International Business News

Airbus gets record 'superjumbo' order from Emirates

AFP, Berlin

Dubai airline Emirates yesterday announced an order for 32 A380 "superjumbos" for 11.5 billion dollars, the biggest contract in civil aviation history according to the aircraft's maker Airbus.

The A380 order, which takes to 90 the number ordered by Emirates, "shows our confidence in the future growth" of the airline industry, chief executive Sheikh Ahmed bin Saeed al-Maktoum said at the Berlin Air Show (ILA).

"It's the largest order ever placed for civil aircraft by dollar value based on catalogue prices in aviation history," said John Leahy, chief commercial officer at Airbus.

Emirates was the first airline to order the huge A380, which was the main attraction at the ILA starting on Tuesday. It has already taken delivery of 10 of the aircraft.

Franco-German Airbus, the arch rival of US giant Boeing, has gone months without receiving any confirmations of orders for the A380 or any new contracts for the plane as airlines have wrestled with the global recession.

World's top bankers meet in Vienna

AFP, Vienna

Top international bankers and investors head to Vienna this week for roundtable discussions on European financial integration and Europe's role in the global economy.

Top figures such as European Central Bank President Jean-Claude Trichet, Austrian central bank governor Ewald Nowotny and billionaire financier George Soros are all to give keynote speeches at the regular meeting of the Institute of International Finance (IIF) being held in the Austrian capital from Wednesday through Friday.

The meeting will be chaired by IIF chief Josef Ackermann, head of Germany's largest bank Deutsche Bank, with Greek Prime Minister George Papandreou and his Hungarian counterpart Viktor Orban, Austrian President Heinz Fischer and Austrian Finance Minister Josef Proell on the guest list.

The list of top bankers expected to attend include the head of British bank HSBC, Stephen King; Jiang Jianqing of China's Industrial and Chemical Bank (ICBC); Jes Staley of JP Morgan; and Oswald Grübel of Swiss banking giant UBS.

Kuwait minister says current oil price acceptable

AFP, Kuwait City

The current oil price is "acceptable" and there is no need for OPEC to hold an extraordinary conference, Kuwait's Oil Minister Sheikh Ahmad Abdullah al-Sabah said on Tuesday.

"The price (of oil) is acceptable," said Sheikh Ahmad when asked about the current crude prices, adding he expects the price to continue to fluctuate but to remain within the current range until the end of the year.

The Kuwaiti minister also said he favours an oil price at between "75 and 85" dollars a barrel, adding there was no need for an extraordinary meeting of the Organisation of Petroleum Exporting Countries (OPEC) at this stage.

Oil edged up in Asian trade Tuesday as the European single currency recovered, spurring investor demand for crude futures.

New York's main futures contract, light sweet crude for delivery in July, gained 47 cents to 71.91 dollars a barrel while Brent North Sea crude for July delivery was up 13 cents to 72.25 dollars.

French official trade deficit falls slightly in April

AFP, Paris

The French trade balance showed a slightly reduced deficit in April, partly owing to big exports of aircraft that month, official data showed on Tuesday.

The deficit was 4.248 billion euros (5.0 billion dollars) from 4.413 billion euros in March, on an adjusted basis, data from the customs service showed.

Over 12 months, the trade balance showed a cumulative deficit of 42.721 billion euros, data on the website of the finance ministry showed.

The ministry said: "The size of very big aero contracts fulfilled for export was higher than in March, with an increase of 450 million euros."

This helped to increase exports by 1.0 percent despite the beginning of an easing of sales of autos, pharmaceutical products and food-industry output, the ministry said.

AFP

Chairman and Managing Director of Bharti Airtel Sunil Bharti Mittal (C) together with Chief Exective Officer (International) and Joint Managing Director Manoj Kohli (R) and Deputy Group Chief Executive Officer and Managing Director of Bharti Enterprises Akhil Gupta (L) pose for a photo during a press conference in New Delhi yesterday. In the largest ever telecom takeover by an Indian firm, Bharti Airtel yesterday completed a deal to buy Kuwait-based Zain Telecom's African business for $10.7 billion. The transaction is the largest ever cross-border deal in an emerging market and will result in combined revenues of about $13 billion, Mittal said.

