Asia eyes Brazil's growing consumer market

AFP, *Sao Paulo*

With Europe and the United States in the economic doldrums, Asian manufacturers are setting their sights on Brazil's lucrative consumer market ahead of the 2014 World Cup and the 2016 Olympics.

This week, the manufacturers took their roadshow to Sao Paulo, Brazil's economic capital, for a three-day trade fair showcasing samples of products -- such as electronics, textiles, home goods and building materials -- they hope to sell across the region.

China Sourcing Fairs, the first such event to be held here, drew 340 suppliers from mainland China, 41 from Hong Kong, 29 from India and seven from Taiwan, as well as potential buyers from across Brazil and South America.

With a population of 191 million people and an expanding middle class now estimated at 95 million, resource-rich Brazil is now the world's sixth largest economy and is expected to ride a bigger boom as it invests billions of dollars in infrastructure projects for the World Cup and the next summer Olympic Games.

"A growing economy, growing disposable income, a growing middle class -- when you have those things, you have a growing demand for consumer products: that's what these manufacturers offer," said China Sourcing Fairs general manager Bill Janeri.

Vicente Silverio, a partner in a Sao Paulo-based scrap metal company, said he came to have a look at recycling-related products.

AFP

Rio de Janeiro State Governor Sergio Cabral (L) and Brazilian Olympic Committee President Carlos Arthur Nuzman show the Olympic flag to children and residents of the Complexo do Alemao shantytown in Rio de Janeiro, Brazil, on Wednesday.

"Chinese-made products sold in Brazil are often of poor quality and electrical items, for example, have safety issues," he told AFP.

"I hope that what is available here is better. Good prices should not come at the expense of quality."

Brazilian manufacturers have long complained about the influx of cheap Chinese imports. And authorities imposed strict quality controls earlier this year on imports from world number two China and other Asian nations to halt the flow.

The measures apply to 240,000 models of goods, including textiles, steel products, car parts and children's items, particularly toys.

Brad Kang, a South Korean businessman based in Paraguay, said he hoped to sample consumer electronics at the fair.

"I want to establish contacts with Chinese suppliers here," he said, noting that Paraguay has no diplomatic ties and no direct trade links with mainland China because it recognizes rival Taiwan.

His company Coree S.A. runs a thriving business by trading in Chinese-made goods in Ciudad del Este, Paraguay's smuggling capital and black market hotspot located at the convergence of the borders of Argentina, Brazil and Paraguay.

With the World Cup in mind, Richard Chandiramani, the Indian manager of Hong Kong-based sports equipment firm PNS international, brought samples of Brazilian flags, Brazil-emblazoned jerseys and other sports paraphernalia.

"We are trying our luck in Brazil ahead of the World Cup," he said. "Our prices are very competitive."

One major hurdle facing Brazilian retailers and their Asian suppliers is the heavy taxation on their products.

"As a result, consumer prices at the retail level in this country are incredibly expensive," Janeri said. "Brazil has to get past this to encourage economic growth and direct foreign investment, to make it attractive for foreign firms to set up assembly facilities that employ people."

He hailed the World Cup and the next Olympics as a "fantastic opportunity to show the world what Brazil is and what it can do in the next four years to get ready."

Janeri said his company held a similar fair in Miami geared to Latin America last month and planned to hold more in other emerging markets such as India, Hong Kong and South Africa later this year.

Official Brazilian statistics show that Brazil-China trade rose seven percent to $37.2 billion in the first half of this year, compared with the same period in 2011, with the South American powerhouse registering a surplus of $5.1 billion.

In 2009, China dislodged the United States as Brazil's largest trading partner. Beijing is also the largest investor here.

Iron ore and soybeans represent more than 80 percent of Brazil's exports to China, which in turn sells mostly manufactured goods to Brazil.

In China, cheap and cheerful phones outsmart Apple

REUTERS, *Shanghai*

In China's booming smartphone market, which is set this year to overtake the United States as the world's largest, a host of little-known local firms are primed with cheap phones to squeeze market share from US giant Apple Inc's iPhone.

In the latest local challenge to the iPhone, Xiaomi Technology on Thursday launched the successor to its popular MiOne (MI) smartphone. The MI2 has specifications that exceed those of the iPhone 4S and sells for less than half the price.

