

India eyes 12pc export growth this fiscal

REUTERS, New Delhi

India said Thursday it had set a target of 12 per cent export growth for the financial year ending March 2004 due to a weak global economic scenario and the rise of the Indian rupee against the US dollar.

The government had set a similar target in 2002/03 but ended the year with growth of 18.05 per cent because of large orders for gems and jewellery, basic chemicals and textiles from its key mar-

kets, the United States and the European Union.

Analysts said this year's target was realistic but the appreciation of the rupee could hurt India's export competitiveness.

"About one-third of India's trade is commodity driven and commodity prices are very sensitive to exchange rate fluctuations," said Arun Goyal, a trade economist with the New Delhi-based Academy of Business Studies.

The rupee was at 46.9025/9125 a dollar in afternoon trade, up 1.2 per cent since March, after appreciating 2.8 per cent in the past year.

Indian exports crossed the \$50 billion mark in the year ended March 31 against the backdrop of a slowing global economy and at a time when developed countries found it difficult to achieve any growth in exports.

But this was still behind India's main competitor, China, where exports rose 22 per cent in the

preceding year.

India has said the country's exports need to grow at 12 per cent a year upto 2007 to grab a one per cent share of global trade. It now has a 0.67 per cent share of world trade.

But Goyal said India would meet the 12 per cent target because large orders for garments from western countries were pouring into India as buyers were avoiding China because of the SARS scare.

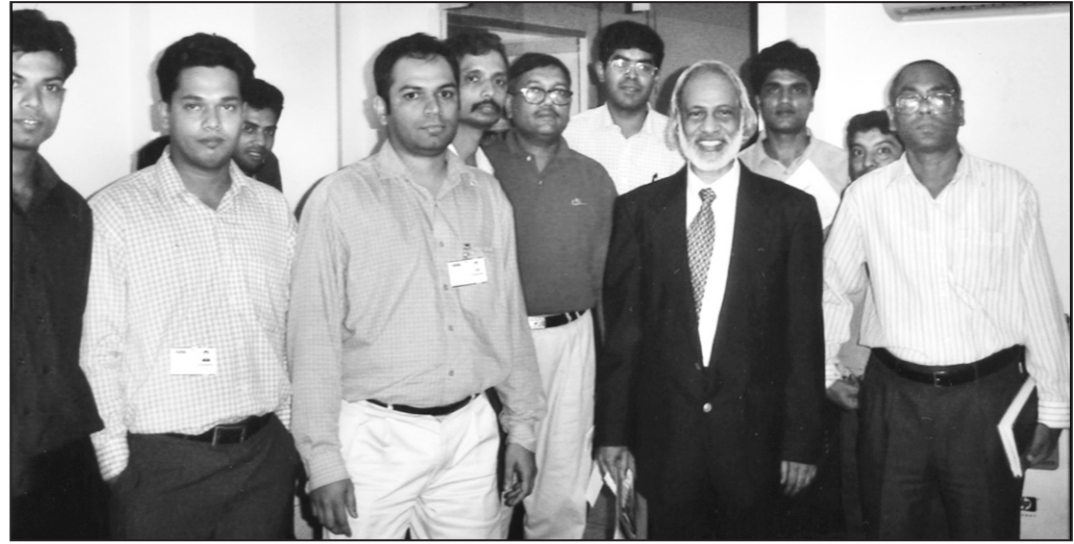


PHOTO: EXPERT SYSTEMS
Abdul Moyeen Khan, minister for Science and Information and Communication Technology, and others pose for a photograph during the minister's visit to ICT incubator at Karwan Bazar in Dhaka on Thursday.

SARS slows Taiwan export orders growth

AFP, Taipei

The outbreak of SARS in the region hit Taiwan's export orders in April but they still managed to show a gain of 4.56 per cent from a year earlier to 13.5 billion US dollars on an increase in demand from the United States, the economic ministry said.

The April outcome compared with a 6.1 per cent rise in March, reflecting the impact of Severe Acute Respiratory Syndrome, the ministry said in a statement.

In the first four months of the year, export orders rose 8.64 per cent from a year earlier to 51.18 billion dollars, the ministry said.

\$45m WB loan for Vietnam's public finance system reform

AFP, Hanoi

The World Bank said Friday it has approved a 54 million-dollar soft loan for the reform of Vietnam's ailing and corruption-ridden public financial management system.

The project supports the government's goal of "promoting good governance... through strengthening budget planning, execution, reporting and accountability," the bank said in a statement.

Transparency and compliance with international standards were central to the reform of the current system, it said.

"The government of Vietnam has made steady progress in maintaining effective mechanisms to prevent over spending and misappropriation of resources," said Klaus Rohland, World Bank country director for Vietnam.

"However, there is an urgent need for further, accelerated reform to strengthen and integrate core treasury and budget management information system, to strengthen the link between budget management and the government's development goals, and to improve the management of public debts and fiscal risks."

EU sees no risk of deflation

REUTERS, Madrid

European Union Monetary Affairs Commissioner Pedro Solbes said Thursday he saw no threat of deflation in Europe and repeated that he was more concerned about the speed of the euro's rise than its actual level.

"What has concerned me more in this period is the speed and volatility with which we have reached this level (of the euro) rather than the level itself," Solbes told reporters at the World Congress of Savings Banks in Madrid.

The single currency is currently trading just below its January 1999 launch level of \$1.1747, having stormed higher this year.

Asked if there was a risk of deflation in Europe as regional economies remain sluggish and consumers seem reluctant to spend, Solbes replied: "I do not think so."

"If we look at the evolution of prices and salaries, the average growth in wages in Europe is around 3 per cent, which does not give me the impression we will have deflation problems here in Europe," he added.

