

OPEC decision lowers oil prices in London

LONDON, June 6: The price of Brent, the Benchmark North Sea crude, fell below 19 dollars a barrel in London on Wednesday morning after an OPEC decision late Tuesday to hold production at its current level in the third quarter, reports AFP.

Brent for July delivery was quoted at 18.90 dollars a barrel against 19.15 at Tuesday's close.

Oil ministers of the 13-member Organisation of Petroleum Exporting Countries agreed Tuesday at a meeting in Vienna to hold the production ceiling at 22.3 million barrels a day for the third quarter of the year.

Bangladesh Bank affairs

Star Economic Report

The government borrowings from the central bank stood at Taka 1625.75 crore, on a cumulative basis, on May 23, 1991, according to the latest Statement of Affairs of Bangladesh Bank.

The statement released to the Press on Thursday showed the central bank's holdings of government treasury bills at Taka 225.90 crore. Other loans and advances made by Bangladesh Bank, also as on May 23, totalled Taka 1625.75 crore while its investments amounted to Taka 709.55 crore. 'Other assets', held by its banking department, valued at Taka 1440.08 crore.

The balances, held outside Bangladesh by the central bank, stood at Taka 2247.12 crore.

The bank's holding of approved foreign exchange in its Issue Department was Taka 200 crore. The value gold coin and bullion was worth Taka 75.88 crore.

Besides, the Issue Department held Taka 2758.08 crore on account of internal bills of exchange and other commercial papers, Taka 524.43 crore as government securities and Taka 9.84 crore as Taka coins, giving the aggregate value of assets at Taka 3568.24 crore on May 23, 1991.

Notes-in-circulation amounted to Taka 3567.57 crore and notes held in the banking department stood at Taka 66.25 lakh, giving the figure on total notes issued by the central bank at Taka 3568.24 crore, matching the assets held by the Issue Department on May 23.

Boostered by domestic retail price increases, the profits of Bangladesh Petroleum Corporation (BPC) will be at its record high, about Taka 200 crore in financial year (FY) 1990-91. And, at this level, the surplus of the Corporation will be more than double of what it was in 1989-90.

Domestic petroleum, oil and lubricants (POL) prices were raised by an average of 23 per cent in September 1990 as an immediate adjustment move following the outbreak of the Gulf crisis in early August. This was followed by further rise, on an average 50 per cent in October 1990. Thus, the government administered POL prices were hiked in two stages, bringing the total increase to 85 per cent in 1990-91.

The domestic retail prices were raised when the international oil market remained volatile and also unpredictable for sometime, following the Gulf crisis. But, the global prices proved surprisingly stable in the following months and the POL prices were at a steady low level even during the Gulf war from mid-January to early February 1991. And, the situation has remained stable since then, belying widespread fears about another phase of oil price shock.

While the international oil prices have proved stable and steady, there has so far been no matching move to make any adjustments in domestic retail

BPC earns super profit Petroleum prices contradict market economy

By Moazzem Hossain

prices for POL. This now continues to provide, what many observers note, a contrast to what the government has been stressing as greater market orientation as the main thrust of its economic policies. There has not either been any depreciation of Bangladesh Taka over the last six months which would have partly justified the maintenance of domestic POL prices at unchanged levels on grounds of exchange rate adjustments.

And super profits by BPC, with its own capital base at only Taka one million — one of the lowest one among the public sector corporations — have enabled the government to partly cover up the shortfall in its earnings from other public enterprises, with much higher capital structure in 1990-91. Meanwhile, the consumers, irrespective of their income levels, are forced to pay much higher POL prices than the prevailing international rates.

The increases in domestic retail prices of POL are likely to reduce consumption. According to the World Bank in its latest Country Economic Memorandum (prepared for May 29-30 Consortium meeting in Paris), the POL price increases would bring about a ten per cent reduction in domestic consumption. Efforts have also been made in current fiscal year to change the product mix of crude oil and petroleum products imported "in order to capitalise on the lower cost for the domestic production of petroleum products."

Bangladesh depends mainly on Singapore for its supply of petroleum products with about 45 per cent of domestic production supplied by the domestic refinery. The relative profitability of domestic production versus imported petroleum products under the higher world price regime, made it economical for Bangladesh to operate its refinery at a higher capacity.