EXPORTS

Blade maker cuts growth path

SOHEL PARVEZ

Samah Razor Blades Industries Ltd, a leading blade maker, has started exporting its products to make global footprints.

The company exports double-edged blades, disposable razors, and cutthroat razors to countries in the Middle East and Turkey. It expects export earnings from these regions to rise further in the years ahead.

"We see great potential in the export of shavers to the Middle East and Africa because of high demand for the items. There is also a lack of manufacturing facilities in those countries," said Shahab Sattar, chairman of Samah Razor Blades Industries Ltd. The company is a concern of GMG Group.

Sattar said the company has been exporting shavers -- double-edged and disposable -- since 2006.

"Institutional buyers, such as hotels, wholesalers and distributors, are the major buyers of our products abroad," said Sattar, adding that the company fetched Tk 33.92 lakh from shaver exports in 2006.

In the three years to 2009, its export earnings grew four-fold to Tk 1.74 crore. The company's export earnings grew 94.25 percent to Tk 3.38 crore in May 2010.

Sattar linked the growth in exports to comparative advantages, such as low-labour costs and the duty benefits to import the raw materials needed to make the shavers. "It helps us keep our production costs low and compete with exporters from other countries," he said.

According to Sattar, the company mainly exports shavers as an original equipment manufacturer (OEM), an arrangement by which a company buys a product and incorporates or rebrands it into a new product under its own name.

"We are also exporting disposable cutthroat razors to Saudi Arabia and Turkey," said Sattar.

A mandatory requirement by the Saudi government to use disposable cutthroat razors for hajj pilgrims has opened a window of opportunity for the product, he added. To tap the export market, Sattar said the company plans to expand its production capacity.

Established in 1962, Samah Razor Blades began its journey by making carbon steel shavers. It had later expanded capacity to meet growing demand for shavers because of a rise in population as well as health consciousness.

Presently, the company caters to all segments of the shaver market under different brands -- Balaka in the carbon steel segment; Sharp, Champion and 7am Platinum Coated in the stainless steel category; and Adoro in the disposable razor category. It enjoys a leading position in the double-edged blade segment in the domestic market.

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World Cup 'distraction' may cost firms a fortune

AFP, London

The football World Cup could cost British businesses a fortune in lost production as employees take time off and waste time nattering about the tournament, a managers' body said Tuesday.

The Chartered Management Institute said the competition in South Africa could cost up to one billion pounds (1.4 billion dollars, 1.2 billion euros) in lost production in Britain.

The CMI said more than half the 700 bosses they surveyed were "panicking", fearing that "endless" conversations about football would divert employees' attention from their job.

They also were worried that workers would take unauthorised time off to watch matches on television.

"It's greatly concerning that so many managers have fears around the World Cup," said CMI chief executive Ruth Spellman.

"They clearly feel ill-equipped to develop appropriate strategies to cope with the problems associated with major sporting events.

"The fact that more than half of our managers and leaders think that there is nothing they can do to prevent the World Cup from distracting staff or to limit unauthorised absences amplifies the desperate need for improved standards of management and leadership."

She added: "The World Cup should not negatively impact business performance. In fact, leaders could be missing a trick by dwelling on fears of coping with empty offices.

"We're convinced it offers some fantastic opportunities to address some of the issues which have plagued UK organisations since the downturn struck -- things like waning morale, insecurity and a lack of engagement."

The World Cup kicks off on Friday when hosts South Africa take on Mexico in Johannesburg.

FINANCIAL REFORMS

Brave new world on Wall Street

REUTERS, Washington/New York

The first glimmers are emerging of a new financial landscape of lower profits and reduced risks, even before the US Congress completes a major overhaul of financial regulation.

Some big financial firms are moving out of the private equity business. Some are padding their capital cushions. Other players are already making the giant over-the-counter derivatives market more transparent.

Just last week, British bank HSBC Holding Plc said it is in talks to spin off its private equity arms and ICAP Energy, a top broker for over-the-counter energy trading, said it would start delivering prices on an open exchange.

