

International Business News

BMW astonishes with 11-fold jump in quarterly profit

AFP, Frankfurt

The world's leading luxury car maker, BMW, reported a huge leap in third-quarter net profit on Wednesday as recovering global markets snapped up its saloons (sedans) and sports utility vehicles.

BMW said its net profit leapt 11-fold from the equivalent figure last year, to 874 million euros (1.2 billion dollars), and stood by its sales target for this year and profitability targets for 2012.

"Strong demand for our models, a high-value model mix and the group's strong sales position on international automobile markets resulted in above-average earnings," a statement said.

Analysts polled by Dow Jones Newswires had forecast a slightly more modest gain of 914 percent to 791 million euros.

Sales in the quarter rose by 35.6 percent to 15.9 billion euros from 11.76 billion, exceeding the 14.27 billion euros expected by analysts.



People pass a huge advertising billboard in a popular shopping area in Beijing yesterday. The World Bank boosted its 2010 growth forecast for China to 10 percent, but warned that global tensions over trade imbalances could cast a shadow over the rosy economic outlook.

Flydubai secures \$320m finance on four planes

AFP, Dubai

Dubai's budget carrier flydubai has secured a sale and leaseback agreement for four Boeing 737 planes worth 320 million dollars with Ireland's Avolon leasing group, a joint statement said Wednesday.

The government-owned no-frills airline said the agreement comes five weeks after sealing two other sale and leaseback deals for nine aircraft with GE Capital Aviation Services and BBAM, taking the total financing secured to one billion dollars.

"Our next 13 aircraft are now completely financed, which takes us through to December of next year," said flydubai chief executive officer Ghaith al-Ghaith.

"This is a further indication that the international financing community views flydubai and Dubai itself as a good investment for the future," he added.

Bank of England to resist fresh stimulus

AFP, London

The Bank of England will likely vote against a need for fresh stimulus and to keep interest rates at a record low on Thursday amid signs Britain's economy is steadily recovering, analysts said.

In a week that has already seen a surprise interest rate hike from Australia's central bank and with the possibility of new stimulus from the Federal Reserve, Bank of England (BoE) policymakers are expected to sit tight.

"The BoE monetary policy committee is unlikely to change interest rates or quantitative easing following resilient growth in the third quarter," said Howard Archer, economist at the IHS Global Insight consultancy.

The British central bank's main lending rate has stood at 0.50 percent since March 2009, when it also launched quantitative easing (QE) in an attempt to drag Britain out of a deep recession sparked by the global financial crisis.

Spain's Gas Natural posts quarterly fall in profits

AFP, Madrid

Spanish energy group Gas Natural, which bought electrical utility Union Fenosa last year, posted on Wednesday a fall in third-quarter net profit despite a recovery in demand in its home market Spain.

The Barcelona-based company reported a net profit in the July-September period of 264 million euros (368.6 million dollars), a 9.6 percent drop over the same time last year.

Net profits for the first nine months of the year rose 22.2 percent to 1.12 billion euros.

The company gave no reason for the fall in third-quarter net profits but said the jump in profits during the January-September period was due to "the recovery in energy demand in Spain".

INTERVIEW

Time to talk textile

German testing expert shares with The Daily Star prospects of Bangladesh

REFAYAT ULLAH MIRDHA

Top managers from Germany were upbeat, and outlined the prospect of Bangladesh's apparel industry to a conference last week.

At the global corporate social responsibility conference in Dhaka, they said the country's \$14-billion apparel export has now become a matter of discussion among the global garment manufacturers, competitors and independent inspection companies.

Lured by fine clothing items at a cheaper price, many globally renowned apparel retail giants and brands have either opened their sourcing offices or are in negotiations to open such offices in Bangladesh.

As exports from Bangladesh are picking up, some independent inspection, testing and certifying companies are doing good business here. And some are in the pipeline with investment to set up labs and training academies to get their required testing and certifications for exports done.

Last week, Germany's 1.5-billion-euro TÜV SÜD AG opened a testing lab at Uttara in Dhaka. The lab of the certifying company will inspect and give certificate for the exportable apparel and leather goods from Bangladesh.

Axel Stepken, president and chief executive officer of the com-

pany, sat with The Daily Star on the concluding day of the conference last Thursday.

Stepken was one of the designated panel discussants at the conference at the Radisson hotel.

He tells The Daily Star that Bangladesh has already proved its strength in garment business as almost all the globally renowned brands and retail chains are sourcing clothing items from the country.

This is why his company was interested to set up a testing lab and an academy in Bangladesh.

The CEO himself inaugurated the TÜV SÜD testing lab on Thursday night. Primarily, he invested \$2 million in the technical inspection lab where 50 skilled workers and experts have been employed.

Of the employees, only two are from abroad, he says.

"TÜV SÜD will certify for all European markets, especially for the German buyers," he says.

The extensive testing services of the company cover prototype and raw materials testing, electrical safety, mechanical safety, functional safety, ergonomics, chemicals, medical device and conformance assessments.

It also deals with electromagnetic compatibility, environmental simulation, packaging, hygiene, technical documentation, usage simulation and war-



Axel Stepken

ranty, quality and performance, non-destructive, structural engineering, customised user and gas product safety testing.

Globally, this third party independent inspection body has 15,000 officials and employees, while the number is 3,500 in Asia, he says.

"We will double the number of

technical people and employees in Bangladesh within next year as we see a big business here."

Stepken says: "The apparel industry is booming in Bangladesh now, the prices are good and the quality is going better and better."