As a result, it is estimated that the capacity utilisation at the refinery would increase by 20 per cent in FY 91, the World Bank noted.

According to the Bank, the combined effect of reduced demand for petroleum products caused by the higher domestic prices and the anticipated changes in product would result in an estimated oil import bill of 433 million US dollar for Bangladesh, compared to pre-Gulf crisis estimate of 396 million dollar.

This would indicate a less than ten per cent rise in import bill over what was projected at the beginning of fiscal 1990-91. But administered domestic retail prices are already up by an average of 85 per cent in current fiscal year from what they were at the close of last fiscal year.

Bangladesh's dependence on imported petroleum has been reduced substantially

over the past decade to about 30 per cent of its total energy needs. Imports of crude and petroleum products accounted for about nine per cent of total imports in 1989-90. This was accounted for one million metric tons (MT) of crude oil valued at 138 million dollar, meaning a CIF (Cost, Insurance and Freight) price of 17.7 dollar a barrel or FOB (Freight On Board) price of 16.3 dollar a barrel, and an additional one million metric tons of petroleum products valued at 200 million dollars.

In first nine months of current fiscal year up to March, POL imports in terms of LC (Letters of Credits) openings stood at 370 million dollars compared with 267.16 million dollars in corresponding period last year, Bangladesh Bank figures showed. Imports slowed down in April and LCs worth Taka 65.37 crore (about 18 million dollars) were opened in that month.

Frozen food exporters demand liberal credit

Star Economic Report

Bangladesh Frozen Foods Exporters Association (BFEEA) demanded on Thursday liberal credit facilities on a priority basis to salvage the frozen food sector badly hit by the cyclone and tidal surge of April 29.

At a press conference Taher Sobhan, Chief Adviser to BFEEA said export receipts in the sector in fiscal 1990-91 will fall short by 25 per cent because of the cyclone damage. The target for the year is Taka 529 crore of which Taka 425.46 crore was earned in the first ten months till April '91. He said if proper funding is not given to the sector, the effect of the infrastructural damage would lead to a total loss of the international market.

The Association said insurance claims by the units in the sector remain unsettled because what it alleged bureaucratic dilly-dally. This will seriously hamper the sector as it is a very much seasonal business, it said while demanding that those units which do not have insurance coverage, should be compensated for with funding arrangements from other sources. It demanded exemption of interest charges on working capital provided to the units in 1991. Repayment of long term loans should be deferred for at least two years. It suggested that infrastructures like embankments, and roads should be immediately reconstructed. It also said interest free loans should be given to the shrimp culturists and farms for reconstruction and collection of shrimp fries. It demanded that the ban on smaller-sized shrimp exports be withdrawn which would facilitate an additional earning of Taka 20 crore in foreign exchange.

President of the Association A. U. Ahmed said, export house facility should be extended to all frozen food exporters. Suitable incentives like Export Performance Licence (XPL) or Import Entitlement Certificate (IEC) and temporary cash assistance should be granted to help overcome the present crisis. He said the present Export Performance Benefit (XPB) is meaningless as it is very low in rate.

The Association further demanded follow-up actions on the recommendations of the inter-ministerial meeting, held in February this year with former Commerce Adviser in the chair, to keep 60 per cent of the previous working capital loans in segregated account and supply equal amount at 9 per cent rate of interest. They demanded the extension of export time to 270 days instead of existing 180 days.

Money rates in the Call money market ranged from 10.00 per cent to 11.50 per cent during the week ending on June 6. During the same week interest rates offered by the bank on Certificate of Deposits varied from 11.00 per cent to 14.25 per cent. The bank rate, however, remained unchanged at 9.75 per cent, a Bangladesh Bank press release says on Thursday.

Donation to PM's Relief Fund

Star Economic Report

Singapore Airlines donated Taka 12,40,471 and 500 Dollar to the Prime Minister's Relief Fund in aid of cyclone victims.

A press release issued on Thursday said.

The airlines raised the funds at a Gala dinner evening held in conjunction with Sornargaon Hotel and Kurmitola Golf Club.

Earlier they made a pledge of Taka five lakh donation.

