Saudi slice of Asia at risk as king aims jobs at locals

BLOOMBERG

IN the Battah district in the heart of Riyadh, immigrants have recreated a slice of home, buying and selling clothes, food and movies from a dozen mostly Asian countries. It's a way of life that may be under threat.

King Abdullah's drive to replace foreign workers with Saudis has begun to transform the Arab world's biggest economy.

Since its oil industry took off in the 1970s, Saudi Arabia has relied on migrants for tasks from building pipelines to fixing cars and packing grocery bags. They make up more than half the 11.3 million workforce, and now many are being urged to leave.

"I can't give you a percentage but I can tell you that business is down," said Mohammed Fahem, manager of the New Sri Lankan Restaurant in Battah, as he stood behind the cashbox watching a depleted clientele enjoy chili crab and dhal. "Many people have left the country.'

The king made reducing unemployment in the world's top oil exporter a priority after the popular unrest that began in 2011 toppled or threatened leaders across the Middle East.

He unveiled a $130 billion social-spending plan, and this year the government is taking steps to ensure the jobs it creates go to Saudis. It has tightened labour regulations on expatriates while offering an amnesty that allows the millions working here illegally to formalise their status or go home.

King Abdullah yesterday extended the three-month grace period, announced in April, for foreign workers to rectify their residency status, the official Saudi Press Agency said.

"The government is serious about getting Saudis into the workplace," John Sfakianakis, chief investment strategist at MASIC, a Riyadh-based investment company, said in a phone interview. "There are real structural changes happening in the labour market."

Foreigners often entered the kingdom under the sponsorship of one person or company then changed jobs without official approval. Many were stranded in the country, unable to leave without the consent of their original employer, who often retained their passports. Foreign workers without legal visas may represent 30 percent of the total, Cairo-based investment bank EFG Hermes Holding SAE said in May.

AFP

Foreign illegal labourers arrive at the Saudi immigration offices at al-Isha quarters in al-Khazan district, west of Riyadh on Sunday.

The jobless rate for Saudi workers is about 12 percent, according to official figures.

The government said in March it would penalise Saudis who allowed employees to work for someone else. Weeks later, Abdullah ordered a three-month grace period so migrants could correct their status or leave the country without any restrictions. About 1.6 million people applied under the plan as the July 3 deadline approached, according to the Saudi Press Agency. The clampdown could hurt countries from Egypt to the Philippines that rely on Saudi Arabia's economy to prop up their own with money sent from abroad. Neighbouring Yemen, whose economy is significantly bolstered by remittances, has already warned the measures could destabilize its fragile government.

Saudi Arabia is the third-biggest global provider of worker remittances after the US and Switzerland, sending $28.5 billion in 2011, according to World Bank data.

Egypt, the Arab world's most populous country, received $14.3 billion in remittances in 2011, representing 6 percent of its gross domestic product, according to the World Bank. For the Philippines, it's 10 percent. In Yemen, pushed to the brink of a civil war in 2011, remittances account for 4 percent.

In Battah, Filipinos sell fish in narrow back-streets next to Yemeni-run fruit stalls, while Indians and Bangladeshis sell garments and buy the latest sub-continental movies.

On Olaya Street, in another part of the capital, many of the Asian men who once hawked pirated computer software are gone. Jashim Uddin, a 31 year-old Bangladeshi, is still there, working in a shop selling computer parts. He says he still hasn't resolved his working status "Twenty or 30 guys have already left," he said. "They didn't have their work permits. I expect more will go."

Meanwhile, young Saudis -- women as well as men -- are increasingly visible in jobs that used to be the preserve of migrants. At the Lulu supermarket chain in Riyadh, Saudi men bag groceries and scan items. Women work at checkout counters in family only sections at branches of Carrefour SA, the French retail chain.

With the cost of living rising, many families need to have more than one person earning a salary, Sfakianakis said.

Women "need to contribute to a family's income far more today than a decade ago," he said. Also, under the government's jobs-for-locals drive, "retail chains are being compelled to hire more Saudis with higher salaries than before."

The kingdom's $657 billion economy grew 6.8 percent in 2012 and will expand 4.4 percent this year, according to the International Monetary Fund. Inflation is forecast to average 4.2 percent this year in a Bloomberg survey.

