Volatile yuan may hint at further currency flexibility: Analysts

AFP, *London*

The recent volatility of the Chinese yuan may show that China is more open to pressure from the United States to further relax its foreign exchange regime, according to analysts in London.

China has been under fierce pressure to free up its forex system, particularly from the United States, which argues that the yuan is made artificially weak and gives the Asian giant an unfair advantage in global trade.

"I think Beijing is going to be more willing to see the renminbi (yuan) rise and the increasing pressure from the US is one factor," said Capital Economics currency analyst Julian Jessop.

Over the past week, democratic Senator Chuck Schumer and Republican colleague Lindsey Graham have sought to pressure China into revaluing its currency as they held talks in Beijing.

The senators insist that the yuan is undervalued by as much as 40.0 percent against the dollar, despite recent encouraging signs of flexibility, dealing a crippling blow to US companies trying to compete against Chinese rivals.

The yuan, or renminbi, has risen by about 3.0 percent against the dollar since July last year. That includes the effect of a 2.1-percent revaluation on July 21 which was made under intense international pressure.

Meanwhile the dollar hit 8.0233 yuan last Monday -- the highest point since July 2005.

And the yuan saw a 0.33-percent appreciation against the dollar in the week to March 17 -- the fastest and largest weekly movement since July.

But at the start of March, the yuan recorded its biggest weekly fall since the revaluation.

The yuan's recent move higher was "consistent with China's apparent policy of late of creating the impression that the yuan is market driven rather than politically controlled", analysts at Dutch bank ABN Amro said.

Following the July revaluation, the yuan's peg to the dollar was removed and it was linked instead to a basket of currencies. The yuan was also allowed to move 0.3 percent either way against the dollar on a daily basis.

PHOTO: RANKS TELECOM

Anwar Hossain, director of Ranks Telecom Ltd, receives the best award in standard mini mega pavilion category from Wahidul Alam MP at Chittagong International Trade Fair 2006 on Saturday. Textile and Jute Minister Shajahan Siraj is also seen.

PHOTO: AB BANK

Sajedur Seraj, vice chairman of Arab Bangladesh (AB) Bank Ltd, along with RQM Forkan, senior executive vice president and chief operating officer, inaugurates an ATM (automated teller machine) booth of the bank on Kalatoli Beach Road in Cox's Bazar recently. Other senior officials of the bank were also present.

PHOTO: HR TEXTILE MILLS

Mohammad Abdul Moyeed, managing director of HR Textile Mills Ltd, presides over the 21st annual general meeting (AGM) of the company held recently in Dhaka. Among others, Muhammad Abdul Moyeen and Mohammad Abdul Momen, directors, were present at the AGM, which declared a 7.5 percent dividend for its shareholders.

PHOTO: UNITREND

M Aminuzzaman, managing director of National Bank Ltd, gives away performance award for 2005 to an official of one of the top 10 branches of the bank at a convention recently in Dhaka. Western Union, a money transfer company, held the network convention for National Bank. Debshankar Mukhopadhayay, business development manager, Syed Mohammad Kamal, regional operations manager of Western Union Bangaldesh, among others, were present at the conference.

Japanese firms stepping up procurement of funds

AFP, *Tokyo*

Japanese companies are stepping up issuance of shares and bonds as they need cash to invest in production and capital tie-ups, a press report said Sunday.

The value of their equity financing and bond issuance at home and abroad in the business year to March 31 is estimated at a seven-year high of 11.1 trillion yen (94 billion dollars), the Nihon Keizai Shimbun said.

It is up 10 percent from the previous year, keeping up an uptrend since the year to March 31, 2003, when it totaled 8.8 trillion yen, the leading business daily said.

Fueling the growth is higher fund demand for capital investment as well as mergers and alliances, the report said. Other factors are the recovering stock market and growing expectations of an interest rate hike, it added.

Equity financing -- the corporate act of raising money by selling common or preferred stock -- and bond issuance on the domestic markets are estimated at 9.6 trillion yen in the current business year, up 21 percent, the daily said.

But, in overseas markets, equity financing and bond issuance by Japanese firms are expected to plunge 30 percent to 1.48 trillion yen.

Seaports urged to prepare for arrival of mega-container ships

AFP, *Singapore*

Global seaports must carry out massive expansion and modernization within the next decade to cope with the entry of mega-container ships carrying an ever-growing volume of global trade, industry players say.

As countries build new airport terminals or renovate existing ones to accommodate the new double-decker Airbus A380 jetliner, seaports also need to build wider berths, automate cargo handling and storage facilities and invest in bigger cranes, the industry players told a cargo-handling conference in Singapore.

An estimated 80 percent of global trade is carried by sea. Hong Kong's Hutchison Whampoa is the world's biggest container port operator, followed by Singapore's PSA International.

"The size of the vessels is increasing, yet ports... have been struggling over recent years to cope," said Satoshi Inoue, secretary-general of the International Association of Ports and Harbors (IAPH).

"Already, we are experiencing serious congestion in major ports in the world, particularly in the United States and Northern Europe," he told the conference on Wednesday organised by the International Cargo Handling Coordinating Association (ICHCA).

"In 10 years' time, the world's ports need to more than double their capacity in handling if they are to play a central role in the global logistics system."

This means having to turn around much bigger ships, including vessels being planned to carry up to 14,500 20-foot container boxes -- more than double the size of current sixth-generation ships with capacities of between 6,000 and 7,000 boxes.

By 2010, the number of 'post-Panamax' ships -- modern vessels that are too big to pass through the Panama Canal -- would number 682, nearly double the current fleet of 391, ICHCA International Ltd director Peter Bosmans said.

He said the biggest container ship currently in service can carry 9,200 20-foot equivalent units (TEUs), but there are plans to construct even bigger vessels capable of 14,500 TEUs.

These planned mega-container ships would be nearly 400 meters (1,320 feet) long, 54.2 meters wide and 27.2 meters in height, with the draft -- the depth of water needed to float them -- similar to other big ships at 15 meters.

The highest point on these ships would be 60 meters, meaning bridges along commercial sea lanes need to be constructed higher.

"These (mega-container) ships are not yet expected for the next five years, but boy, we are ready to build them," Bosmans said.

By comparison, a 6,500 TEU ship is 289 meters long, 40 meters wide and 24.5 meters in height, with a draft of 14.5 meters.

Mervin Chetty, chief strategy officer of the South African Port Operations, said 57 percent of container vessels currently on order are for those that can carry more than 8,000 TEUs.

"It is interesting to note that some of the terminals and the ports and the hinterland connectivity... are not keeping up with some of these developments," Chetty added.

Eurozone data to show stable business confidence

AFP, *Paris*

Eurozone indicators to be released in the coming week will show inflation easing in March as the effects of last year's surge in oil prices wane, while business confidence is expected to consolidate after recent strong gains.

In a heavy week for economic data, the German Ifo survey stands out as the key indicator, with economists expecting the business climate index to ease slightly from the 14-year high reached last month.

The Ifo index for March is projected to fall to 102.9 from a 14-year high of 103.3 in February. The business expectations index is seen declining to 103.8 from 104.8, but the business assessment index, which measures current conditions, is forecast to continue advancing to 102.6 from 101.9.

"While corporates may be scaling back their expectations somewhat, the assessment of current conditions probably improved further, in line with buoyant industrial orders," said Lorenzo Codogno of Bank of America.

In France business confidence is expected to have remained stable in March after lagging behind that of Germany in recent months. The March business climate indicator is likely to be unchanged at 105, with the general output expectations indicator also steady.