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BUSINESS

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US rating agency downgrades Pakistan

NEW YORK, June 2: The US agency Standard and Poor's on Monday announced it was downgrading Pakistan's foreign currency ratings in response to US sanctions imposed on the country following its nuclear testings, reports AFP.

The agency also said its long and short-term ratings would remain on its "creditwatch" listing — where they were placed on May 22 — with negative implications.

Pakistan's long-term foreign currency and senior unsecured ratings were downgraded to single-B-minus from single-B-plus.

Short-term foreign currency ratings went from single-B to single-C.

"Sanctions imposed by the United States and others in response to the nuclear tests conducted last Thursday and Saturday by Pakistan's military may curtail official credit, which constitutes over 80 per cent of the republic's 30 billion dollars of medium-and long-term external debt finance," according to Standard and Poor's. It warned that the amount of official credit expected this year by Pakistan — about 2.5 billion dollars — "is now likely to drop sharply."

The agency cited anticipated delays in disbursements from the International Monetary Fund, the World Bank, the Asian Development Bank and Japanese Overseas Development Assistance.

With contingency financing arrangements unlikely to bridge the resulting gap, Pakistan will be forced to curb official development spending, capital goods imports, and investment activity," the agency warned.

Pakistan is further weakened by a low level of net international reserves, according to Standard and Poor's .

Central bank reserves — including gold — stand at two billion dollars, equivalent to only 20 per cent of total external debt coming due this year.

Pakistan's general government deficit should exceed five per cent of gross domestic product this year, as growth falls off sharply and trade finance becomes scarce, the agency predicted.

It added that the country's "precarious" external financial position was also reflected in a decision by the government to freeze 13 billion dollars in resident and non-resident foreign currency deposits, which it said could discourage capital inflows and lead to capital flight.

Pakistani stocks plunge further

KARACHI, Jun 2: Share prices on the Karachi Stock Exchange resumed their plunge today, giving up 4.3 per cent on selling by foreign fund managers unnerved by Pakistani and Indian nuclear tests, reports AFP.

The KSE-100 index fell 38.64 points to 872.80 after crashing 12.47 per cent the previous day.

The index dived 128.76 points Monday to close at 911.44 as investors took their first chance to react to Pakistan's nuclear tests in the previous week. The market reopened Monday after a three-day break.

Analyst Abid Reza said foreign fund managers were offloading their portfolios in panic, taking share prices of leading Scripps down to new lows.

He said state-run oil company Pso fell five rupees and British-based power company Hubco 1.50 rupees.

BIBM course on "project financing" ends

A course on "Project Financing' conducted by Bangladesh Institute of Bank Management (BIBM) concluded yesterday. The course aimed to provide an in-depth exposure to project financing.

The course also dealt with the techniques of effective monitoring, supervision, follow-up and recovery of project loan. The course contents, inter alia, included pre-investment analysis of a project, technical aspects of sanctioning of loan, recovery of credit, identification of sick projects etc.

Dr. Muinul Islam, Director General, BIBM, told the concluding session that the subject matter offered in the course would help develop practical knowledge in regard to project financing in the age of high inflation and fast changing price situation. He laid importance on maintaining financial discipline and ensuring adequate flow of finance to projects for rapid economic growth of the country. He particularly emphasized that the technicalities as well as the political economy issues should get equal importance in dealing with project analysis.

Participants were drawn from different banks and financial institutions. Sharmin Morium and Md. Liakat H. Moral, members of BIBM faculty, jointly coordinated the course.

$ 65.3b budget aims to counter sanctions with increased FDI

India vows to 'compete with the world and win'

NEW DELHI, June 2: India's government, braced for international sanctions following its recent nuclear tests, pledged Monday to lure more foreign investment to help it weather the storm, reports AFP.

Finance Minister Yashwant Sinha, unveiling a maiden budget of 65.3 billion dollars, told parliament that India would shrug off sanctions with the help of higher inflows of foreign capital.

His proposals, he said, like the nuclear tests last month, would be a defining moment in history.

"This budget is rooted in *swadeshi* (economic nationalism).

"*Swadeshi* does not mean isolation, it means making India strong and self-reliant so we can compete with the world and win.

