

Fears of major economic dislocations unfounded

By Moazzem Hossain

Fears of major economic dislocations because of domestic political turmoil and the Gulf crisis in the first half of fiscal 1990-91 have proved largely unfounded.

Latest broad indicators show no alarming signs. The battered economy is in no worse shape than it was before. Gross international reserves stood at about 640 million Dollars in December 1990 compared with 510 million Dollars in June. Last week reserves rose further to 700 million Dollars, enough to cover 2.5 months' imports.

Overseas remittances were expected to plummet because of the return of more than 75,000 displaced workers from Kuwait and Iraq but the 367 million Dollars received in July-December were only 10 million Dollars short of receipts in the corresponding

period of the previous year. The figures were boosted by the all-time high monthly flow of 91 million Dollars in August, with returns bringing home whatever savings they could gather in cash.

Exports are also performing well. The main cause of it was improved performance by non-traditional items such as frozen food and garments.

Provisional figures put earnings at over 650 million Dollars in the first half of current fiscal year, 17 per cent higher than in the corresponding period last year, even though jute and tea were sluggish.

Export receipts in July-November, 1990 totalled 704.74 million Dollars compared with 616.66 million Dollars in the corresponding period of the previous year.

the final figures showed.

An expected severe contraction of imports because of the repercussions of the Gulf crisis on demand did not materialise. Imports in July-November, 1990 were valued at 1,102 million Dollars, a decline of only 100 million Dollars from the corresponding level last year.

Banking sources said that several factors contributed to the downturn, including over-imports in the previous year, relatively high stocks, and improvements in import monitoring.

Commercial food imports on either cash or deferred payment terms have also been lower so far this year because of a good aman harvest.

But the higher import cost of petroleum, oil and lubricants largely neutralised the favourable impact of lower foodgrain imports. Oil import prices jumped from an average of 18 Dollars a barrel to over 29 Dollars a barrel because of Iraqi invasion of Kuwait.

Import costs for most other items have also been higher, so the decline in import volume was greater than suggested by the figures.

Figures for December are still not ready but importers and bankers warn that imports were affected by the domestic political disturbances at the beginning of the month.

West German economy gets benefit from unification

BONN, Jan 14: The economy in Western Germany has reaped huge benefits from unification with formerly communist East Germany last year, boosting real growth to 4.6 per cent over the previous year in the best such performance since 1976, a statistics expert said here Sunday, reports AFP.

"Unification came at the right time to offset the consequences of a difficult economic situation worldwide," Egon Hoelder, Head of the Federal Statistics office, said at a press conference in Frankfurt.

The West German growth rate topped 3.9 per cent in 1989, already the best such result in 10 years.

The latest growth rate published Friday was still provisional and based on 1989 prices. If confirmed, it would exceed forecasts by experts, who predicted a growth rate of around four per cent.

Government spokesman Dieter Vogel hailed Mr. Hoelder's announcement saying Chancellor Helmut Kohl's economic policies have been confirmed.

"The government expects growth to continue this year and to accelerate as soon as the economy in the five new states (former East Germany) has bottomed out at the end of the first semester, Mr. Vogel said.

Germany's Gross National Product (GNP) topped 2,448 billion Deutsche Marks (1,596 billion dollars) last year, up 8.2 per cent on the year. The GNP relates to the value of all goods and services produced in a given country, over a year.

With a booming economy, industrial investments soared 12.1 per cent in 1989 prices and represented 10 per cent of GNP, Otto Schlecht, State Secretary in the Economy Ministry, said, adding that such a percentage rate had been unheard-of since West Germany was founded in 1949.

Exchange Rates

January 14

RATES, offered by Commercial Banks, for Bills on Collection (BC) selling and Overdrafts (ODs) transfer buying.

One Unit of Foreign Currencies (FCs) for Taka.

