EID SHOPPING

Panjabi wholesalers plagued by political clouds

SOHEL PARVEZ

THE wholesale markets for panjabis are yet to feel the pulse of Eid amid a low turnout of retailers from the countryside, wholesalers said yesterday.

Retailers are also seeing their funds run low -- resulting from sluggish sales due to repeated hartals and political strife.

"Business is dull compared to last year's Eid shopping season," said Noor Islam Sikdar, general secretary of the owners association of Sharif Market in the old part of the city.

Sharif Market is the main wholesale point for panjabis.

Market operators log a major portion of their annual sales ahead of festivals, mainly Eid, the biggest religious festival.

The festival triggers a shopping spree among people of all income groups, buying clothes for themselves and their loved ones, and bringing vibrancy to economic and business activities.

To build stocks to attract Eid shoppers, retailers from parts of the country usually throng the wholesale markets for items such as the panjabi, sari and other clothes prior to Shab-e-Barat.

Retailers continue to buy from the wholesale hubs till the 20th day of Ramadan, according to wholesalers.

"In the first week of Ramadan, we should have buyers in every showroom. But their presence has been thin so far," said Sikdar. "It appears the retailers are shy to build stocks as they fear low sales for political uncertainty."

Most sales staffs were seen sitting idle and chatting among themselves on Sunday afternoon.

This was also the scene at other wholesale depots like East Bengal and Kaliganj of Keraniganj for the panjabi and other clothing items.

"We are worried," said Ayub Ali Hawladar, owner of a big wholesale shop Ayub Garments at the Sharif Market.

"Sales, so far, are erratic. Some retailers, who buy on credit, have come. But buyers with cash are low."

From the morning till about 2pm on Sunday, he could sell only six pieces of panjabi.

"I could not sell anything in the last four days," said another wholesaler Kaiyum Talukder of Holy Garments.

Adel Hossain, owner of Apex Garments, said retailers are facing a cash crunch for low sales with political turmoil.

"Our cash based sales are very low."

Sluggish sales at the retail level for repeated shutdowns and political unrest also influenced many to cut panjabi production.

Sikder said his unit, Badhan Garments, made 70,000 pieces of panjabi this year, down from 80,000 last year.

Kamrul Islam, owner of Nabab Garments in East Bengal Market, said sales prior to Eid could have been boosted with an end to the disputes between the ruling and opposition parties.

Abul Hossain from a wholesale store in Parashmoni Kaliganj said sales have been sluggish since January this year due to political turmoil.

"We logged better sales prior to Shab-e-Barat. But sales have dropped again," he said, urging the political parties to shun hartals.

"Who will come to make purchases by taking risks during hartal?" asked Mohammad Idris Ali, owner of Piyamoni Fashion that sells salwar kamiz and frocks.

He said his store recorded average daily sales of Tk 1 lakh between Shab-e-Barat and early Ramadan last year. It is less than Tk 1 lakh this year, said Ali.

"A day in sales loss for hartal is equal to sales loss for one month now," said Shahidul Islam of Shamim Garments at Kaliganj.

However some have logged good sales.

Mohammad Rasel, owner of shirt wholesale store Insaf Garments, said demand for shirts is high this Eid from the same time a year ago.

Muslim Ahmed, owner of another shirt wholesale store Muslim Collection, said demand for panjabi this year. A reason behind this is that the youth is shifting from panjabis to the shorter version, called kurta.

STAR

Sales personnel display men's clothes, panjabis, at a store in Dhaka yesterday. Sales are below expectations, as the turnout of both wholesale and retail customers is low this year.

India makes risky bet with rupee defence

REUTERS, *Mumbai*

INDIA'S boldest attempt yet to prevent a rout in the rupee delivered only a modest lift in the currency but shares slumped and bond yields jumped as investors worried that policymakers might overplay their hand and damage economic growth.

The government said on Tuesday the moves were an attempt to stabilise the currency, which hit a record low last week and is down nearly 10 percent since the start of May, but analysts said longer-term economic reforms were really what was needed.

The measures unveiled Monday night in a rare display of tactical force by a conservative central bank would make it harder to speculate in the rupee and are intended to attract foreign inflows needed to fund a record current account deficit.

They also increase the likelihood that the Reserve Bank of India's next move on policy interest rates will be a hike.

"We think that the measures, in effect, constitute a shift in monetary stance from pause to tightening," Goldman Sachs economist Tushar Poddar wrote in a note, putting the odds of a rate hike at the RBI's policy review on July 30 at one in three.

The RBI raised short-term borrowing costs, restricted funds available to banks and said it would sell 120 billion rupees in bonds, effectively draining cash from the market, to protect a rupee that hit a record low last week.