Smartphones from Xiaomi - founded only two years ago but already worth more than Blackberry maker Research in Motion, according to private market valuations - have proved so popular they sell out in minutes after going on sale online. The company, founded by CEO Lei Jun, said last month its first-half revenue was close to $1 billion as it sold more than 3 million phones.

Mirroring Apple's annual worldwide developers conference (WWDC), where devotees would pay to listen to Steve Jobs showcasing new products, the informally-clad Lei charged Xiaomi fans 199 yuan ($31.30) to attend the Beijing launch, with the proceeds going to charity. Over 1,000 people flocked to the event.

While iPhone sales will increase in China, Apple's market share may stagnate or even dip as the market's changing demographics mean the iPhone flourishes in just a handful of wealthy Chinese cities, analysts said.

Industry researcher IDC estimates that in China last year, smartphones costing less than $200 made up 40 percent of shipments, while devices costing $700 and more accounted for 11 percent of the market.

"The sweet spot of affordability in China is 800-1,500 yuan ($130-$240)," said Michael Clendenin, managing director of Shanghai-based consultancy RedTech Advisors. "The 'Lao Bai Xing', or man in the street, is going to go for these mid-tier phones."

India's diesel price dilemma

REUTERS, *New Delhi*

Expect a popular backlash if the government raises diesel prices to halt the subsidy drain on its finances - not only from the millions of poor who need cheap fuel but from increasing numbers of the well-off and businesses who don't.

Faced with the risk that its sovereign credit rating could be cut to junk if it fails to rein in its fiscal deficit, the government is under pressure to cut runaway spending on fuel subsidies.

But, already on a backfoot over corruption, slowing economic growth and the caprices of coalition allies, Prime Minister Manmohan Singh has held back. Like LPG cooking gas and kerosene, diesel is seen as a poor man's fuel and so the government fears it would be forced by popular outrage into a u-turn if it cut subsidies, just as it was when petrol prices were raised in May.

It should fear less the wrath of the common man, however, than the hostility of big businesses and middle-class voters, who have become big users of diesel because it is so cheap and because regular power supplies are so unreliable.

When the north of the country was hit by massive power blackouts on two consecutive days earlier this month, the lights stayed on in offices, five-star hotels and swanky residential areas across New Delhi as thousands of diesel generators purred into action.

With petrol costing on average 42 percent more than diesel, there has been a jump in the share of cars powered by the subsidised fuel, while in the countryside only wealthy farmers who can afford a tractor or water pump benefit from the government's largesse.

"The economy is being dieselised," said a senior Finance Ministry official, who asked not to be named due to the sensitive nature of the matter. "People are using it to run their private generators, telecom towers, cars. It is no longer the poor man's fuel."

Diesel subsidies cost New Delhi about 411 billion rupees in 2011/12, or 0.7 pct of GDP, making the fuel much cheaper than petrol and costing state-run retailers about 11.25 rupees for every litre sold.

REUTERS

Employees manually fill containers with diesel during a power cut at a fuel station in New Delhi.

Government data shows diesel accounts for nearly 44 percent of fuel consumption in Asia's third-largest oil importer compared with 35 percent nine years ago.

While trucks and buses still consume the bulk of diesel, analysts estimate that consumption by cars, generating sets, industry and mobile telecom towers has gone up to about 40 percent from 30 percent in 2008/09, according to estimates by a government panel.

Diesel cars make up about 40 percent of new sales in India, from less than 20 percent a few years ago, data from an industry body shows. Almost all large, expensive SUVs and jeeps have diesel engines, as do many of the luxury saloons sold by companies like Audi or BMW.

Petrol fuels India's ubiquitous two-wheelers, which tend to be used by the less well-off. For the very poor, it's a bicycle at best.

"I'm not really buying the argument that removing the diesel subsidy would disproportionately affect the urban poor. Industrial users, farmers and the middle class would bear the brunt of a price hike," said Jesse Mercer at PFC Energy.

Far from raising diesel prices, the government has just halved them to help farmers with irrigation in areas parched by a delay in the June to September monsoon, which could mean agriculture's share of overall demand will rise above an estimated 18 percent.

