

Air Arabia plans big for Bangladesh

MD FAZLUR RAHMAN

BUDGET airline Air Arabia plans to increase its presence in Bangladesh as the country offers tremendous growth potential for the aviation industry, said a top official.

"Bangladesh is a very big market for us," Shalini Rajan, head of sales for Air Arabia, told The Daily Star in an interview in Dhaka recently.

In 2004, Air Arabia opened its office in Chittagong, Bangladesh's second largest city, and initially operated one flight a day. It started to fly from Dhaka in 2008.

Now the carrier runs six flights a day and 42 flights a week from Dhaka and Chittagong to different parts of the world.

Air Arabia is one of the largest flight operators in Bangladesh in terms of frequency. In Chittagong, it is the largest operator.

"We would like to increase the flight frequency from Chittagong and Dhaka," said Rajan.

"Whenever there is a new regional airport, Air Arabia would be the first one to operate there. We have done this in many countries."

She said Air Arabia's flights have an occupancy rate of more than 90 percent and the business is growing very well.

"Having 42 flights a week here and having a full load of passengers make it a key destination and a country that contributes to the overall revenue of Air Arabia."

Rajan added that Air Arabia might launch its flight from Sylhet once the airport is ready to operate an Airbus 320, the aircraft the UAE-based company uses in all its routes.

"We are also looking at more possible destinations. We have to look at all the facilities and amenities. They just will have to be Airbus 320 compatible."

Rajan said the carrier's business is growing well and in a diversified manner in Bangladesh, as it focuses on all segments of travellers, instead of migrant workers alone.

Air Arabia ran campaigns in the last five months to attract travellers from Bangladesh to the airline's other destinations such as Cairo, Istanbul and Moscow. The campaign paid off with a rise in the



Shalini Rajan

number of passengers thanks to its affordable prices.

"There is untapped potential in this market. We think if we can target passengers in a correct way and offer affordable prices, people are willing to fly with us."

Air Arabia's capacity from Dhaka grew more than 6 percent last year while the number of passengers went up by 11 percent. It has 420 aircraft and six of them are dedicated for Bangladesh.

Air Arabia is the Middle East and North Africa's first and largest low-cost carrier. It flies to 115 destinations spread across the Middle East, North Africa, Asia and Europe.

Rajan began her career in 1998 after she joined KLM Royal Dutch Airlines. Six years later, she moved to Air Arabia as a sales manager. She worked with the UAE airline in different positions before becoming its head of sales in January this year.

Since then, she has been visiting different destinations to see the way distribution and sales are done in every station, and meet government officials and civil aviation authorities.

The initiative brought her to Dhaka on June 26 on a two-day visit. She met civil aviation authorities here as well.

Rajan said she was briefed on the future

growth potential and the government's plans. "The new aerobridges are coming in and extra facilities are being put in place. The flyovers and planned metro rail would make the airport more accessible."

She said the airport is going to grow three-fold in terms of aerobridges, facilities and management, and as a result, Dhaka will be in a different league by 2020.

Rajan is optimistic about the country's growth potential, thanks to a sound macroeconomy and the government's emphasis on completing major infrastructure projects such as the metro rail and hospitality projects.

Air Arabia has grown at a healthy pace in the last nine years, said Rajan, without giving any specific numbers.

She said the company looks forward to increasing its air traffic and expand its network.

Passengers here are served through only Chittagong and Dhaka although the population is spread, compelling people living elsewhere to take trains and buses to reach the two cities and then board their planes.

When asked whether Air Arabia would make Bangladesh one of its hubs, she said, "Currently we are focusing on our newest hub in Amman, Jordan and working towards making that a successful hub like

the rest of its hubs. After making those successful, Air Arabia will be able to look for other growth areas."

Air Arabia is one of the most profitable airlines in the gulf region, earning 531 million dirhams in 2015. "It is a healthy profit for an airline."

Air Arabia has only economy class, and it has removed six rows so travellers can have the most spacious legroom compared to any other economy class.

She said passengers can buy food whenever they want and the prices are very low, starting from \$1.1 to \$10. "We are cost effective and we pass the savings onto the passengers."

Talking about the global aviation industry, she said the passenger numbers have gone up and all the airlines are showing growth in passengers, but the revenue has gone down caused by a fall in overall fare.

The falling oil price came as a boon for the aviation industry as cost of fuel is a major factor. But Rajan said a lot of airports have increased airport taxes, transit taxes and business passenger handling taxes.