He said "some of our friends abroad have reacted negatively" after India's nuclear tests on May 11 and 13, but he was "not daunted by the situation."

"We know already a new India is rising... May 11 was surely the first step, today is another. History will prove we have now begun to build a new India."

The United States and Japan have led the way by announcing sanctions against India following the tests, which sparked tit-for-tat tests in neighbouring Pakistan.

Several nations, however, including Russia and France, oppose sanctions.

Earlier New Delhi anticipated sanctions could cost the country up to 20 billion dollars, although other commentators put the likely damage much lower.

Sinha said the coalition government, led by right-wing Hindu nationalists who came to power in March, would be happy to accept help from abroad to revive its flagging economy.

The minister conceded that India faced major problems, with the fiscal deficit rising to more than 6 per cent of gross domestic product and export growth falling.

The rupee, caught up in regional currency turmoil, has fallen almost 17 per cent in the past eight months.

Sinha said he hoped to reduce the fiscal deficit to 5.6 per cent or 22.2 billion dollars, adding: "it will be our objective to create conditions in which foreign investors will find India an attractive investment destination.

"We hope to double the inflow of foreign direct investment within two years."

Sinha's measures, however, failed to impress stock markets, with Indian shares plunging almost two per cent immediately after the speech.

The 30-shares Bombay Stock Exchange sensitive index plunged 72 points, or 1.9 per cent, to 3,722.38 points.

Sinha also told parliament that India remained committed to developing its civil nuclear industry before announcing a 14 per cent increase in defence spending to 10 billion dollars.

The budget also focussed on reviving agriculture, which employs 64 per cent of India's workforce and contributes 29.4 per cent of gross domestic product.

Sinha said funds for agriculture would be increased by 58 per cent to stem a recent decline in food-grain output.

He pledged to restore the momentum of industrial growth and revive capital markets, as well as concentrating on the development of India's infrastructure.

Parliament was told there would be no increase in taxes to pay for its plans although the tax net would be widened to increase revenues.

The government would also slash its shareholding in public sector enterprises.

He said government holdings would be reduced to 26 per cent. He also said India's massive state-run insurance market would be opened up to private Indian firms. Foreign companies are lining up, hoping to be allowed into the market later.

Stocks plunge by 4 pc

Another report from Mumbai say: Indian share prices plunged four per cent Monday after the unveiling of the national budget.

The 30-shares Bombay Stock Exchange sensitive index was down 150.03 points, or four per cent, to 3,642.35 at closed of trade, wiping out earlier gains.

The index had soared almost three per cent to 3,794.38 points earlier in the day before a special two-hour session was staged after the budget speech, in which Finance Minister Yashwant Sinha unveiled a budget of 65.3 billion dollars.

Stockbroker Gaurav Sanghvi said: "The budget had nothing very special for the market. So prices are down. There is a lot of selling across the board, particularly in blue-chip stocks."

The index had risen earlier on hopes of cuts in capital gains tax and of concessions to selected industries.

Stockbroker Ajit Ambani said the budget had some good points but added: "expectations on cuts in capital gains tax, on allowing companies to buy back shares, have not been met with.

"The budget is a mixed bag. It is protectionist to some extent, but does not go the whole way. It is reasonably good for industry, but the raising of domestic taxes on petrol, vehicles and other products have been negatives," he said.

Rupee weakens

The Indian rupee weakened in early trade today with the market anticipating increased corporate demand for dollars a day after the national budget, a dealer said.

The rupee opened at 41.73 to the dollar, the same as Monday's close, but fell within 30 minutes to 41.76 to the dollar.