The steps are risky and expected to be temporary, with Standard Chartered Bank saying they could only be maintained for up to six months.

"The best case, or what we are all hoping for, is that these are short-term measures purely to drive home a point, that it does not endanger growth in the long term," said Ananth Narayan, co-head of wholesale banking for South Asia at Standard Chartered Bank.

The moves will raise funding costs for banks and companies almost immediately, creating a ripple effect that could crimp growth in an economy expanding at its slowest in a decade.

In a direct response, Bank of America-Merrill Lynch cut its GDP forecast for Asia's third-largest economy to 5.5 percent from 5.8 percent for the fiscal year ending March 2014.

The partially convertible rupee closed at 59.31/32 per dollar, after rising to 59.14 in early deals, its highest since July 1.

Montek Singh Ahluwalia, deputy chairman of the government's Planning Commission told TV channel CNBC-TV18 the measures would be reversed when rupee stability was restored.

And Finance Minister P. Chidambaram said they should not be seen as a signal of a change in policy rates.

"These measures are intended to quell speculation or excessive speculation in the forex market, trying to reduce volatility in forex market," Chidambaram told reporters.

Car makers shrug off new China sale restrictions

REUTERS, *Shanghai*

CHINA plans to restrict vehicle sales in eight more cities to curb traffic congestion and pollution, but car manufacturers are not worried, since they expect organic growth in the world's biggest auto market to outweigh any restrictions.

And, environmentalists say, any such measures are unlikely to make much of a dent in air pollution.

New car sales are already restricted in four Chinese cities -- Beijing, Shanghai, Guangzhou and Guiyang -- by limiting the number of license plates and selling them to consumers through auctions and lotteries.

Last week, the China Association of Automobile Manufacturers said eight more cities, such as Chengdu, Chongqing and Wuhan, might soon join Beijing and Shanghai in restricting new car purchases. Government officials have still not spelled out the policy.

Shi Jianhua, the auto association's deputy secretary general, warned that such restrictions, if implemented, could cut sales by 400,000 vehicles, equivalent to 2 percent of domestic sales in 2012.

Industry insiders and experts say the additional restrictions, also likely to be implemented by limiting license plates, will not depress overall sales in China.

"We expect licensing restrictions to have limited impact on new car sales," Bob Socia, head of China operations for General Motors Co.(GM.N: Quote, Profile, Research, Stock Buzz), said in an e-mailed statement to Reuters, referring to such fears.

Experts say any dent the curbs are likely to deal on sales would be more than made up by growth elsewhere in China's vast market, as wealth spreads to smaller, so-called lower-tier cities.

Those cities are smaller compared to Beijing, which has 20 million people, but are still populous by standards in Europe and North America. For example, Wuxi, just west of Shanghai, has a population of around five million people.

In places like Beijing and Shanghai, GM's Socia said new car sales are going to become increasingly less important, as the market begin to mature. More important will likely be replacement sales by consumers buying new cars using existing license plates, he said.

"If all 25 cities with severe traffic situations in China were all to implement restrictions in 2015, we estimate that the impact to GM car sales would only be about 2-3 percent," Socia said.

According to a report published last week by marketing research firm Nielsen, nearly 70 percent of China's prospective automobile buyers in the next 12 months are likely to come from Tier 3 and Tier 4 cities, which are home to roughly half of China's total number of car buyers today.

"The major demand for passenger cars is transferring from coastal areas to central and western China and to lower-tier cities," the report said.

Nielsen said Tier-1 cities are Beijing, Shanghai, Guangzhou and Chengdu and defines Tier-2 cities as provincial capitals, as well as economically developed cities including Qingdao, Dalian and Shenzhen.

It defines Tier-3 cities as "prefectural level" cities and Tier-4 cities as "country-level" cities.

Three of the four cities where restrictions are already in place are Tier 1 cities, while the new restrictions will mostly be in Tier-2 cities.

Carmakers, from GM to Volkswagen AG to Toyota Motor Corp, as well as indigenous Chinese auto makers, are all shifting their attention to lower-tier cities.

"New customers will come from (lower-tier) cities, and we see great potential there," Christoph Ludewig, spokesman for Volkswagen Group China, said. "Main growth will come from (that) area."

Ford Motor Co, for instance, is increasing the number of dealers in China to more than 700 from about 500 stores it operates today. "The vast majority of (those) new dealers will be in those cities," Trevor Hale, a Shanghai-based company spokesman, said referring to lower-tier cities, which he said are likely to become the engine of growth in China's auto sector for the rest of the current decade.

And the restrictive auto purchase policies may end up being as ineffective in solving air quality and congestion problems as they are in stemming overall sales.