	Buying	Selling
US Dollar	35.9226	35.4432
UK Pound Sterling	68.4678	67.6649
German Deutsche	23.4711	23.1428
Mark		
French Franc	6.6242	6.8252
Saudi Riyal	9.6066	9.4778
Dutch Guilder	20.4571	20.5647
Pakistan Rupee (AMU)*	1.6279	1.6124
Singapore Dollar	20.4571	20.1840
UAE Dirham	9.8069	9.6760
Kuwait Dinar	Not available	
Indian Rupee (AMR)	1.9575	1.9385

*AMU-Asian Monetary Union

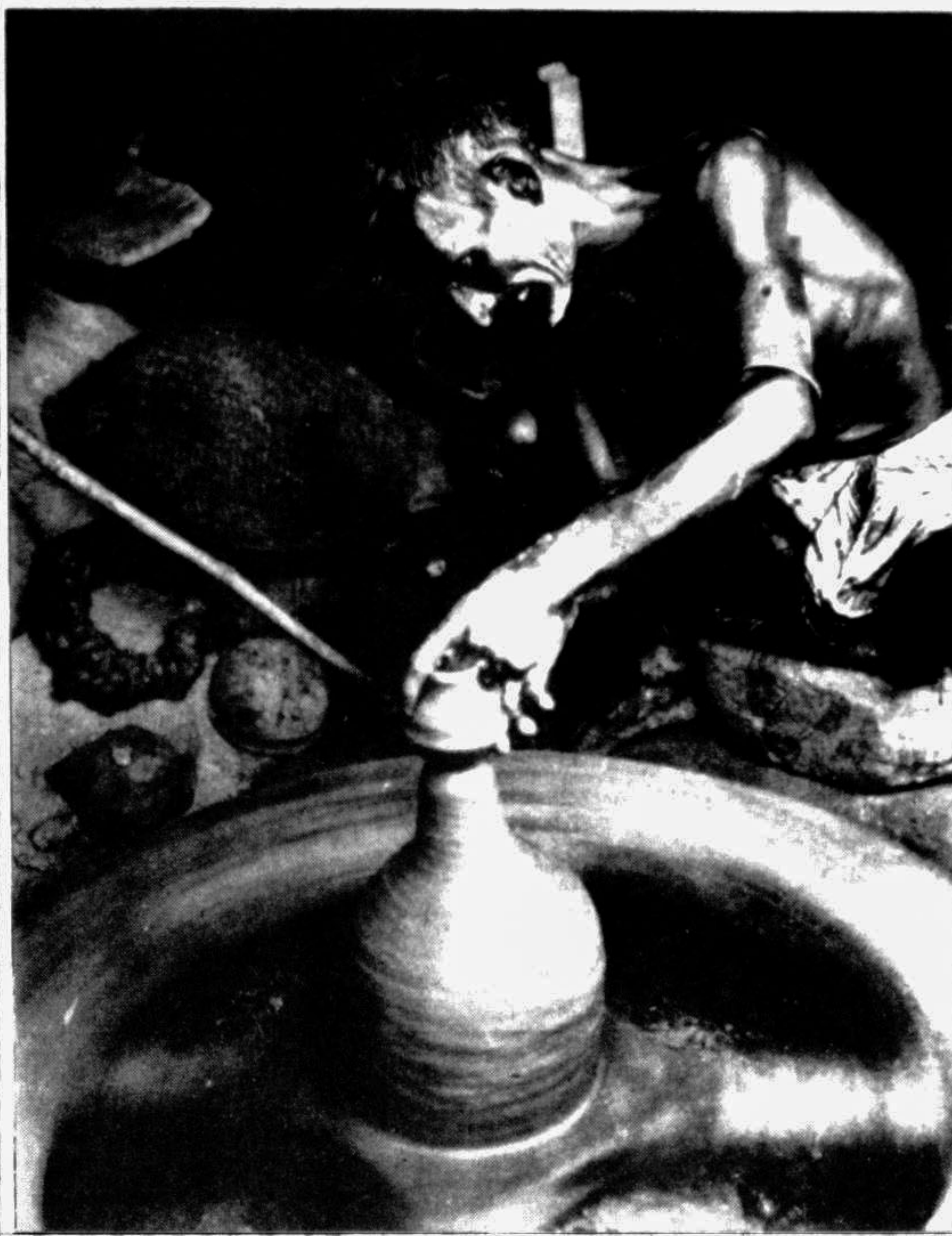
SECONDARY EXCHANGE MARKET

Wage Earners Fund/Export Performance Bonus (XPB) Fund

	Buying	Selling
US Dollar	36.48	36.53
UK Pound	69.57	69.62

*The rates of Pound Sterling are decided every day, based on the cross-rates of New York market.