Canada may back Soviet membership for IMF

PARIS, June 6: Canada will back a Soviet request to join the International Monetary Fund if Moscow commits itself to economic reform, Trade Minister Michael Wilson said, reports Reuter.

"For our part Canada would support a move towards membership by the Soviet Union in the IMF," Wilson told a news conference. "But the basic fundamental issue is the policies of the Soviet Union themselves, which only they are in control of."

Wilson, here for the annual ministerial meeting of the Organisation for Economic Co-operation and Development (OECD) described the state of the Soviet economy as daunting and serious. He noted activity is already being badly disrupted even though real reforms have not yet been launched.

"It has been made pretty clear by a number of countries that until there is a significant demonstration of the will to take those decisions on reform, and the actual implementation, there those decisions on reform, and the actual implementation, there is simply not money available," he said.



Peter Yein, General Manager, Singapore Airlines and Ellser Chan, Station Manager, are seen handing over the entire amount of Gala dinner to Prime Minister Begum Khaleda Zia recently.

Shekhar asked to devalue rupee to meet payment crisis

NEW DELHI, June 6: India's Commerce Minister Subramaniam Swamy said on Wednesday that he had asked Prime Minister Chandra Shekhar to devalue the rupee as a way out of the country's balance of payments crisis, reports Reuter.

"I have asked the Prime Minister to consider several steps, including the devaluation of the rupee, to come out of our problems," Swamy told Reuters in a telephone interview.

He said he had recommended that the Indian currency, now trading at 20.88 to the US dollar, should be adjusted to 30 rupees to the dollar to give the economy a fillip.

"Today we have a ridiculous situation. The rupee is 24 to a rouble and about 20 to a dollar. But the rouble is trading at 35 to a dollar. We are thus subsidising the rouble by 45 times," Swamy said. "We obviously need to take a hard look at our exchange rates."

Foreign exchange dealers said recently that the strengthening dollar was pushing the depreciation of the Indian rupee. Dealers see the rate falling to 22.40 by the end of August and 25 rupees by year-end.

Swamy was sceptical about the response of some government colleagues to his proposals.

Japan and the United States are trying to help India come up with enough money in the meantime to avoid defaulting on its 70 billion dollar foreign debt, diplomats and analysts in Washington said.

This could include a 220 million dollar emergency loan from the IMF and an additional 100 million dollars from Japan, both designed to help India cope with a short-term credit squeeze until a new government can enact economic reforms later this year.

Korean trade show begins June 16

Korea Trade Center, Dhaka (KOTRA) will hold a Catalogue Show of Korean plants, machinery and products on June 16 and 17 in its office from 10:00 am to 4:00 pm. The purpose of holding this show is to introduce Korean plants, machinery and products to local businessmen and entrepreneurs and to collect inquiries, opinions from them, says a press release.

Interested parties have been requested to contact KTC, PMP Plaza (2nd flr), 14, Kemal Ataturk Avenue, Banani, Dhaka-1213. Tel: 604866, 603012. Tlx: 642417 KTC BJ Fax: 880-2-883068.

Coal Asia's biggest polluter: ADB

MANILA, June 6: Asia's main source of energy is also the continent's main pollutant, the Asian Development Bank (ADB) said in a report released here today, reports AFP.

China and India, the world's two most populous countries, derive 75 and 60 per cent of their energy needs respectively from coal, a major pollutant, the "Environmental Considerations in Energy Development" Report said.

Snippets

Bogus offers for Singapore companies

SINGAPORE, June 6: Singapore companies were getting bogus offers from Nigeria to transfer large sums of money into foreign bank accounts, press reports said on Wednesday, reports AFP.

The Business Times said the letters were signed by different people but the amount of money varied.

The newspaper said it received two copies of such letters, one asking for help in transferring 60 million Singapore Dollars (34 million US) and the other, 37 million Dollars (21 million US).

Iraq to pay for self weapons' destruction

UNITED NATIONS, June 6: Security Council members meet informally Wednesday to discuss a draft resolution that would make Iraq pay for the scrapping of its own weapons of mass destruction and give the United Nations an open-ended deadline to get rid of them, reports Reuter.