Falling prices in Japan together with a recent comment by Federal

Reserve Chairman Alan Greenspan that deflation posed a minor threat to the US economy, have led some economists to wonder whether deflation could spread to Europe.

Figures released earlier this month showed that growth in euro zone economy as a whole was flat in the first three months of 2003, while the economies of Germany, Italy and the Netherlands shrank.

Data showing a 0.2 per cent fall in first-quarter gross domestic product (GDP) in Germany should be analysed with caution as they reflected circumstances before Iraq war ended, Solbes said.

"This (data) does not substantially change the scenario which we have for the evolution of the European economy at this time," he added.

In a speech to the conference later in the day, Solbes said the future performance of financial markets would be key to recovery in the real economy.

He said the European Commission's spring economic forecasts released last month -- which revised down growth forecasts for the euro zone and European Union this year and next -- had highlighted the weaker state of the European economy.

Stimulus package brings relief to Malaysian stocks

AFP, Kuala Lumpur

Malaysian stock prices are expected to continue climbing next week after rising on the back of the government's unveiling of the long-awaited stimulus package, analysts said Friday.

"The government stimulus package is just the shot in the arm the market needed to help it maintain its recovery streak," said Victor Wan, senior analyst with Mercury Securities.

"The ascent over the past two weeks have certainly improved market sentiments, which has been dour since the onset of the Iraq war and the SARS epidemic."

"Still the trading environment could run choppy as some investors choose to lock in gains derived from the past two week's run-up," he cautioned.

He added the package has "upped the hopes for the economy to meet the revised GDP growth of 4.5 per cent for the year as consumer spending will be boosted by the combination of lower interest rates and EPF contribution."

Malaysian businesses, hit by war and the SARS outbreak, received a boost when Prime Minister Mahathir Mohamad unveiled a 7.3 billion ringgit (1.92 billion dollar) stimulus package on Wednesday to mitigate the impact of SARS and revive a sluggish economy.

US lawmakers propose trade package for EM

REUTERS, Washington

A pair of US senators offered legislation Thursday aimed at spurring economic growth in the Middle East through increased trade.

The bill introduced by Sen. Max Baucus, a Montana Democrat, and Sen. John McCain, an Arizona Republican, would allow Middle East countries that support the US war on terrorism to ship certain goods to the United States without paying duties.

Eligible countries would also have to meet other criteria, such as making economic and political reforms.

"It's past time for nations of the Middle East to join the global economy, and for rulers to lead increasingly restive populations in the direction of democracy and free markets," McCain said.

The Bush administration recently set a goal of forging a regional free trade agreement with countries in the region stretching from Morocco to Iran by 2013.

As part of that effort, the US Trade Representative's office announced plans on Wednesday to begin bilateral free trade talks with Bahrain early next year.

The United States already has free trade agreements with Israel and Jordan and hopes to conclude another pact with Morocco by the end of the year.

The McCain-Baucus bill would create a preferential trade programme similar to ones that already exist for sub-Saharan African and the Andean region.

Bush administration officials have said they would prefer to negotiate bilateral agreements with the Middle East rather than grant one-way trade concessions.

Baucus said more immediate action was needed.

"In the aftermath of the conflict in Iraq, it is more important than ever that the US looks for opportunities to build bridges and help strengthen the economies of the Middle East," he said.

Weekly Currency Roundup

May 17 May 22, 2003

Local FX Market

US dollar was under pressure this week and continued to get weaker against the Bangladeshi taka. Lower import before the budget and higher inflow of remittances was attributed as the main reason to the weakening of the dollar.

Money Market:

Bangladesh Bank borrowed BDT 9,757 million by the treasury bill auction held on Sunday, which was slightly higher than the previous week. Weighted average yield of 28-D bill was down by 1 bps to 7.83 per cent. Government accepted no bid for 5-yr T-bill.

The call money rate was stable this week and ranged between 10.00-14.00 per cent. Early in the week it ranged between 12.00 and 14.00 per cent. The rates eased slightly by the end of the week and ranged between 11.00 and 12.50 per cent.

International FX Market

The dollar dropped to multi-year lows against major currencies, bringing the euro close to its debut level in the beginning of the week, after Treasury Secretary John Snow cemented views that Washington backed a weaker dollar. Speaking after the Group of Seven finance ministers' meeting in France on Saturday, Snow said recent currency movements had been "fairly modest". The dollar also set its lowest level against the Swiss Franc since October 1998, shedding more than one percent of its value. It hit a two-year low versus the yen just above 115.00 yen and was sharply down versus sterling.

By the middle of the week, dollar fell to a new four-year lows on the euro, near the single currency's 1999 launch rate, as the market expected US Federal Reserve Chief Alan Greenspan to signal later that a fresh rate cut was on the way. The dollar had weakened as far as \$1.1744 against the Euro, just shy of Euro's \$1.1747 launch rate, before recovering slightly. It also fell to a four and a half-year low against the Swiss franc, touching 1.2862 francs in early European trade. The market remained on alert for any signs of covert Japanese intervention to curb export-damaging yen gains against the dollar.

The dollar held steady above recent lows on the yen and the Euro the end of the week, aided by modest optimism from the US Federal Reserve, suspicion of Japanese yen selling intervention and jitters over Euro zone rates. The European Central Bank holds its regular mid-month policy meeting on Thursday and while no interest rate decision is expected, traders said there was some last-minute nervousness in the market that it could cut rates. Caution over possible Japanese intervention also kept the speculators from selling dollars for yen, keeping the greenback confined within a tight range.

At 1510 hours on Thursday, Euro was at 1.1664/*69, GBP at 1.6348/54 and Yen at 117.44/50 against the dollar. --STANDARD CHARTERED BANK

STOCK