

World Economic Forum reports

# Finland, US now most competitive economies

REUTERS, Washington

Finland is the world's most competitive economy followed by the United States, Sweden, Denmark and Taiwan, according to a Global Competitiveness Report released Thursday.

Britain dropped four places to 15th and Canada fell off 2002's top 10 list to stand 16th, both penalised for declines in the quality of their public institutions, the Geneva-based World Economic Forum said in a survey of 102 countries.

The survey among business leaders measured economic competitiveness based on a combination of technology, the quality of public institutions and the macroeconomic environment.

Finland, home to mobile phone giant Nokia, remained in first place.

The United States scored high on technology but weak on the quality of its public institutions and economic environment, particularly public finances, where it ranked 50th.

Germany moved up one notch to 13th and France gained two places to 26th. The WEF said both countries showed improvements driven by better public institutions and technology, despite budget troubles.

"If there is one lesson from our exercise, it is that the strength and coherence of government policies have an enormous bearing on a country's ranking," Augusto Lopez-Claros, chief economist of the WEF, said in a statement.

Italy is the lowest ranked European Union member 41st, down from last year's place at 33.

Taiwan and Singapore are Asia's best performing countries. Each moved up one place, with Taiwan rising into fifth place due to its technology strengths, and Singapore into sixth place because of a sound economy and quality of public institutions.

Japan climbed five places to 11th, partly driven by its strength in technology. Korea improved to 18th place from 25th due to signs of improving

technology and a better economic environment, the report said.

China fell to 44th from 38th, marked by a drop in the perceived quality of its public institutions, with substantially lower scores on independence of its judiciary and corruption in the public sector, the WEF said.

Russia ranked 70th from last year's 66th place despite improvements in its economy and technology. The report said Moscow was penalised for its high inflation, inefficiencies in the banking system and low scores in a broad range of institutional factors.

Estonia is again the highest ranked of the countries likely to join the European Union next year, rising to 22nd from 27th.

Chile slipped four places to 28th but is still the highest ranking economy in Latin America, way ahead of Mexico, the second-highest in the region at 47th.

Argentina, struggling to recover from the biggest debt default in

history, is ranked 78th, dropping from last year's 64th.

Botswana is Africa's best performing economy in 36th place, showing progress in most areas except for low scores in innovation. South Africa slipped to 42nd from 34th because of a perceived deterioration in the quality of its public institutions.

Haiti, Chad and Angola showed the lowest scores.

In a separate ranking for business competitiveness, Finland retook the leading position after dropping to second place behind the United States last year.

The United States was pulled down by concerns about rising trade protection and tightening capital availability.

Others that improved their business rankings include France, Denmark, Sweden, Australia and New Zealand.

Austria slipped in the rankings based on a deteriorating business environment and so did Britain, Switzerland, Canada and Japan.



PHOTO: BATA SHOE COMPANY

Chandu Morzaria, regional director of Asia region of Bata Shoe Organisation, opens a retail outlet of Bata at Prince Plaza at Dhanmondi in Dhaka on Wednesday. Bernard Rhodes, managing director, and MA Quader, retail marketing manager of Bata Bangladesh, were also present.

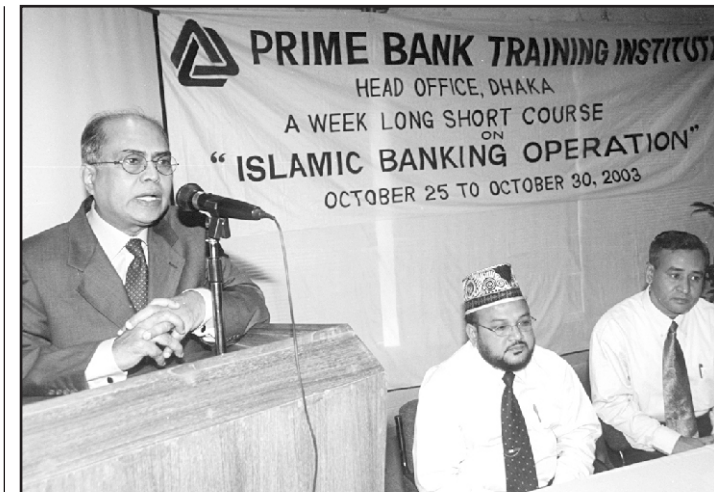


PHOTO: PRIME BANK

Shah Md Nurul Alam, managing director of Prime Bank Limited, inaugurates a week-long training course on Islamic banking operation organised by the bank's training institute recently in Dhaka.

## Japan data point to fragile recovery

AFP, Tokyo

Japan's unemployment rate in September was unchanged from August at 5.1 per cent, while household spending and consumer prices continued to fall and housing construction remained wobbly, evidence that the country's economic recovery is still fragile.