It's important for Saudi Arabia's public finances that as the local workforce expands, private companies take a growing share of it, said Fahad al-Turki, head of research at Jadwa Investment Co. This year's budget provides for a record $219 billion in spending, including on new state jobs.

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India on track for higher cotton output, exports

REUTERS, Mumbai

INDIA, the world's second-largest cotton grower, could increase output in 2013/14 as hefty monsoon this year encourages farmers to plant more acres and extra moisture swells yields, industry experts said.

A higher output could boost India's exports of cotton and yarn to major markets, which include the world's biggest importer, China, as well as Bangladesh, Indonesia and Vietnam.

"Sowing operations have picked up on ample rains. Area under cotton will increase or remain the same as last year. Production would rise because of higher yields," said DK Nair, secretary general of the Confederation of Indian Textile Industry.

India produced 34 million bales of cotton in 2012/13 and experts had been forecasting the area sown with the crop would fall by five percent this year as higher prices for alternative crops such as guar, used in shale gas production, and soybean, swung farmers to plant them instead.

"Soybean has given better returns, whereas cotton is a labour intensive crop and its cost of production is higher. But soil pattern and weather restricts any significant shift in India," said Prerana Desai, vice-president of research at Kotak Commodities.

Spot soybean prices have risen by 50 percent since the beginning of January 2012 compared to nearly 15 percent for cotton.

The area sown with cotton as on June 28 jumped to 5.58 million hectares from 2.81 million hectares in the previous week, data from the agriculture ministry showed. Planted area during the same period last year was 3.14 million hectares.

Soybean had been planted on 4.29 million hectares as against 0.63 million hectares a year ago.

The total area planted with cotton was 11.8 million hectares in 2012/13. Gujarat, Maharashtra and Andhra Pradesh are the top cotton producing states in India.

Traders said a jump in cotton prices around the time of sowing also encouraged farmers to grow cotton on a bigger area.

In the domestic market, the most-traded Shankar-6 variety has risen more than 11 percent since the start of May to 40,500 rupees ($680) per candy of 356 kg each, data from the Cotton Association of India showed, mainly due to a squeeze in supplies as one harvest ends and a pick-up in overseas demand.

In addition, the government raised the base price it promises farmers for cotton medium staple variety to 3,700 rupees a quintal from 3,600 rupees in a bid to encourage farmers to increase sowing. The support prices for soybean (black) was raised by 300 rupees to 2,500 rupees a quintal.

Cotton yield should improve to 520 kilograms per hectare against 490kg a year ago on timely rains, Nair said.

This year's monsoon has drenched the country in record time, almost a month ahead of schedule. Most of the country has had above average rainfall in the June to September season so far.

Thai government reverses rice price cut

AFP, Bangkok

THAILAND'S premier Tuesday reversed a decision to cut the price it gives farmers for rice, a fortnight after stoking anger from its rural heartlands by announcing a 20 percent reduction in the fee.

The so-called rice-pledging scheme has dogged the government since its introduction shortly after Prime Minister Yingluck Shinawatra's election victory in 2011.

Critics say the scheme is a costly sop to her government's rural voters, is riddled with corruption and has caused the commodity's price to surge -- knocking the kingdom from its place as the world's top rice exporter.

"The cabinet has endorsed the proposal... to adjust the price for rice pledging scheme to 15,000 baht per ton," she told reporters, restoring the price.

Two weeks ago her government slashed the rate by 3,000 baht, enraging farmers in Thailand's impoverished but politically influential provinces.

More than 200,000 farmers had planned to sell some 2.9 million tons of unharvested rice at the 15,000 baht rate, the government said.

The sum would be paid until September 15, when the harvest is expected to be complete.

Yingluck earlier said she was "willing to help farmers but they must also be willing to help the government" stabilise the cost of the kingdom's rice.

Thailand has paid its farmers around 50 percent more than the market value for rice since 2011 in an effort to boost incomes in the poor countryside who traditionally support the ruling party.

The government tries to sell the rice in world markets but faces stiff competition from rival producers such as Vietnam and India, and lost about 137 billion baht ($4.5 billion) from the scheme in the year to January.

Rice farmers welcomed the U-turn and dropped threats to hold protests that would have deeply embarrassed the government.

"We will not rally now," Prasit Boonchoey chairman of The Rice Farmers' Association told AFP.

But rice exporters reacted angrily to the decision, having struggled to sell expensive stockpiles of the commodity.