Source: Sonali Bank



The face of determination: After a lifetime on the wheel, this old Nayarhat man still puts all his strength and concentration into the next pot. —Star photo

Markets volatile in NY as Gulf deadline expires

NEW YORK, Jan 14: As the UN deadline for Iraq draws near, fear has taken over from greed as the major force in the market, as traders and analysts try to plot the likely scenarios and plan their own strategies, reports Reuters.

Aside from war, the main worry on every one's lips is volatility, with the markets expected to climb or dive on each bit of news or hint of a development in the crisis ahead of the Tuesday midnight deadline for Iraq's withdrawal from Kuwait.

"It will take a lot of stomach in the market to stay calm through Tuesday," said Anthony Karydnik, Senior Financial Economist at First National Bank of Chicago.

Weekend developments appeared to do little to alter the generally pessimistic mood in the markets.

The nervous mood was clear last week when US Secretary of State James Baker announced no progress had been made after talks on Wednesday with Iraqi Foreign Minister Tariq Aziz.

Baker's statement quickly sent the Dow Jones Industrial average down 80 points while oil jumped 7 Dollars, pushing up its value by nearly one-third in just a few minutes.

"So skittish are the markets that as soon as Baker uttered the word 'regrettably,' prices began to move."

"It's going to be extremely volatile and one can come up with 1,000 different scenarios," said Stephen Sliker, "My sense is people are trying to get (positions) flat going into this period."

He and others expect many traders to close out their books and just sit on the sidelines. This in turn makes volume light, which can add to the wild price swings.

"It's hard for market participants to make bets at this time," Sliker said.

Any fighting is expected to produce a steep sell-off on Wall Street.

The market is down nearly 5 per cent this year," said Alan Ackerman, Executive Vice President at Reich and Co. "I think there's a serious element of the war fear in the market, but we may not have seen the end of it yet."

"No one can really judge the effect of the shock of war on the market, and the aftermath as it evolves," he added.

Bond market analysts expect investors to flee to short-term US treasury bills. Given their security and short maturities of three months, six months, or a year, they are seen as the perfect investment at times of uncertainty.

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Taiwan reduces currency reserves in US banks

TAIPEI, Jan 14: Taiwan, holder of one of the world's largest foreign exchange reserves, has cut most of its US Dollar holdings in US commercial banks because it fears the banks could fail in an economic recession prolonged by a Gulf war, Central Bank officials said on Monday.

The officials said some of the island's reserves had been moved to the US Federal Reserve and some to banks in Europe, Japan and Australia.

Taiwan's foreign exchange reserves stand at about 73 billion US Dollars of which about 60 billion Dollars are in various currency holdings. The rest is in securities, including certificates of deposit and treasury bills.

About 35 billion Dollars - 58 per cent of the currency reserves - have been moved from US commercial banks since late 1990.

"The US economy is in more of a shambles than you can understand, and war will prolong the recession," Central Bank governor Samuel Shieh told reporters.

Japan's GNP likely to expand

TOKYO, Jan 14: Japan's Gross National Product (GNP) is expected to expand 3.5 to 3.6 per cent in real terms in fiscal 1991 starting in April, private estimates showed Friday, reports AFP.

The Nomura economic research institute, the research arm of Japan's largest stock-brokerage firm Nomura Securities Co, estimated the GNP growth rate in the next fiscal year at 3.5 per cent.

Sumitomo Bank Ltd, a major commercial bank, said the fiscal 1991 Japanese GNP was expected to grow 3.6 per cent.

The bank's estimate for fiscal 1991 was slower than its projection of 5.4 per cent growth for the current fiscal year.

Japanese companies' capital investment is expected to slow down in the next fiscal year due to tight credit maintained by the Central Bank of Japan, Sumitomo said.

In a bid to head off inflation, the central bank raised its official discount rate by 0.75 point to six per cent a year on August 30.

It was the fifth straight rise in Japan's official discount rate - the interest on loans to commercial banks.