That has not stopped Air Arabia from expanding their networks. This year, it launched operations in Bosnia and Jordan, and the airline plans to add more destinations.

Globally, the airline carried more than 7.6 million passengers in 2015, 12 percent more than the previous year, and filled an average of 76 percent of all seats.

Rajan said the aviation industry in Bangladesh is overcoming all the challenges it confronts. "It now has a clear vision. People in the sector are efficient and professional. That gives a positive image to airlines like us."

She said a lot of people are travelling to Doha now. "Every aircraft to and from Bangladesh is almost full, which shows the overall situation in the local aviation industry."

Air Arabia plans to open a school for disadvantaged children in Fatikhkhari of Chittagong as part its corporate social responsibility. Children will get free books, uniforms and other educational materials.

fazlur.rahman@thedailystar.net

Brexit batters UK consumer confidence, retailers worry over sterling

REUTERS, London

British consumer confidence suffered one of its biggest drops in 21 years and the country's largest department store expressed concern over the pound's fall, in the strongest evidence to date of the challenges Britain's economy faces after the Brexit vote.

The vote to leave the European Union has thrust Britain into its worst political crisis in modern times. Investors have warned that what was ranked as the world's fifth largest economy faces years of uncertainty over everything from trade to investment.

In a special post-referendum survey published on Friday, market research company GfK said consumer confidence fell 8 points to -9 in the aftermath of the June 23 vote from -1 in its previous regular monthly survey.

"During this period of uncertainty, we've seen a very significant drop in confidence, as is clear from the fact that every one of our key measures has fallen," said Joe Staton, Head of Market Dynamics at GfK.

The last time the index, which dates back to 1974, fell so steeply was in January 2011, and the last time it fell more was in December 1994.

Moody's credit rating agency said on Friday Britain faced a shock to confidence and almost halved its UK growth forecast for next year to 1.2 percent from 2.1 percent. Moody's also cautioned that the Brexit vote could potentially threaten the existence of the EU, which has a \$16.5 trillion economy.

"The potential strengthening of nationalistic and protectionist movements could have a detrimental effect on the EU, even threatening its existence," the credit rating agency said. It expected global spillovers to be limited, however.

With households and investors left guessing about what the future relationship with the EU will look like, sterling has suffered its worst three-week performance against the U.S. dollar since 1992 when Britain crashed out of the pre-euro Exchange Rate Mechanism.

Sterling dipped under \$1.30 this week the first time since 1985. It was trading as high as \$1.50 just hours after voting ended in the referendum.

Amid the turmoil, Bank of England Governor Mark Carney said on June 30 that the central bank would probably need to pump more stimulus into Britain's economy over the summer.

The Bank's rate setting committee is due to make its monthly policy announcement on Thursday. Most economists polled by Reuters expect it to hold off on any action until it releases new economic forecasts in August.

China vows to act with G20 partners to boost world trade



REUTERS

China's Commerce Minister Gao Hucheng, front right, gestures before the opening ceremony of the 2016 G20 Trade Ministers Meeting in Shanghai yesterday.

AFP, Shanghai

China will work with its G20 partners to promote global trade growth, Beijing's commerce minister said on Saturday, as the world's top economies met in Shanghai.

Global trade is expected to grow at a tepid 2.8 percent in 2016, the World Trade Organization (WTO) said in April, with uncertainty over Britain's decision to leave the EU only adding to concerns.

"The economic recovery and growth is still feeble and global trade is fluctuating at a low level," Gao Hucheng said before ministers began talks, vowing: "China is willing to work with all parties with wisdom, courage and action."

WTO Director-General Roberto Azevedo said on Friday ahead of the talks that 2016 would be the fifth consecutive year with trade growth below three percent -- its weakest sustained level in 30 years.

He warned that there were "no immediate signs of significant change in the current trajectory for trade growth."

Gao said ministers would discuss how to boost trade and coordinate global investment strategies, as well as how to strengthen investment among G20 nations.

"The world is hopeful despite the still difficult tasks which lie in front of us. But there is still great hope and opportunities

contained in this," Gao said.

Saturday's talks bring together G20 trade ministers as well as representatives from organisations including the IMF, OECD and WTO. They will give a press conference on Sunday after two days of talks behind closed doors.

China, a key driver of global growth, has seen its GDP growth slip to its slowest rate in a quarter of a century, with expansion last year weakening to 6.9 percent.

The world's largest trader in goods also saw its total trade fall eight percent last year.

