Demand for cement to go up

HeidelbergCement boss shares the company's plan for Bangladesh with The Daily Star

ABDULLAH MAMUN

THE demand for quality cement will rise in Bangladesh mainly due to different upcoming government projects, said a senior official of a multinational cement company operating in Bangladesh.

HeidelbergCement Bangladesh recently expanded its capacity in Chittagong, setting up a new plant at around $16 million and with a production capacity of eight lakh tonnes a year.

Bernd Scheifele, chairman of the managing board of the cement maker, came to Bangladesh in a short visit to inaugurate the new plant in the port city.

The Daily Star sat with him to know about the company's investment, infrastructure and the challenges they face in Bangladesh.

Scheifele first came to Bangladesh in 2008. After three years, he sees a lot of changes in the country, especially in infrastructure.

"It's very important for the development of the country," he said. The overall development of the country is satisfactory in his eyes, he said.

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The investment in Bangladesh is part of their long-term strategy to expand their capacities in attractive emerging markets, said the chairman.

He said, compared to China and India foreign direct investment in Bangladesh is still low and should improve.

Mentioning that political stability is one of the main concerns for the investors, he said the political environment was satisfactory in the last three years.

Two main political parties will have to put joint efforts to develop the country, he said, adding that businesses cannot grow if there are wildcat strikes.

The chairman said the company's total production capacity is 2.4 millions tonnes a year now.

Scheifele said the company has 11 percent to 12 percent market share in Bangladesh, where around 15 cement makers are operating.

"We will invest another $5 million this year for the automation of our plants," he said.

The company markets its Scan brand cement in Dhaka and the Ruby brand in Chittagong.

"If everything goes well, we will set up another plant by the next two years," he said, adding that the company has so far invested more than $100 million in Bangladesh.

"We see Bangladesh as a second tier emerging market, while China, India, Brazil and Russia are in the first tier."

Scheifele said the company also offers customised cement products for different types of infrastructure.

The chairman of the company said traffic management in the Dhaka city was the worst in his eyes.

He stressed developing infrastructure on a priority basis and executing projects in a proper way.

Scheifele also called upon the government to take lesson from other countries such as China and Malaysia.

Dhaka should speed up its development works, otherwise it will fall behind other cities, he said.

About the recent financial slowdown worldwide, he said the recession was the worst since the Second World War.

"Our sales dropped by 45 percent in the US and 40 percent in the UK due to the recession," he said.

Now the company is coming back out of the crisis and the market is recovering, he said.

The confidence of the markets such as Bangladesh, India, Russia, Indonesia, Africa and Australia is growing continuously, he said.

Bernd Scheifele

Asia resilient, has room for stimulus: IMF official

Anoop Singh

REUTERS, *Washington*

ASIAN economies remain "generally resilient" in the face of global financial turmoil and a growing debt crisis in the euro zone, the IMF's top official for Asia and the Pacific said on Monday.

The IMF was concerned with possible spillover effects from the euro zone but Asian economies have room to take defensive fiscal measures if necessary, IMF Director for Asia and the Pacific region, Anoop Singh, told a news conference.

"In the event of a further slowdown in the global economy, our sense is that most economies in Asia have room for a strong policy response," Singh said, in an updated outlook for Asia.

"Certainly, if these severe downside risks materialise, another round of fiscal stimulus could be taken," he added, including through measures to bolster social programs for the poorest, increasing consumption and investments.

Last week, the IMF cut its outlook for the world economy to 3.3 percent in 2012, down from a prior estimate of 4 percent. It projected growth of 3.9 percent in 2013.

For Asia and the Pacific region, the IMF forecast growth in 2012 would come close to 6 percent, recovering to 6.5 percent next year - the fastest growing region in the world.

Singh said strong domestic demand was allowing Asian economies to "hold firm" in the face of turmoil in Europe.

He said investment and consumption have remained resilient in China, the world's fastest-growing economy, supported by strong corporate profits and rising household income.

The IMF has forecast that China's economy will expand in a range between 8 percent to 8.5 percent this year, increasing to 9 percent by 2013. In India growth will remain around 7 percent this year, edging above that number next year.

Singh said Asian banks have so far used their healthy finances to step in and ensure a flow of credit and trade finance, in the face of gradual deleveraging by European banks.

Inflation pressures in the region have also waned, he added.

"It is not surprising, therefore, that the pace of macro-policy tightening has generally paused, in some cases it has been reversed," Singh said, adding that inflation was projected to recede further during 2012.

Singh downplayed the possibility of a hard economic landing in China, saying Beijing was taking steps to reduce property bubble risks.

"China can move away from its reliance on external demand and needs to build up domestic demand," said Singh, adding that China was working on measures to stimulate demand.

"We don't see (a) hard landing risk as likely," Singh added, noting property prices were moderating and sales volumes declining.

Singh turned aside questions about whether China's yuan currency was undervalued and creating economic imbalances, saying that the IMF will be looking at the whole array of Asian currency policies, including those of Beijing, in coming months.

Location: Myanmar's the hot new neighbourhood

REUTERS, *Yangon*

PROPERTY agent Kyaw Saw leafs through a thick pile of real-estate listings in Myanmar's faded commercial capital, Yangon.