He says making profit in testing business would not be so easy

amid a number of competitors in Bangladesh. Currently, Bureau Veritas, SGS and Intertek are its global competitors, he says.

The TÜV SÜD chief executive says it was difficult for him to get the required skilled manpower from Bangladesh to operate the testing lab here.

"Still, we employed the majority of the manpower from Bangladesh, but we have trained them well to operate the lab," he says.

"We will train people here to build skilled human resources not only for the lab, but for the garment and leather industries as well."

TÜV SÜD grew by 10 percent last year, and this year the growth would be better as the world is now recovering from recession, he says.

"I hope the TÜV SÜD's business in Bangladesh will double next year," he says.

TÜV SÜD has operations in 48 countries, and has been in Bangladesh for the last two and a half years.

Stepken plans to expand the Bangladesh operations next year.

Germany is the biggest market for Bangladeshi goods in Europe and the second largest worldwide. The bilateral trade between the two countries was \$3.2 billion last year.

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COLUMN

How might China win or lose currency war?

WANG TAO

The currency war is upon us, and China and the RMB are at the centre of it. China has rejected the notion that the RMB exchange rate is the culprit of the global imbalances and so far resisted increasingly loud calls for a large RMB appreciation.

The US Congress is trying to force a larger RMB appreciation with protectionist trade legislation, but most experts believe that is unlikely and in any case would take a long time to be effective.

However, as the US is worried about growth and plans to use quantitative easing to reduce the risk of deflation, it will be able to force (real) currency adjustments upon its trading partners by printing as much of its own currency as it desires. A few other advanced economies can follow suit, notably Japan.

What will QE do? While it is not clear how effective QE might be in boosting economic growth in the US and the advanced economies, global interest rates will be kept low for a much longer time. It is all but certain that a flood of liquidity will be seeking lower risk and higher returns -- emerging markets, including China, have and will continue to be favoured destinations. As emerging currencies face appreciation pressure, some countries, notably Brazil and Thailand, have stepped up capital controls.

What can China do in the world of QE? How might it win or lose in this "currency war"? Martin Wolf, Financial Times' famous columnist, argued convincingly why the US would win the battle. Some in the Chinese



A stall keeper shows a blanket to a customer at a market in Beijing. China said that its exporters were feeling the strain of the yuan's recent appreciation, which had made them reluctant to take large or long-term orders.

community believe that since the US cannot force currency appreciation on China, the latter will win.

While China may be able to hold on to the current exchange rate policy, to gradually adjust as it pleases, that in itself can not be the sole criterion for losing or winning in the world of QE. Can China escape the unwanted consequences of QE, limit the damage of large liquidity inflows, asset bubble, and potentially gross misallocation of resources while still tightly managing currency appre-

ciation? That will be the real test.

First, QE in the US will make China's monetary policy decision even more difficult, increasing the risk of policy error. To the extent that QE is seen as a reflection of the weakness in the US and global economy, some in China may be inclined to keep China's monetary policy accommodative for longer, to further stimulate domestic growth to compensate for weak external demand.

Moreover, interest rates may be kept low

to avoid drawing in more capital flows -- concerns about capital inflows have contributed to the delay in raising interest rates so far. QE and the wall of money potentially headed for emerging markets will further weaken the stance of those who favour rate hikes and a quicker exit of the expansionary credit policy.

Maintaining a loose monetary policy and low interest rates for too long in China will not only be misguided but also dangerous. The US and other advanced economies have a lot of economic slack and may need to keep monetary policy expansionary for a prolonged period of time to help smooth their adjustments in private sector deleveraging, or fiscal consolidation, or both.

However, in China the cyclical position is very different: there is little or no slack. China should be able to sustain a relatively rapid growth of 8-9 percent even with a weak growth in advanced economies in the next couple of years.

There is no need for policy to be overly accommodative to keep growth at or close to double digit, especially as the changing demographics have reduced the pressure to create new jobs. Indeed in an economy with no slack, ample liquidity plus increasingly negative real interest (measured by nominal interest rate minus the expected inflation) could lead to misallocation of resources, inflation, and asset bubbles.

TO BE CONTINUED

Wang Tao is the head of China Economic Research, UBS Securities. The views expressed in the column are the author's own and do not represent those of Reuters.

Japanese pizza chain offers \$31,000/hour part-time job

REUTERS, Tokyo

Take-out pizza chain hiring. Aged over 18, no experience required. Uniform provided. Salary: \$31,000 an hour.

As part of a series of events commemorating the 25th anniversary of its arrival in Japan, Domino's Pizza Japan is set to hire one lucky person at the rate of 2,500,000 yen (\$31,030) for an hour's worth of work in December.

A company spokesman declined to provide further details until November 10, but the company's website said that anyone who wants the job will need to file an application. Those passing to the next stage will undergo an interview.

"Basically it's anybody over 18, no questions about education or experience," the spokesman said. "We're actually a little surprised by how much of a response it's getting."

Hourly pay for part-time jobs in Japan averages just under 1,000 yen (\$12.41).

Many of the comments on a Japanese article about the offer noted that the salary was cheap for the probable advertising impact and that there might be better uses for the money, such as raising workers' pay overall.

"If I got this, I couldn't work for being afraid of what the people around me were thinking," one wrote.

In another of the promotions, anyone born on September 30 this year -- the actual date the first Domino's opened in Japan -- will receive a free pizza on their birthday until they turn 25.

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