DCCI condoles Kashem's death

Star Economic Report of Dhaka Chamber of Commerce and Industry (DCCI) condoled the death of A. Kashem, one of its former Presidents, who died earlier in the day.

The Board of Directors and employees of the Chamber in a condolence meeting with DCCI President in the chair recalled the contributions by late A. Kashem to strengthen the organisation role of Dhaka Chamber for promotion of trade and industry.

A. Kashem died of old age complications. He was the DCCI in its meeting expressed profound sympathies for the members of the bereaved family and prayed for the salvation of the departed soul.

The offices of the Chamber were closed at one p.m. as a mark of respect to the departed soul.

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Price Barometer: Essentials

January 14		Retail prices	
Rice	(Taka per Kg)	Meat	(Taka per Kg)
Aman (Very fine)	17.00-17.50	Beef	Not Available
Aman (fine)	13.50-14.50	Mutton	Not Available
Parman	13.00-14.00	Oil	(Taka per Litre)
Ufishi	11.50-12.00	Mustard	52.00-56.00
Vegetables	(Taka per kg)	Soyabean	31.00-32.00
Potato (White)	6.00-7.00	Coconut	60.00-64.00
Brinjal	5.00-10.00	(Columbo)	44.00-52.00
Lady's finger	15.00-16.00	Vegetable Ghee	(Taka Per Kg)
Cauli flower			44.00-52.00
(Per picca)	5.00-7.00	Spices	
Karolla	20.00-22.00	Onion (New)	12.00-15.00
Lalshak	4.00-6.00	Garlic	60.00-68.00
Green Banana	5.00-8.00	Chillies (Local)	60.00-65.00
(Four Piccas)			
Other Foodgrain	(Taka per Kg)		
Flour	12.00-14.00	Turmeric (Round)	44.00-48.00
Asa	11.50-12.00	" (Lang)	50.00-52.00
Wheat	9.50-10.00	Green chillies	20.00-22.00
Eish	(Taka per kg)	Ginger	15.00-20.00
Rush (big)	105.00-125.00	Cinnamon*	
Kasha (big)	85.00-90.00	(10 grams)	3.00-3.50
Hilsha	54.00-58.00	Cadamom*	
Shrimp (big)	70.00-80.00	(10 grams)	8.00-10.00
Singi	60.00-70.00	Jhira (50 grams)	6.00-7.00
Ka	70.00-80.00	Dhessa	28.00-30.00
Other	(Taka per Kg)	Miscellaneous	(Taka)
Mashur	32.00-36.00	Ghee	220.00-230.00
Mough	33.00-36.00	Sugar	32.00
Chhola	26.00-28.00	Molasses	18.00-20.00
Masur	27.00-28.00	Salt	7.00-8.00
Khisan	19.00-20.00	Tea-Dust	80.00-90.00
		(ordinary)	

US sanctions on USSR under way

WASHINGTON, Jan 14: The Bush administration has begun to examine sanctions and other steps it might take against the Soviet Union if a Kremlin crackdown on restive republics turns violent, according to US officials, reports Reuters.

Administration officials "are now surveying ongoing programmes, cooperation, talks negotiations, mutual exchanges and seeing what might or might not be appropriate (to suspend or cancel), depending on how bad things get," one US official told Reuters.

The matter of "next steps" was discussed at the White House by a crisis management committee headed by Deputy

National Security Adviser Robert Gates.

With the situation in the Soviet Union deteriorating quickly this week and the chance of bloodshed increasingly likely, "some US response is expected," one official said.

He said it was unlikely a US proposal to give the Soviet Union associate membership in the International Monetary Fund (IMF) and World Bank (WB) at a meeting of rich industrial nations next week would be affected.

Western economists consider the move a key element in the Soviet Union's painful transition to a market economy.

DSE downswing halted but mood still depressed

Star Economic Report

Trading at Dhaka Stock Exchange (DSE) on Monday witnessed a moderate rise, halting the downswing from the closing part of the last week.

In all, 3528 shares and debentures changed hands compared with Sunday's 2524. Total value of traded stocks was Taka 19,693,330 against Taka 10,261,500 on the previous day.