The World Bank identified the slump in Chinese growth and the country's economic transition as the key factor in a sharp slowdown in global trade last year, in a report released in March.

Beijing has been trying to retool its economy to encourage domestic consumption and move away from infrastructure investment and exports as the main drivers of growth, but the pace has been slow.

Azevedo also appealed for cooperation in the battle to spur trade.

"This is a time for governments to work together to see how trade can be used to boost growth, development and job creation," he said on Friday.

"It is a time for vigilance against measures which hamper and restrict trade and against very damaging anti-trade rhetoric."

British exports slide

AFP, London

Britain reported Friday a slump in exports of goods in May but the bad news was offset by hopes that a slide in the pound since the Brexit referendum will power trade in the months ahead.

News of the weaker export performance came as Britain contemplated the need to rebuild its global trade relations once it quits the 28-nation European Union. The island nation exported £23.7 billion (28 billion euros/\$31 billion) in goods in May, a drop of £2.1 billion from the previous month, said the Office for National Statistics.

With imports dropping too, but at a slower pace, the overall deficit in goods trade widened to £9.9 billion from £9.4 billion over the same period, nearly three-quarters of it with the EU.

Britain may get a boost, however, from a 10-percent drop in sterling since the June 23 referendum on leaving the EU, said Paul Hollingsworth, who analyses the British economy for Capital Economics research group.

"Any improvement is likely to be slow against a background of fairly sluggish global growth and uncertainty about future trade relationships between the UK and other countries," he cautioned.

Britain's business minister Sajid Javid was on Friday holding post-Brexit talks on the country's future trade relationship with India, the first of many such discussions planned with world powers.



AFP

Starbucks' Corporate Affairs EMEA Director Simon Redfern (L) and Starbucks France director Olivier de Mendez (R) pose in a Starbucks coffee shop in Paris on Friday. US coffee company and coffee house chain Starbucks, created in 1971, aims at increasing the number of the coffee houses in France from 124 to 250 by 2020.

IMF cuts eurozone growth forecast for 2017 after Brexit

AFP, Brussels

The IMF cut its growth forecast for the eurozone on Friday, citing the fallout from Britain's shock vote to leave the European Union.

The IMF cut the growth forecast for 2017 to 1.4 percent, from the earlier 1.6 percent, "mainly due to the negative impact of the UK referendum outcome," the International Monetary Fund said in a statement.

"Downside risks have grown," the Washington-based fund added.

Spillovers from the Brexit vote, the refugee crisis as well as terrorism concerns "could contribute to greater uncertainty, hurting growth and hindering progress on policies and reforms," it said.

British Prime Minister David Cameron stepped down last month after losing the Brexit referendum and left it to his eventual successor to start negotiations to find a new relationship with Brussels.

EU member states have pressed

Britain to begin the negotiations immediately but in London the preferred option is to proceed with extreme caution, leading some to say Britain may even be stalling on the talks.

"The impact that we worry about is that if the process takes longer, in addition to the obvious trade disruption and the uncertainty about the new trade relations between the UK and the EU area," said Mahmood Pradhan, deputy director of the IMF's European department, in a teleconference with reporters.

"We worry quite a lot about the risk aversion in financial markets in the face of that uncertainty," he added.

Despite Brexit, the IMF said that eurozone growth this year would hit a stronger than expected 1.6 percent, instead of the previously forecast 1.5 percent.

This was based on a "strengthened recovery" caused by a pause in austerity policies, lower oil prices, and monetary stimulus by the European Central Bank, the IMF said.

German trade surplus contracts as exports fall

AFP, Frankfurt

Germany's trade surplus shrank in May as exports declined unexpectedly, official data showed on Friday, pointing to possible clouds on the horizon for Europe's biggest economy.

The trade surplus is a key gauge of an economy's comparative strength and in recent months has highlighted Germany's robustness amid the current global economic uncertainties.

But it declined in May owing to lacklustre exports, according to data published by the federal statistics office Destatis.

Together with disappointing industrial output and factory orders data earlier this week, analysts said the German economy could be slowing after solid growth in the first quarter.

German exports declined by 1.8 percent to 99.5 billion euros (\$110 billion) in seasonally-adjusted terms in May, Destatis said.

Analysts had been projecting an increase of around 0.5 percent in exports for that month.

At the same time, imports -- a measure of domestic demand -- edged up by 0.1 percent to 77.4 billion euros.

That meant that the trade surplus -- the balance between exports and imports -- contracted sharply to 22.2 billion euros in May from 24.1 billion euros in April, the statisticians calculated.