Vietnam raises rates again to fight inflation

AFP, *Hanoi*

Vietnam has raised interest rates for the second time in less than three weeks, a move which analysts say shows a stronger commitment to fighting rampant inflation.

The State Bank of Vietnam (SBV), in a notice issued late Tuesday, said its refinancing rate had risen to 12 percent. That followed an increase on February 17 to 11 percent from nine percent.

In its latest action the central bank also lifted its discount rate to 12 percent, from seven percent, but left the base rate at nine percent.

"The gradual tightening of monetary policy indicates that both the SBV and the government are clearly (if belatedly) targeting a reduction in inflation by de-prioritising economic growth," Daiwa Capital Markets said in a briefing note.

ANZ Bank added the latest rate increases show "that the authorities are now acting more aggressively and proactively against inflation."

Although the base rate has been Vietnam's traditional policy tool it is more of a "signal", but perhaps has not fulfilled its role, said Vishnu Varathan, Singapore-based economist at Capital Economics consultancy.

He told AFP the increase in the refinancing rate sends a very clear message that commercial banks will have to prioritise where they channel financing.

He said this backs up a central bank directive last week that, among other measures, seeks to limit the proportion of loans for "non-productive sectors", notably property and stocks.

Higher refinancing rates increase the cost for banks that borrow from the central bank to supplement their capital, while the discount rate applies to more

Toyota aims to double profit under new strategy

REUTERS, *Tokyo*

Toyota Motor Corp aims to nearly double profits and boost vehicle sales in emerging markets to 50 percent of its global total under a new long-term strategy announced on Wednesday.

The world's largest car maker, trying to move on from a massive global recall, will cut its board to 11 members by June from the current 27 to speed up decision making as part of the business plan.

Toyota has been struggling to improve its profit margins, which are weaker than those of Japan's No. 2 Nissan Motor Co Ltd and third-ranked Honda Motor Co Ltd. Toyota stayed ahead of General Motors Co as the world's biggest automaker but by a thinner margin last year.

Although Toyota's loss-making, export-dependent Japanese operations remain a major drag because of the strong yen, its shares have outperformed recently as some analysts expect profitability to improve with the adoption of efficient manufacturing technologies and further cost cuts.

Toyota said it would aim for an operating profit of 1 trillion yen ($12 billion)and a profit margin of 5 percent, against an estimated 550 billion yen and 2.9 percent in the current financial year ending this month.

It did not give an exact timeframe for the targets.

"It may be a boring target, but I want us to be a company that will be able to make profits, pay taxes and secure jobs under any difficult circumstances," Toyota President Akio Toyoda told a briefing in Tokyo.

The plan also called for Toyota to launch about 10 more hybrid models by 2015. It expects China and other emerging markets to make up half of its sales by 2015, up from 40 percent now.

AFP

Toyota President Akio Toyoda speaks during a news conference in Tokyo yesterday on the company's strategy for 2020.

Toyoda expects the group's global sales, including minivehicle unit Daihatsu Motor and truck unit Hino Motors, to rise to 10 million in 2015, from 8.4 million in 2010. Toyoda stressed the volume target would not be the most important goal.

"I don't want it to be about the volumes, but rather see that as our receiving the business of 10 million customers," he said.

Since taking the job in June 2009 in the aftermath of the global financial crisis, Toyoda, grandson of the company's founder, has often spoken of the need to go back to the basics of "making better cars and contributing to society".

That vision became a directive as a recall of millions of cars, mainly for complaints of unintended acceleration, damaged Toyota's once-impeccable quality image, especially in the important U.S. market. Toyota has recalled nearly 20 million vehicles worldwide since 2009.

Toyota shares have risen 13 percent over the past three months, however, outperforming its rivals.

"It looks like it is finally catching up with Nissan and Honda in recovering (profitability) and I think that is being reflected in the share price," said Makoto Kikuchi, chief executive of Myojo Asset Management Japan.

"It's clear that Toyota's biggest mistake was to add too much production and the question (now) is how Toyoda is going to tackle that," he added.

Shares of Toyota closed up 0.4 percent ahead of the announcement, roughly in line with the market.

Executives say that under Toyoda's leadership the company has veered away from market share targets that used to be a major driver for growth during its boom years in the past decade.

While many, including Toyoda, blamed the rapid, unchecked growth as part of the problem behind the recalls, the chief executive is caught between his drive to focus more on customers -- even if that means slowing down vehicle development -- and shareholders' desire for profit growth and returns.

India car sales jump 23pc

AFP, *Mumbai*

Car sales in India jumped nearly 23 percent in February from a year earlier, industry data showed Wednesday, as customers snapped up new models in a booming auto market where loans are cheap.

Sales last month climbed 22.6 percent to 189,008 cars from 154,132 a year earlier, according to data from the Society of Indian Automobile Manufacturers (SIAM).

Motorcycle sales in the same period grew by 21 percent to 776,051 units from 642,419, while sales of commercial vehicles -- a key economic indicator -- grew by over 10 percent.

India has turned into a major battleground for global vehicle manufacturers such as Ford, Renault-Nissan, General Motors and Volkswagen, which have all launched new models in the country.

Easy availability of finance and new models have kept vehicle sales growing strongly, but analysts say sales of cars could moderate in coming months, with interest rates and fuel prices expected to rise in the near-term.

Passenger and commercial vehicle sales have been on the rise as India recovers rapidly from the global downturn and the country's middle class enjoys increasing affluence.