"Our customers used to be all people from the east -- from China, Taiwan and Japan," said the portly businessman.

That's changing fast.

"We had no Westerners a year ago. Get in now before the rush begins," said Kyaw Saw, adding his former boss was now his competitor, having just left to start his own agency.

If you pay two years up front, Kyaw Saw promises to lock in further price rises at only 10 percent a year. He's keen to tap a sudden wave of foreign interest in a crumbling city that until recently was a Southeast Asian backwater.

The capital of a former British colony ruled for five decades by a reclusive junta has faded under economic mismanagement and sanctions imposed by Western governments because of the military regime's human rights record and refusal to embrace democracy.

Now ministers from those same governments are beating a path to the door of President Thein Sein, a retired junta general who, since coming to office as a civilian leader 10 months ago, has embarked on political and economic reform with a speed that has astonished even seasoned observers.

Residents say a groundbreaking visit by U.S. Secretary of State Hillary Clinton at the end of last year, followed by British Foreign Secretary William Hague this month, gave another nudge-up to property prices.

"Sanctions will go soon and that will be very good for business," Kyaw Saw said.

Businessmen are quietly flooding in, too, sensing that the country -- with its oil, gas, timber and gems and a population untouched by the consumer boom seen elsewhere in Asia -- could be the next big investment story once sanctions are removed or softened, which may be soon.

As a result, Yangon, which ceased to be the capital after the junta suddenly relocated to remote Naypyitaw in 2005, is in the midst of a property boom, felt especially keenly at the top end of what little proper office space there is, and for the type of housing Western executives expect in large Asian cities.

"The prices here are outrageous," said an American businessman sitting in the lobby of a posh Yangon hotel, one of only a handful in the city, most of which have been fully booked over recent months.

The man, who lives in Bangkok and gave his name only as James, gives a resigned sigh when asked how his search for a home in Myanmar was going.

"This place is just exploding with investor interest."

James visited a year ago to "scope out opportunities" and accommodation, but villas that were available for rent then at a few thousand dollars a year now cost up to $50,000.

"And you don't get much for what you're paying. There is very little choice," James added, before heading off to meet a lawyer to hammer out details for a deal.

Those looking for offices to rent are not having much luck either. There's not much available, and prices have soared.

Rental space in Yangon's Sakura Tower, one of only two international standard office blocks in the downtown financial and former government district, have doubled in the space of a year to $50 a square metre from $25, and the smallest office, little more than a pokey room, now costs $3,000 a month.

The properties that are available are often far from salubrious. Pictures in estate agents' windows show dilapidated buildings optimistically termed "condominiums", rarely more than a few storeys high and with the main selling points being either air conditioning or elevators

Rents could go up another 30 percent before the end of the first half, said one sales executive, noting an occupancy rate of 99 percent compared with 75 percent this time last year.

"There is a lot of demand for office space but supply is very limited for space like ours," she said, asking not to be identified, something that has become the norm in Myanmar after years of strict army control and fear.

"We are seeing more and more inquiries as the country's situation changes, more and more investors," she added. "Companies want to open an office first to do market research before the sanctions are lifted."

It is a similar picture at the Centrepoint Towers just down the road, overlooking the golden dome of the Sule Pagoda, one of the city's main Buddhist temples.

Office space that was only $13 per square metre a year ago is now $30 and up, depending on the floor, and will probably rise by another $10 in April or May, a sales executive said.

The government keeps no official data on property prices.

Foreigners are not allowed to own property although they can rent offices and houses from Myanmar citizens. In some cases, they are able to sign for long-term leasehold-type purchases as long as they have a local partner.

Authorities are working on amending a Foreign Investment Law and are studying regulations in other countries, officials said. In Thailand, for example, foreigners cannot own land. They can buy condominium units outright as long as the building has majority Thai ownership.

"The government has clearly stated they will not allow foreigners to own land," said a real estate executive who gave his name as Myo, adding it could take several years for laws to be passed to allow the ownership of apartments.

Still, the properties on his books, mostly houses in leafy suburbs, were now going for $1,000-$1,500 per square metre, up from about $500 last year.

Property sales are often in the kyat currency, which has multiple and fluctuating exchange rates, including an official rate of about 6 kyat to the dollar that barely anyone uses. On the black market, it traded at about 820 to the dollar last Friday.

One house Myo sold recently by Inya Lake, on whose shores lives pro-democracy leader Aung San Suu Kyi, went for 850 million kyat (about $1 million), up by 150 million kyat from last year.

"We think things will continue to go up though not quite as fast," he said.

Another realtor, who asked to be identified as Mr La, said prices had begun to become more rational after it dawned on people after Clinton's visit that sanctions would not be lifted immediately.

"It all depends on the sanctions. This is the main thing," he told Reuters, before describing how he had large villas to rent for the eye-watering price of $25,000 a month.

The properties that are available are often far from salubrious. Pictures in estate agents' windows show dilapidated buildings optimistically termed "condominiums", rarely more than a few storeys high and with the main selling points being either air conditioning or elevators.

An office in a building like this will cost about $900 a month, paid a year up front in brand new, flawless $100 bills, the only kind accepted in Myanmar's cash-only economy.