One reason is passenger car emissions, sizable as they might be, are a much smaller contributor to harmful substances in the air, compared with heavy commercial trucks, especially diesel-fuelled heavy ones.

Moreover, according to a recent report by the China Institute of Public and Environmental Affairs, a main source of air pollution in most Chinese cities is industrial production, rather than vehicle emissions.

"In the long run, the real solution (to pollution from automobiles) should be to improve the qualities of engines and petroleum, and establish higher standards for vehicle emissions," said Pan Xiaochuan, deputy head of the School of Public and Environmental Health at the Peking University.

REUTERS/FILE

Vehicles drive on Three Ring Road, *left*, and Jianwai Street, *right*, during the evening rush hour in central Beijing.

Europe's youth struggle as unemployment set for record: OECD

AFP, *Paris*

YOUNG people in many European countries will continue to struggle for jobs as unemployment in the eurozone is set to hit a record 12.3 percent in 2014, the OECD said on Tuesday.

The poor and low-skilled sections of the workforce are also in the front line of unemployment.

In its annual Employment Outlook, the Organisation for Economic Cooperation and Development also expressed concern over the strains on social welfare of "persistently high levels of unemployment."

"While there have been some encouraging signs of a recovery in employment growth in the United States, this has been offset by the return of recession in the euro zone," the report said, adding youth were the hardest hit.

The organisation pointed to widening disparities between countries in the zone, with jobless rates in Germany set to fall under 5.0 percent by end 2014 while they will climb to around 28.0 percent in Spain and Greece.

Further afield, unemployment was set to drop in Canada and the United States, it added.

The OECD is a research and policy body for 34 advanced and emerging democracies.

"Across the OECD, more than 48 million persons are unemployed, almost 16 million more than at the start of the crisis," it said in its report, referring to the onset of the global financial crisis in 2007.

Young people are and will continue to be particularly hard hit in many European countries, the report said, with youth jobless rates currently exceeding 60 percent in Greece, 55 percent in Spain and around 40 percent in Italy and Portugal.

Job and earnings losses have also been concentrated in low-skilled, low-income households more than in those with higher skills and incomes.

People on insecure, short-term contracts were often the first to be fired as the crisis hit and have since struggled to find a new job, the report said.

"Concerns are growing in many countries about the strains that persistently high levels of unemployment are placing on the social fabric.

"Governments are facing the challenge of 'doing more with less'," it said, pointing to increasing social welfare needs just as fiscal resources required to meet those demands are shrinking.

The OECD stressed that income support measures -- particularly for the most vulnerable such as the long-term unemployed -- must not be abandoned as they are "essential for cushioning the damaging effects of the crisis."

"They also help to sustain demand for goods and services which, in turn, contributes to growth and future employment gains."

The report outlined various measures needed to help and encourage the unemployed to find jobs, particularly young people, such as making sure adequate resources are devoted to assisting with job hunting and training.

"Youth need to be actively supported to avoid long-term 'scarring' effects as a result of prolonged unemployment and low-income spells early on in their careers," it said.

By contrast, older workers have fared better since the onset of the crisis, partly because they retire later for reasons such as better health, the closure of access to early retirement schemes and financial pressures, it added.

Eurozone boosts trade surplus despite global clouds

AFP, *Brussels*

The eurozone sharply increased its trade surplus in May, despite uncertainty hanging over the world economy, European Union data showed on Tuesday.

The eurozone posted a surplus of 15.2 billion euros, despite a drop in exports on monthly and annual bases, the EU said.

The eurozone trade surplus, largely driven by Germany's export performance, is one of the strong points as the zone struggles to emerge from its debt crisis, and it has underpinned the value of the euro.

A key objective of the countries worst hit by crisis and recession is to boost their competitive position and exports, and therefore growth potential.

But in recent months the outlook for growth in emerging markets has been dimmed by uncertainty over the effects of expected tighter monetary policy in the United States.

The surplus, equivalent to $20 billion, showed an improvement on a downwardly-revised 14.1 billion euros for April.

But there was a 2.3-percent fall in exports after adjustment for seasonal factors, the Eurostat data agency said.

That was double the 6.6 billion recorded in May 2012.

A trade surplus is one of the factors of growth in an economy, whereas a deficit tends to sap growth, and so achieving a trade surplus is of critical importance to struggling economies.

While exports fell, seasonally-adjusted imports also slid, by 2.2 percent.

Taken for the period from January to April at the level of the 28-state European Union, which also includes non-euro powerhouse economy Britain as well as Poland, the trade balance showed increased surpluses with the United States and Switzerland.

Traditional heavy deficits with China, Russia and Norway also shrank in May.