The Indian market, Asia's third-largest, is projected to triple over the next decade to six million cars a year from the current two million, according

UN food rights expert urges trading regulation

AFP, *Geneva*

The UN expert on food rights on Tuesday urged regulation of agriculture commodities trading to stop a speculative bubble that is artificially helping to drive up food prices.

Olivier De Schutter, the UN special rapporteur on the right to food, warned that the situation may be amplified by high oil prices.

"There is a very close correlation between the price of oil and the price of food, so I fear that the next few months will be extremely difficult," he told journalists.

De Schutter argued that the advent of hedge funds and pensions funds through commodity market indices had skewed agricultural commodity trading, making markets volatile and increasingly detaching them from the physical state of food supply and demand.

"It is now resulting in a speculative bubble that is artificially inflating the price of food commodities," De Schutter explained.

He suggested that regulation should deal with speculative institutional investors and transparency rather than commercial traders who have traditionally needed to hedge their harvest acquisitions against price shifts.

"I welcome in this respect the initiatives taken by the French presidency of the G20 although I acknowledge that it is facing lots of resistance from a number of governments," he told journalists.

"I am worried, I believe this should be regulated, I believe that a clear distinction should be made."

World Bank president Robert Zoellick warned finance ministers of the leading G20 economies last month that the world is reaching a danger point where soaring food prices threaten further political instability.

Apart from the artificial volatility, Zoellick also pointed to increased demand from emerging markets and severe weather that has reduced the ability of farmers to respond.

France, which currently holds the presidency of the Group of 20 top developing and developed countries, has made reducing price volatility in basic commodities including food one of its key goals.

China to invest $200b in low-income housing

AFP

Workers demolish an old house at a construction site in Beijing yesterday. China will invest around $200 billion this year in affordable housing, a senior official said, as Beijing struggles to address mounting public concern over runaway property prices.

AFP, *Beijing*

China will invest around $200 billion this year in affordable housing, a senior official said Wednesday, as Beijing struggles to address mounting public concern over runaway property prices.

The country will spend more than 1.3 trillion yuan to build or renovate 10 million apartments for low-income households this year, Qi Ji, a vice minister of housing and urban-rural development, told reporters.

Governments at all levels will provide more than 500 billion yuan of the total investment, with the remaining funds to be raised from companies and families who will benefit from the programme, he said at a news conference.

Authorities will introduce favourable policies such as loans, subsidies and tax incentives to support the construction of the flats, he said.

"With the current financing channels and the support of new policies, I believe it is completely viable that we can accomplish the task of building 10 million low-income apartments," Qi said.

State media however have reported that the government fell short of last year's target of building 5.8 million affordable dwellings.

China's soaring property prices, combined with stubbornly high consumer prices in recent months, have become a source of anxiety for the public and top leaders, who are fearful of inflation's potential to spark social unrest.

Premier Wen Jiabao, in a "state of the nation" speech to open the country's annual parliamentary session on Saturday, vowed his government would work harder to address public concerns over a string of problems including growing income disparity and surging house prices.

Wen repeated government promises to curb property speculation, which is blamed for stoking prices, and ensure an adequate supply of low-income housing.

Local officials who fail to stabilise property prices and promote the construction of low-income housing, and "thereby affect social development and stability", will be held accountable, he said.

Qi said Wednesday that the government was focused on making sure those most in need had access to housing.

"The focus of our current adjustment and control policy is to postpone (the demand of) some consumers who do not need to buy houses immediately for living purposes," he said.

"(We) intend to use the temporarily limited supply to meet the most urgent demand of consumers who need to buy housing for living purposes."

He said the government was closely monitoring the introduction of a property tax in Shanghai and Chongqing in the southwest, adding authorities would move forward based on experiences gathered from the trials in those cities.

Cathay Pacific to buy, lease 27 Airbus and Boeing planes

AFP, *Hong Kong*

Cathay Pacific said Wednesday that it would buy or lease 27 planes from Airbus and Boeing in a deal worth as much as $6.55 billion, as the carrier reported a record profit for 2010.

The Hong Kong airline said it had struck a deal with European aircraft maker Airbus to buy 15 A330-300s and a separate agreement with US-based Boeing for 10 777-300ERs.

The deal also included leasing two more Airbus A350-900s from International Lease Finance Corporation, Cathay said, adding that all the models would be delivered before the end of 2015.

The total list price for the 27 planes was HK$51 billion ($6.55 billion) although they would "be acquired at a considerable discount, as is the usual practice in such transactions," Cathay said.

Cathay also said it booked a net profit of HK$14.05 billion ($1.80 billion) in 2010, nearly triple the 2009 result of $4.69 billion. Year-on-year revenue increased by 33.7 percent to HK$89.52 billion, it added.

The carrier and its regional unit Dragonair carried 26.8 million passengers in 2010, a 9.1 percent increase, it said.

Cargo revenue soared 50.1 percent to HK$25.9 billion last year, Cathay said, adding that the amount of freight carried by the airline and Dragonair totalled 1.8 million tonnes, an 18.1 percent year-on-year increase.

Cathay's latest financial results marked a major turnaround from 2008 when the carrier reported a record HK$8.69 billion loss as the global economic downturn hammered the airline industry, before the return to profit in 2009.

The carrier's shares were trading 3.86 percent higher at HK$18.82 during the afternoon session.

Microsoft chairman and co-chair of the Bill and Melinda Gates Foundation Bill Gates participates in a question-and-answer discussion with David Rubenstein, President of the Economic Club of Washington, at the group's March meeting in Washington on Tuesday.

AFP