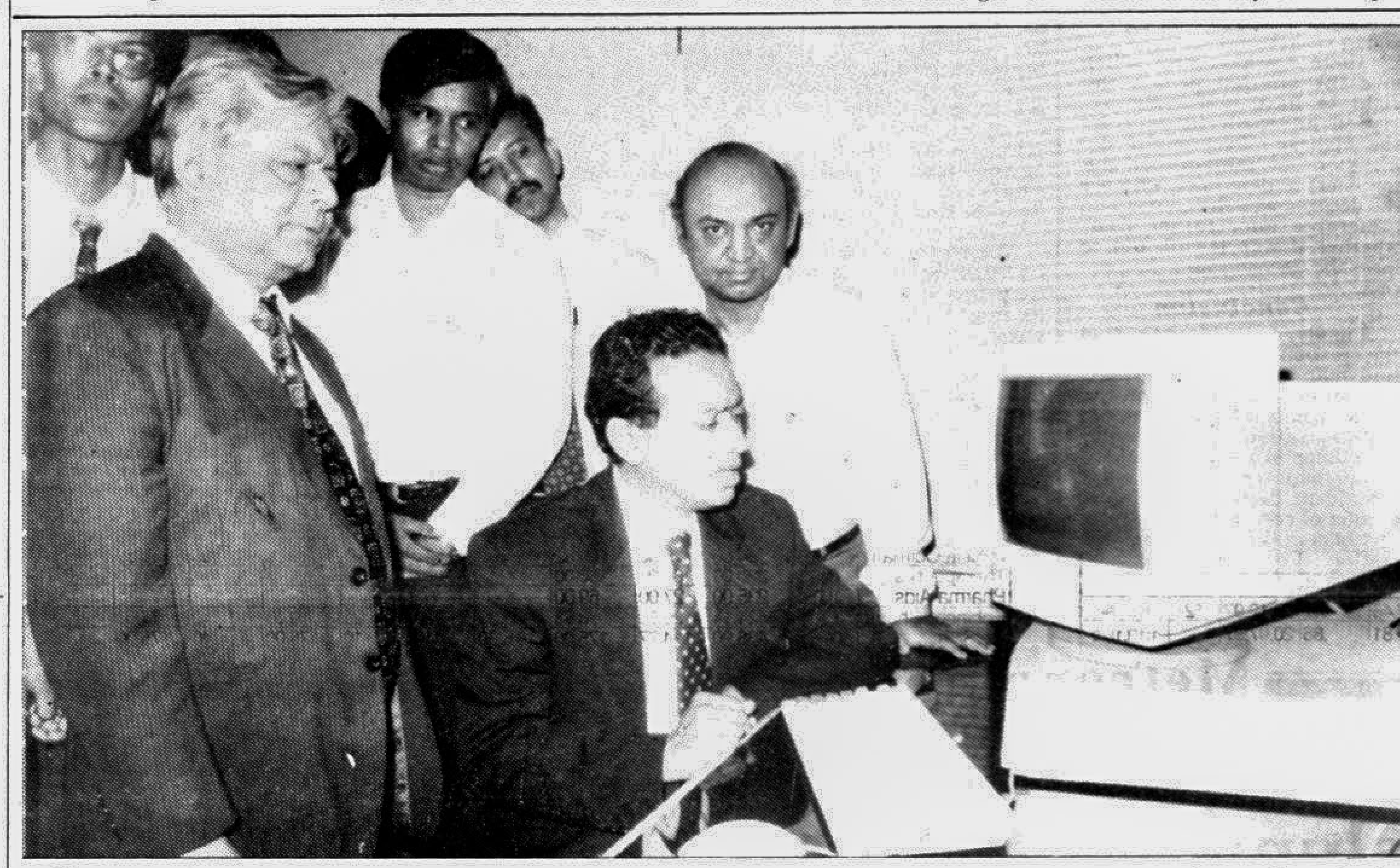
Dealer Pradeep Sharma, at foreign exchange and travel house Thomas Cook, said, "we expect demand for dollars to come in today from companies.

"The rupee is on a one-way path, downwards, and the government does not seem like taking action to stem the fall. Their view perhaps is that a weaker rupee is good for exports," he said.

Sharma did not expect any immediate jump in foreign investments in the wake of the budget.

"Foreign investor perceptions will be based on the impact of the US and Japanese sanctions in the wake of last month's nuclear tests and so they would wait for about three months before taking any investment decisions, he said.

Monday's close of the rupee was a historic low and the currency, caught up in regional turmoil, has fallen almost 17 per cent in the past eight months.



GOING GLOBAL WITH A BIG BANG: CSE president Amir Khosru Mahmud Chowdhury, MP, puts the much-awaited automated trading on line at its Dhaka office yesterday. CSE director and chairman of the trading committee Syed Mahmudul Huq and CEO A G M Shamsul Kamal look on as Chowdhury presses the computer keys to formally launch the wide-area network facility from three major cities simultaneously. The Chittagong bourse becomes the third stock exchange in South Asia to have the state-of-the-art technology that also gives overseas customers an easy access to the country's capital market. —Star photo

Canadian firms keen to invest in Bangladesh

The Canadian companies have shown keen interest to invest in Bangladesh in view of excellent investment opportunities existing here, reports BSS.