"The poor rainfall this monsoon season has added to the government's woes, as farmers need to use diesel-driven electric pumps to pump water for crop irrigation," said Rajiv Biswas, Asia-Pacific chief economist at IHS Global Insight.

But again, it is likely to be the wealthy with large farms who benefit most - in states such as Punjab, in the country's grainbowl, where rural incomes are nearly double the national average.

Over half of farms greater than five hectares own their own diesel or electric pump while only 8 percent of farms with less than a quarter hectare do, according to a 2010 report by the India Human Development Survey (IHDS), a joint US-India research body.

The IHDS report showed tractors are used on just 4 percent of India's mostly tiny farms, but in Punjab 43 percent of farms own their own tractor.

While a diesel price hike would certainly raise road freight rates, with heavy goods vehicles accounting for upwards of a quarter of demand, the feed-through to inflation would be limited, Finance Ministry officials argue.

Singapore Airlines revamps cabins as rivals catch up

AFP, *Singapore*

Singapore Airlines has said it plans to introduce revamped seats and cabin interiors with an upgraded in-flight entertainment in a bid to stay ahead of Asian and Middle East rivals in the premium travel market.

SIA is regarded as a trendsetter in aviation and is famous for its cabin service, but rivals like Cathay Pacific in Asia and Etihad, Emirates and Gulf Air from the Middle East have been closing the gap while offering lower fares.

It said Tuesday it has hired BMW Group subsidiary DesignworksUSA and James Park Associates, two renowned design companies, to develop "next generation of inflight cabin products" slated to be introduced next year.

The changes will include revamped seats, redesigned cabins and upgraded entertainment platforms as new passenger planes from Boeing and Airbus begin arriving.

Emphasis will be on first and business class which generate the bulk of its revenue but the airline said it will not overlook its economy class which will offer improved seat and headrest comfort.

New Boeing 777-300 ERs are expected to enter service in the second half of next year, followed progressively by Airbus A350s and Boeing 787s, the airline said.

But the airline said its current fleet, which includes Airbus A380 superjumbos, can also be retrofitted with the new designs.

IKEA plans stylish budget hotel chain in Europe

REUTERS, *Stockholm*

IKEA, best known as the world's largest furniture retailer, plans to build a budget hotel chain across Europe, following a trend for cheap-but-cool accommodation driven by low air fares and increasingly price-conscious business travellers.

The 100 hotels, which will not feature IKEA's eponymous flat-pack furniture nor its brand name, represent the company's biggest real estate development to date.

Demand for stylish yet affordable rooms from austerity-hit business guests and leisure travellers is high and growing, according to Harald Muller, senior executive at the property unit of Inter IKEA, the company that owns the IKEA brand and concept.

"'Budget designer hotels' is today the fastest developing hotel segment." he said.

Motel One, citizenM and B&B Hotels are all part of a new breed challenging established budget brands such as Travelodge, Whitbread's Premier Inn and Accor's Formule 1.

IKEA's first hotel will most likely open in Germany in 2014 and the chain will be run by an international hotel operator, Muller said.

"There is no IKEA furniture in it," Muller said. "It is not an IKEA hotel. It's a continuation of our normal investment activities in real estate."

Inter IKEA already owns a few hotels and has more in the works, but the new project would be its first chain and will top its 26-acre home, office and hotel scheme around the Olympic park in London.

Inter IKEA is identifying and buying sites for future hotels in the chain which will be launched in Belgium, Austria, the Netherlands, Scandinavia, Britain and Eastern European countries like Poland.

Inter IKEA's property assets total around 750 million euros but it has the financial muscle to be a larger developer.

In its fiscal 2010/11 year, IKEA Group, which operates most IKEA stores under franchise from Inter IKEA, raised net profit by 10 percent to a record 2.97 billion euros on revenues of 25.17 billion euros, another all-time high.

AFP

Indian private security guards stand behind the main gate of Maruti Suzuki Production Facility in Manesar, about 45 kms from New Delhi. India's top carmaker Maruti Suzuki said on Thursday that more than 500 workers had been sacked after staff rioted at a plant near New Delhi last month in violence that left one manager dead.