010 called for greater flexibility in the exchange rate to support the monetary policy goals.

"The authorities should move towards greater flexibility in the exchange rate to lessen the constraints on macroeconomic policies," the IMF said.

Monzur Hossain advised the BB to reduce the number of currencies to major three, instead of the present eight currencies, to determine the REER (real effective exchange rate).

The foreign exchange market is the largest and most liquid financial market in the world and any change in the market affects all the countries involved in international trade.

Daily turnover in the market was reported to be over $3.2 trillion in April 2007 by the Bank for International Settlements. Since then, the market has continued to grow. According to Euromoney's annual FX Poll, volumes grew a further 41 percent between 2007 and 2008.

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AMRAN HOSSAIN

Customers queue at a local bank in Dhaka. Demand for the dollar fell in the last two years, but the value of the greenback was relatively stable.

RETAIL

Luxury market returning from global recession, slowly

AFP, *Washington*

The luxury goods market is rebounding from the slump caused by the global recession, but analysts say upscale sellers will be facing a hard slog due to changing demographics and lingering consumer caution.

Global luxury goods industry sales are expected to grow four percent in 2010 to 158 billion euros (195 billion dollars) after a painful 8.0 percent decline in 2009, according to the consulting firm Bain & Company.

Much of that growth is expected in the first half of the year, with more sluggish trends returning in the second half, according to Bain's Luxury Goods Worldwide Market Study.

In the United States, retail sales in the luxury segment in April jumped 15.5 percent year-over-year in April after a 22.7 percent surge in March, helped by comparison with weak sales a year earlier, according to MasterCard SpendingPulse.

Upscale retailer Saks swung to a record profit in the past quarter after a loss a year earlier, with sales up 6.1 percent. At rival Tiffany, it was a similar story with global sales up 17 percent in the most recent quarter and profit up nearly fourfold.

French luxury giants Hermes and LVMH also reported strong growth in sales in the first quarter boosted largely by rise in Asia excluding Japan as buyers snap up watches, jewelry and other upscale goods after months of economic gloom.

But it may be too early to break out the champagne for the luxury sector, analysts warn.

In the US market, consulting firm Unity Marketing reports that much of the growth is coming from super-rich households with incomes of 250,000 dollars a year -- the top two percent of Americans. This group hiked spending by 22.6 percent in the past quarter.

The so-called "aspirational affluents" with incomes between 100,000 and 249,999 dollars increased their spending by only 1.9 percent from fourth quarter of 2009 to first quarter of 2010, the survey found.

"The ultra-affluents are returning to spending at pre-recession levels, while the aspirational consumers are holding back," says Unity president Pam Danziger.

"But even with their exuberant amounts of spending, the ultra-affluents can't sustain recovery in the luxury market."

Danziger said the market for luxury cars, jewelry and other goods is now relying on a smaller slice of the ultra-rich population.

Prior to the recession that began in 2007, this market had been boosted by the so-called wealth effect with rising home prices and stock prices fueling spending by the "Henrys" (high earners, not yet rich). This is a large group of nearly 23 million Americans with incomes between 100,000 and 250,000 dollars a year.

These households "were feeling they had resources back in 2006 and 2007 -- their stock market portfolios were stable, their home values were going up," said Danziger.

"There was a wealth effect. Now all that wealth is gone."

But Danziger says that even if the stock market rebounds and the economy steadies, the luxury market will be hurt by the aging of the US population: he baby-boom generation that fueled the big surge in spending is entering retirement and "Generation X" is not a big enough group to pick up the slack.

"The prime period for luxury goods is people who are 35 to 55 years old," she noted. "As people get older, their priorities change."

This suggests the luxury market is unlikely to regain its luster until around 2018 to 2020, when the Millennials born after 1997 start their spending sprees.

"So this means we have almost a decade that will be a luxury drought," she said.

All this means a narrower market for luxury and some brands and stores expanding downmarket.

Some luxury retailers are expanding their outlet stores to be more accessible to upper middle-class shoppers.

Some of these store "are demanding that these (luxury) brands come in with more reasonable price points," said Danziger.

Neiman Marcus, the upmarket department store, is testing a retail concept for shoppers who fled its stores during the recession.

"The aspirational customer really got hit hard, and we felt that they kind of vacated our stores last year," said Neiman Marcus chief executive Burt Tansky in a March earnings conference call. "We're making every effort to bring them back."

Auto-rickshaws seen as driver of ad in India

AFP, *Mumbai*

They are synonymous with India and are the country's most common form of transport, used by everyone from schoolchildren and housewives to office workers and tourists.

But despite buzzing around the streets of virtually every village, town and city, the auto-rickshaw has not been widely exploited for its advertising potential.

At least not until now.

Three college graduates in India's financial and entertainment capital Mumbai are trying to change that and use the nippy three-wheel taxis to help sell products from financial services to cinema tickets.

The result is India's first auto-rickshaw magazine, "Meter Down", a reference to the lever on the mechanical box on the driver's cab that is pushed at the start of every journey to calculate the fare.

The first edition of the monthly, 24-page magazine came out in March, combining adverts and listings with articles on fashion and celebrities, a feature on fake goods and a look at India's growing coffee shop culture.

Some 500 drivers plying the crowded, dusty streets of Mumbai's northern suburbs have agreed to carry the free, English-language magazine for a small, undisclosed fee, with those behind it banking on a captive audience.

"The drivers say it's a nice idea if passengers are getting something to read because people get fed up in traffic jams," Mulchand Dedhia told AFP. "This helps them pass the time."

Distraction, though, is only one part of the exercise.

Dedhia, 25, and his colleagues Ishan Mehta and Simi Sailopal, both 23, conducted research that suggested that huge numbers of people in Mumbai spend 15 to 20 minutes every day in an auto-rickshaw.

"There's no other medium that can capture a passenger's attention for 15 to 20 minutes," said Dedhia.

"That gives you time to engage a brand's audience," he added.

Advertising is a rapidly growing industry in India, where liberalisation of the country's economy from the early 1990s has led to a rise in disposable incomes and a burgeoning, Western-style consumer culture in big cities.

The sector is expected to grow by 12 percent in 2010 to 246.9 billion rupees (5.2 billion dollars), according to a recent KPMG report on India's media and entertainment industry.

Television and print media currently account for the biggest share of advertising spending, with the out-of-home sector -- billboards, bus shelters, pavement posters or public transport -- accounting for just over six percent.

Spending on out-of-home and print advertising is projected to fall slightly by 2014 as Internet and television advertising takes off, KPMG said in the study for the Federation of Indian Chambers of Commerce and Industry (FICCI).

But the "Meter Down" trio believe that a new combination of print and out-of-home advertising could be a winning formula, complementing television and radio commercials -- but targeting specific consumers at a local level.