Diplomats said the draft, broadly approved by the five permanent members of the Council, would also call for voluntary contributions from member states to pay for the daunting task of destroying

Boeing Co asked for new jumbo jet

SAN FRANCISCO, June 6: United Airlines has asked Boeing Co to consider building a new jumbo jet capable of carrying 650 passengers, which would make it the world's largest commercial airliner, reports AP.

"As we look at the market, we think that there is a need for a bigger airplane," United Chairman Stephen Wolf said during a press briefing in Paris, where he was discussing the Chicago-based airline's business plans.

Wolf's remarks were reported in Wednesday's San Francisco Chronicle.

Week ends with thin trading at DSE

Star Economic Report

The week ended at Dhaka Stock Exchange (DSE) with thin trading on Thursday. But in volume terms transactions moved up slightly to 1,836 from Wednesday's 1,182. Traded issues valued Taka 2,42,743.00 compared with Wednesday's Taka 71,193.00.

Advancers dominated trading. And DSE All Share Price Index moved up to 291.8996 points from Wednesday's 291.6479.

Transactions involved twentyone stocks. Of them eight gained, one lost and twelve remained unchanged at their previous quoted prices.

Al Baraka Bank and Dhaka Vegetable advanced Taka 10.00 and Taka 3.00 to Taka 740.00 and Taka 133.00. Bengal Food and Chittagong Cement gained Taka 2.00 each to Taka 142.00 and Taka 146.00 respectively.

National Tubes moved up Taka 1.46 to Taka 105.46.

Tailu Spinning, Bata Shoe and 3rd ICB Mutual Fund advanced within the range between Taka 0.23 and Taka 1.00.

BGIC Insurance lost Taka 1.00 to Taka 111.00.

Quoted Prices of Traded Stocks

Table with columns: Stock Name, Price, Change. Includes Al Baraka Bank, Bata Shoe, Bengal Food, etc.

Exchange Rates

Table with columns: Currency, Rate, Date. Includes US Dollar, UK Pound Sterling, etc.

World credit crunch can be avoided, bankers say

OSAKA (Japan), June 6: Bankers appear more optimistic than government officials that a world credit crunch can be avoided, reports Reuter.

"I think the problem of the shortage of capital has been overstated," said Henry Kaufman, a former Vice Chairman of Salomon Inc who now heads his own consulting firm.

"It is a matter of common sense that demand for capital normally outstrips supply," he told international bankers meeting here.

Many top bankers gathered in Osaka for the International Monetary Conference which started on Monday and ends today appeared to agree. "I do not readily accept the claim that there is a global credit crunch which will retard recovery from recession and hinder revival in eastern Europe and the Gulf," said Sir John Quinton Chairman of Barclays Plc.

Finance Minister Ryutaro Hashimoto said capital scarcity was a major global problem, requiring serious consideration by the Group of Seven industrialised nations — Canada, the United States, Britain, France, Germany, Italy and Japan.

"Accelerated demand for capital is keeping world interest rates high," Hashimoto said.

Close cooperation between

the public and private sectors is needed to meet the needs of the Soviet Union, Eastern Europe and the Middle East, as well as developing nations, he added.

Large US fiscal deficits are another major drain on the world's capital resources crowding out needier nations, US Ambassador to Japan Michael Armacost said. His country must do more to get its financial house in order.

"We must save more, invest more, increase our productivity more rapidly," Armacost said "Asian nations such as Japan and Taiwan remain the most promising suppliers of capital, and an intense scramble for that capital will put US-Japan relations to new tests," he said.