"It's back to square one. There is nothing we can do... it is a political issue," said Chookiat Ophaswongse, President of the Thai Rice Exporters Association.

International rice markets "are laughing" at the Thai government, he added.

This year Thailand is forecast to buy 22 million tons of the grain at a cost of up to 500 billion baht.

Since Thailand began buying rice at inflated prices it has been overtaken by both India and Vietnam as a global rice exporter.

Online retail begins to click in Africa's biggest market

AFP, Lagos

THE headquarters for this Internet startup is cheekily nicknamed "Graceland" and its co-heads are young Harvard graduates with grand plans who have rapidly expanded the business over the past year.

Silicon Valley? Not even close. This emerging world Internet company, called Jumia, is now located in Nigeria, and the founders of the business here say there is no better place to pursue their strategy.

Nigeria, Africa's biggest market of 160 million people, has seen Internet access expand rapidly in recent years, opening opportunities for companies to exploit.

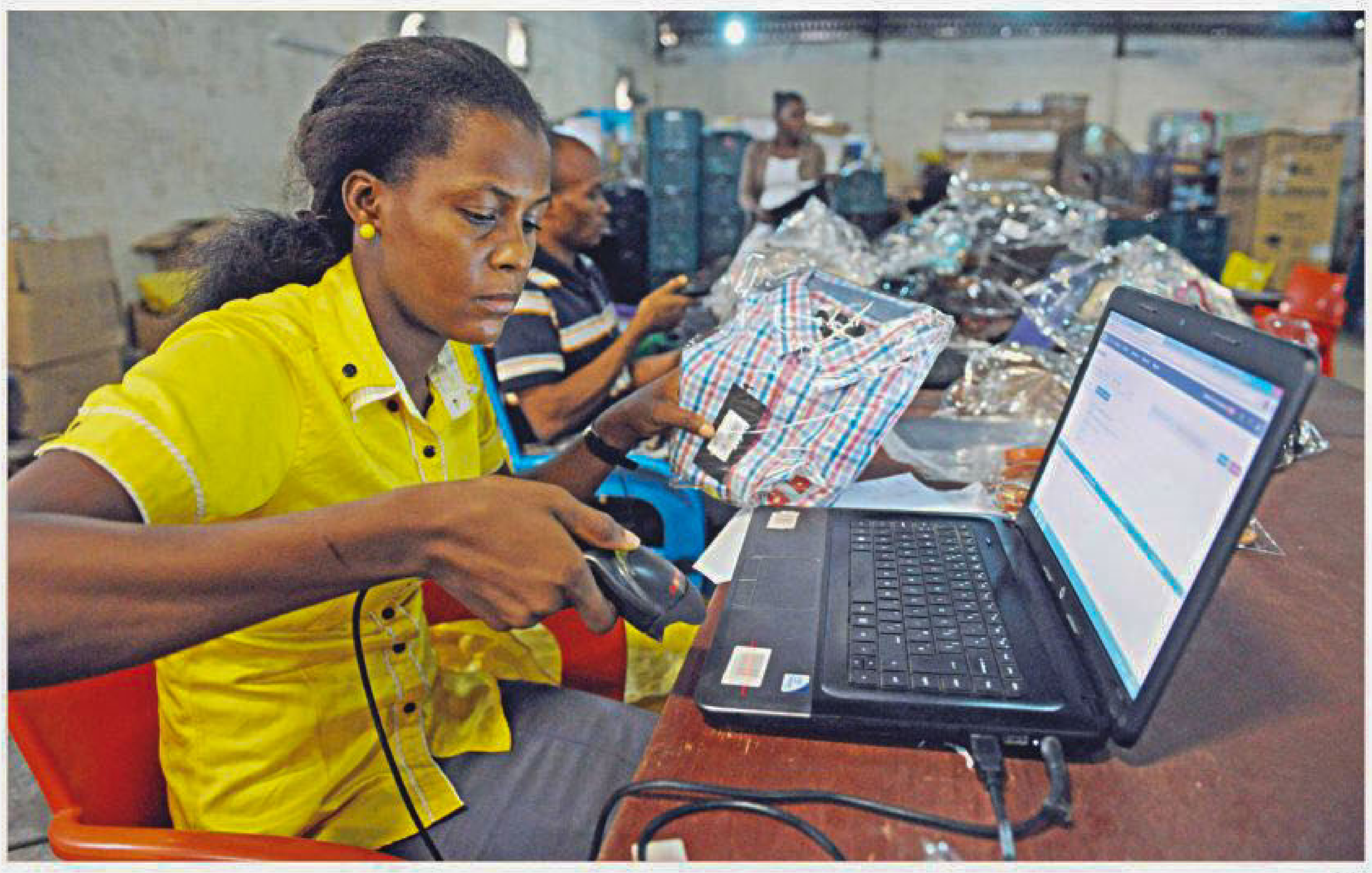
While major obstacles remain here for any business, from deeply rooted corruption to a lack of electricity and widespread fraud, both online and elsewhere, the potential is enormous.