Overall, data released on Friday did little to bolster the case for an economic upturn, sparking a fall on Tokyo stock market of more than one per cent even as the yen eased against the dollar following record-breaking third-quarter US growth of 7.2 per cent on an annualized basis.

The number of people out of work totalled 3.46 million, down 190,000 from a year earlier, but the number of employed also declined for the second consecutive month to 63.46 million, down 70,000.

At the same time, the number of employers fell for a second month in a row to 53.28 million, down 140,000 from a year earlier, the Ministry of Public Management, Home Affairs, Posts and Telecommunications said.

"Since the number of both workers and employers declined, we do not believe the job situation is improving," said a ministry official.

Employment data are considered lagging indicators, which means they tend to show improvements only about six months after the economy actually recovers.

"The jobless rate for men rose again as companies in the construction and manufacturing sectors continued to trim their workforces through restructuring and encouraging early retirement," the official noted.

The jobless rate for men rose to 5.5 per cent in September from 5.3 per cent in August while that for women fell to 4.7 per cent from 4.8 per cent.

The number of employees in the construction business dropped 290,000 from a year earlier to 5.92 million in September, with the manufacturing sector down 70,000 to 11.76 million.

"The construction sector has long been saddled with excess workers and many companies continued to shed them," said Shunichi Maruyama, senior economist at UFJ Institute Ltd.

"For the manufacturing sector, jobs are being eliminated as more Japanese companies are moving their production bases to China" to take advantage of cheaper labor costs, Maruyama said.

"Overall, the economy is not yet strong enough for corporate managers to boost hiring," the economist said.



PHOTO: MEGHNA LIFE INSURANCE

Nizam Uddin Ahmed, chairman of Meghna Life Insurance Company Limited, speaks at the annual general meeting of the company held in Dhaka recently.

## UBS to buy Merrill's German unit

REUTERS, Zurich

UBS, the world's biggest asset manager, said on Friday its wealth management division would buy Merrill Lynch's private client business in Germany.

UBS gave no purchase price for the transaction, which it said would expand its European wealth management business. The Merrill business, which specializes in the high net worth and ultra high net worth segments, managed \$1.4 billion in client assets as of the end of June, UBS said in a statement.

It has 52 staff and will be integrated into UBS by February 2004.

## Weekly Currency Roundup

October 25-October 30, 2003

### Local FX Market

Dollar remained steady against the taka in the beginning of the week. It got stronger in the middle of the week due to increased demand for import ahead of Ramadan. The demand kept the dollar stronger against the Bangladeshi taka by the end of the week.

### Money Market:

Bangladesh Bank borrowed BDT 10,321 million by the Treasury bill auction held on Sunday, compared with BDT 3,693.50 million in the previous week's bid. The weighted average yield of 28-D t-bill was up down by 26 bps from the previous rate to 4.27%. The yield 5-Y t-bills continued to drop by 07 bps to 8.18%.

The call money rate was stable this week. In the beginning the week the rate was 2.00-2.25 per cent. It remained stable throughout the week and ended the week at 1.75-2.25 per cent.

### International FX Market

In the beginning of the week the yen rose against the US dollar and the euro on Monday, aided by upbeat Tokyo stocks. The yen rose to within half a yen of a recent 3-year high against the dollar as the Nikkei stock market index rebounded 1.15 per cent. Euro lost almost three-quarter of a per cent on the yen. Euro edged lower against the dollar amid worries that political strife in Russia could hurt the single currency. Mikhail Khodorkovsky, Russia's richest man was arrested in the weekend.

The yen hit a 3-year high against the dollar in the middle of the week on strong Japanese data and the dollar also lost out against the euro, scaling back gains made after the US left rates steady. Strong output data provided further evidence of Japanese recovery, fuelling expectations that US Treasury Secretary John Snow may criticize Japan's attempts to weaken currency to protect exports at a Senate hearing on Thursday. The euro fell to eight-week lows against the yen for a second straight day.

The dollar slid back towards recent three-year lows against the yen by the end of the week with markets nervous US Treasury Secretary John Snow would underscore concern Washington is looking for a weaker currency. Any explicit mention of Japan's recent yen selling/dollar buying forays would underscore concern Washington is looking for a weaker currency. The dollar was down a third of a per cent at 108.02 yen in early European trade, just a whisker above 3-year lows hit on Wednesday. Euro also succumbed to yen strength, toying with 8-week lows near 126 yen.

At 1510 hours on Thursday, euro was at 1.1665/68, GBP at 1.6974/79 and yen at 108.03/08 against dollar.

-- Standard Chartered Bank

## STOCK