While trading was slightly up, the depressed mood of the market persisted. DSE All Share Price Index which is a broad indicator of price movements of the listed stocks in the market dropped further to 343,5370 points compared with Sunday's 343,6012.

Six listed stocks fell in prices, 14 rose and seven were unchanged. But, the gainers advanced marginally and trading in advanced issues was low in volume.

The losers involved a larger share in trade volume. Their losses were proportionately

higher than what the advanced stocks gained. This resulted in the overall decline in DSE All Share Price Index.

Two debentures were traded. Of them, one advanced in market prices and the other, lost.

Among the losers were IFIC and National Bank, each going down by Taka two a share. Millon Tannery lost Taka 3.41 at its closing rate at Taka 35.00. BGIC in insurance sector was down by Taka one and Bangladesh Thai Aluminium, Taka 0.50.

On the gaining side, Bengal Food, Chittagong Vegetable, Pharma Aids, and Petro Synthetic advanced each by Taka two. Chittagong Cement gained Taka 1.13 while Kohinor Chemicals, Rahim Textiles and Paper Processing went up each Taka one. The marginal gainers (within the range of Taka 0.10 and Taka 0.50) included Quasem Drycells, Green Delta, Zcal Bangla, Oxygen and Eagle Box.

Quoted Prices of Traded Stocks on January 14

	TV/ML	Closing Rate	*Changes over the Previous Rate
BANKS			
I. F. I. C.	100/5	158.00	-2.00
National Bank	100/5	108.00	-2.00
INVESTMENT			
2nd ICB M. Fund	100/5	189.00	-1.00
INSURANCE			
BGIC	100/10	106.00	-1.00
Green Delta	100/10	107.15	+0.15
ENGINEERING			
B. Thai Aluminium	100/10	78.50	-0.50
Quasem Drycells	100/50	8.10	+0.10
Eastern Cables	100/5	82.50	unchanged
FOOD & ALLIED			
Bengal Food	100/5	205.00	+2.00
City Vegetable	100/10	95.00	+2.00
Dhaka Vegetable	100/5	157.00	unchanged
Zeal Bangla Sugar	10/50	9.00	+0.20
FUEL & POWER			
Oxygen	10/50	53.00	+0.50
PHARMA & CHEM			
Kohinor Chemical	100/5	73.00	+1.00
Petro Synthetic	100/50	14.00	+2.00
The Ibsing	100/10	85.00	unchanged
Pharma Aids	100/5	161.00	+2.00
PAPER & PRINTING			
Eagle Box	10/50	13.50	+0.50
Paper Processing	100/10	106.00	+1.00
TEXTILE			
Rahim Textile	100/5	61.00	+1.00
Deah Garments	100/10	100.00	unchanged
MISCELLANEOUS			
Chittagong Cement	100/5	130.13	+1.13
Millon Tannery	100/5	35.00	-3.41
C. G. Ball Pen	10/50	56.50	unchanged
Morino Ceramic	100/5	134.00	unchanged
DEBENTURE			
Debximco Pharma	2500/1	1650.00	10.00
Quasem Silk	2000/1	1450.00	unchanged
TV= Price Value			
ML= Market Lot			
*Changes(-) means Loss and (+) Gain			

Dhaka Stock Exchange Market Profile January 14

14 Gainers	6 Losers	113 Unchanged
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Issued Capital= Taka 4,620,337,190.00
Market Capitalization= Taka 9,616,657,412.00
DSE All shares Price Index= 343,5370
Turnover= 2524 (Volume),
Taka 10,251,500 (Value)
*Unchanged= Seven traded and 106 not traded.

Step to maintain UAE bank stability assured

ABU DHABI, Jan 14: The United Arab Emirates (UAE) Central Bank on Sunday sought to assure the public of its efforts to maintain stability in the country's banking system amidst rising fears of war in the Gulf, reports AFP.

The organisation's Governor, Abdul Malik Al Hamar, said the bank would continue measures it had adopted after Iraq's August 2 invasion of Kuwait when UAE institutions were faced with panic withdrawals and a run on US dollars.

Bankers have reported a rush on dollars ahead of the January 15 United Nations deadline for Iraq to quit Kuwait or face war,