Online retailers like Jumia, which is present in a handful of other African countries, are seeking to unlock the possibilities, developing plans that cater specifically to the local market.

"I doubt there are many markets in the world with 160 million people, a growing middle class and nothing in terms of organised retail," said Tunde Kehinde, a 29-year-old Nigerian and Harvard graduate who co-founded what would become the Nigerian branch of Jumia.

"And so for us, that's the vision that Jumia has: to help build organised retail here in the largest country in Africa."

In one year of operation, Jumia Nigeria has grown from around 10 employees to 450. It now offers 50,000 products, including clothes, phones, electronics and even cigars, and says the site receives 100,000 visitors each day.



AFP

A worker scans a product to ascertain its origin at the Ikeja warehouse of the company in Lagos. JUMIA is a Nigerian based online retail company, where customers purchase their electronics, books, phones, DVDs and other choice products and have them shipped directly to their homes or offices with several payment options to choose from.

A number of other sites are pursuing similar strategies in Nigeria, including Dealdey.com and Konga.com. According to recent figures, they have good reason to do so.

Thanks in large part to the widespread use of mobile phones, Internet access grew to 46 million people in 2011 compared to 11 million in 2008, according to figures from the Freedom House NGO.

Euromonitor International research firm says online sales in Nigeria nearly doubled over the course of a year, from 1.7 billion naira ($10.5 million, 8 million euros) in 2011 to 3 billion naira in 2012.

Jumia Nigeria has not yet made a profit, but its co-founders believe it is only a matter of time.

The company was created with capital from German firm Rocket Internet and telecom firm Millicom.

Kehinde and his Harvard classmate Raphael Afaedor, a 36-year-old Ghanaian, had earlier worked to launch two online retail sites in Nigeria and felt they were the perfect people for the job.

Rocket Internet, an aggressive investor in start-ups which says it has created 15,000 jobs in more than 40 countries, has also launched Jumia in Morocco, Egypt and Kenya. In South Africa, it goes by the name Zando.

It is also planning launches in various French-speaking west African nations.

"In Africa, you have a situation where there are very few options for quality e-commerce sites" coupled with the fact that traditional retail such as supermarkets and malls are underrepresented in many countries, said Jeremy Hodara, CEO of Rocket Internet for France and Africa.

Nigeria offers "enormous" opportunity, said Hodara, but "the execution is very complex."

The costs of doing business here add up quickly.

Despite its status as Africa's biggest oil producer, the country does not generate nearly enough power for its population, forcing companies to employ large and expensive generators.

Real estate prices in upscale areas can be prohibitively expensive, with the oil-driven economy throwing many things off balance. Most people in the country still live on less than $1 per day.

Fraud and corruption continue to be a major concern, and anyone who has ever received an email from a "Nigerian prince" would certainly think twice about buying something online here.

But Jumia has sought to address concerns such as those, particularly through cash-on-delivery, which allows customers to physically inspect their purchases before handing over any money.

Payments can also be made by card if customers choose to do so.

The company promises deliveries, even to the most remote areas of Nigeria, in a maximum of five days. It delivers through a combination of its own couriers and an arrangement it has with DHL.

Recently in the upscale Lekki district in Lagos, the economic capital of some 15 million people, Dera Meka was excited to receive her first Jumia delivery -- a pair of shoes ordered online and paid for in cash.

She said shopping online allowed for more choice, but perhaps most importantly, she could avoid the epic traffic jams that all Lagos residents dread.

"It's very convenient for me to order online," she said.

"Normally I order from abroad, but not to be delivered here. I would deliver it at somebody's (home who lives in that country) and they would bring it back ... but since it is already here, it's much easier to order straight, directly."