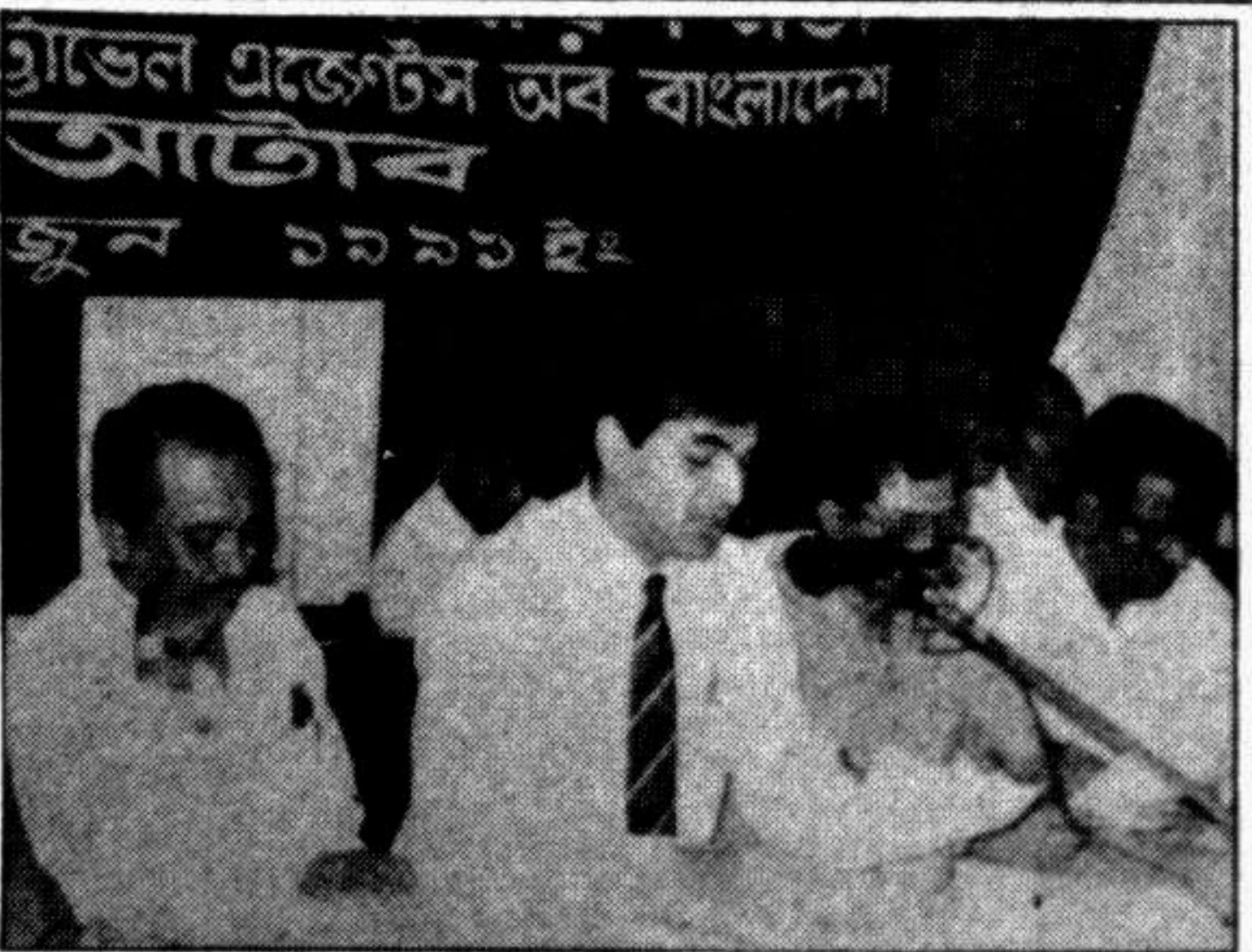
But bankers say the matter is largely a governmental problem requiring political solutions.

If governments wish to increase national savings to finance increased investment, their most effective course is to reduce their own budget deficits, said Quinton of Barclays.

Governments will have to lead the way in supplying funds to Eastern Europe and the Soviet Union, bankers said.

Governments and official agencies in the West have an important role to play in supporting (Eastern Europe's) painful transition to a market economy with adequate financing, particularly in the early stages when risks are very high, Quinton said.

A common view was that the Soviet Union and many other countries now seeking funds are not adequately prepared to receive them.



ATAB President Dr HBM Iqbal addressing the 14th annual general meeting of the association in Dhaka on Thursday.

Government of the People's Republic of Bangladesh Bangladesh Telegraph and Telephone Board Office of the Director Procurement, Telephone Exchange Building Sher-e-Bangla Nagar, Dhaka-1207. Clarification of International Tender Notice Subject: Clarification of International Tender Notice No DP/F-49/IR/90-91/3 dated 22-05-91 for Design, Supply, Installation, Erection and Commissioning of Microwave Tower at Chittagong on Full Turn-Key basis.