Changes are happening -- sporadically for now but perhaps more uniformly soon -- in response to legislation that aims to limit risky trading by banks, boost their capital cushions, and shed light on shadowy markets. US President Barack Obama wants a final bill on his desk for signature by July 4.

While financial companies are still lobbying furiously on Capitol Hill to weaken new rules and protect their profits and business models, some are moving ahead with changes in anticipation of the biggest regulatory revamp since the 1930s.

"It wouldn't surprise me that if the handwriting is on the wall, people would want to get a running start rather than wait for the inevitable," said Michael Greenberger, a former Commodities Futures Trading Commission official now at the University of Maryland.

Firms are making these moves ahead of discussions by US lawmakers this week to compromise on the final version of the financial reform bill.

Tougher banking industry regulation is leading firms globally to scale back non-core functions, such as private equity investing.

Some form of a proposal to ban banks' risky trading, known as the Volcker rule for its original champion, White House economic adviser Paul Volcker, is seen remaining part of the US reform plans.

The news of HSBC's private equity spin-off follows Barclays' plans to shed its mid-market buyouts arm this summer.

Royal Bank of Scotland is also in talks to sell its European and US private equity funds portfolios.

"It's hard to decipher if these guys are spinning things off because of the new rules or because they are trying to get smaller - it's probably a combination of both," said Paul Miller, an analyst at FBR Capital Markets in

AFP

Traders work on the floor of the New York Stock Exchange in New York City. Some big financial firms are moving out of the private equity business. Some are padding their capital cushions

Washington.

Both House and Senate bills call for boosting capital requirements on firms as they grow and take on more risk.

Even while future capital mandates remain uncertain, some regional banks are raising capital now, because they expect it to be harder when the capital rules are final, said Chip MacDonald, a partner at Jones Day in Atlanta.

"There is some fear among some banks that if capital standards rise too much too quickly, there's not enough capital out there to fill the hole," he said.

Credit rating agencies, whose credibility dove after products they rated triple A became junk, have said they are already changing their ways ahead of legislation.

For example, Moody's Corp chief executive Ray McDaniel told a hearing earlier this month that the company has begun using flexible metrics for when financial assumptions change.

In anticipation of proposed rules to move some the $615 trillion derivatives market into the sunlight, exchanges and other platforms have been bringing the light themselves.

The over-the-counter (OTC) market is vastly bigger than exchange-based trading, with its opacity attracting hedgers and investors seeking higher returns.

Traders are already easing into the reforms that could crimp those profits.

The managing director of ICAP Energy, a unit of the biggest interdealer energy swaps broker ICAP PLC said last week it would start delivering OTC oil prices on the electronic trading platform run by IntercontinentalExchange.

Banks are taking a wait-and-see approach, though, to some of most dramatic -- and still in flux -- proposals.

One provision mandates banks to spin off their derivatives units, though it faces a uphill fight to stay in the bill.

"Everyone is waiting to see what (the law) is finally going to look like," said Ernie Patrikis, banking partner at White & Case in New York. "No one is going to move this early," on that one, he said.

The reform bills in Congress force securitisers to keep a baseline 5 percent of credit risk on securitised assets -- an attempt to have issuers keep "skin in the game," so that they shoulder more risk.

"It's clear given that both House and Senate have passed 5 percent risk retention requirement that there will be some mandated risk retention broadly," said Tom Deutsch, executive director of the American Securitisation Forum. "Risk retention will certainly lower the overall securitisation issuance volumes."

But other issuers are testing out offerings with the reforms.

Redwood Trust retained 5 percent of the bonds offered to investors in a $222.4 million bond in April, which was the first private residential mortgage-backed securities deal in about two years. It cited forthcoming regulations in its closing sheet.

These early adaptations to the new regulatory climate may soften the impact on the financial industry, but the assumption remains that profits will suffer, whatever final form of the law emerges.

"There will be more transparency coming into the market with whatever bill we get," Miller said. "It will be a less profitable endeavour over the next decade."