According to a press release of Board of Investment (BOI) yesterday Canada is considering to invest in Bangladesh's power, gas, software, infrastructure and agro-based industrial sectors.

Some leading Canadian companies met BOI Executive Chairman Farooq Sobhan in this connection in Montreal and Toronto recently, the press release said.

Addressing a seminar in Toronto on 'trade and investment opportunities in Bangladesh,' Farooq Sobhan highlighted the prospects of investment in Bangladesh through a multimedia presentation.

"Bangladesh offers preferential market access to over one billion persons in South Asia— a market that will become a free trade area after 2001," he told the seminar.

A big turn out of captains of leading Canadian companies was seen during the seminar held on May 31, the seminar was also addressed, among others, by Bangladesh High Commissioner to Canada Aminul Islam, Vice-President of the Bank of Nova Scotia Mark Green, Johanne Scrafin of Industry Canada, Lisa Parker of Export Development Corporation of Canada and Laurie d'Souza of Ontario International Trade Corporation.

Canada is assisting Bangladesh Railway through an investment to the tune of 250 million US dollars, the press release added.

Indonesia posts 5.24 pc inflation

JAKARTA, Jun 2: Indonesian consumer prices rose by 5.24 per cent in May compared to April, the Central Bureau of Statistics said yesterday, reports AFP.

Figures released by the bureau said food prices rose 3.90 per cent in May, processed food and cigarette prices went up 4.00 per cent, housing prices increased 4.14 per cent, clothing 4.53 per cent, health 2.40 per cent and education and recreation 1.41 per cent.

Transportation and communication costs shot up 17.25 per cent in the month.

The Central Bureau of Statistics has since April 1 used a new method to calculate CPI that includes prices in more towns and in more categories.

Cumulative inflation for the first two months of fiscal year 1998-99 that started in April stood at 9.94 per cent.

'Power demand to be met by '99'

CHITTAGONG, June 2: Post and Telecommunications Minister Mohammad Nasim has said the forthcoming budget will be framed with the basic objective of achieving self-reliance in all spheres of national life by reducing dependence on foreign assistance, reports BSS.

Addressing a fresher's day function at the University of Science and Technology Chittagong (USTC) today as the chief guest, the minister said the highest allocation in the coming budget will be earmarked in the education sector.

Touching various aims and objectives of the present government, the minister said Bangladesh is blessed with vast prospective natural and mineral resources like gas, oil, limestone, tourism and manpower and it can emerge as a developed country of this region like Singapore and Sri Lanka.

But due to lack of proper and effective planning we could not make any remarkable progress by exploitation and utilisation these natural resources even after 25th year of independence, Nasim said.

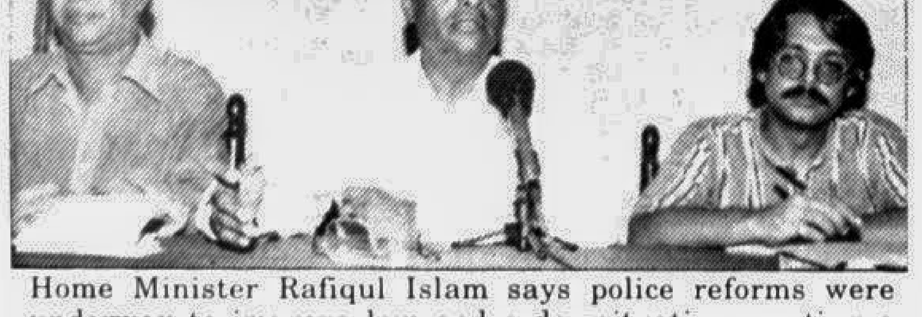
Chaired by National Prof and founder President of USTC Prof Nurul Islam, the function was addressed, among others, by Chittagong City Mayor Alhaj ABM Mahiuddin Chowdhury, Rector of the University Prof Shamim Jahangir and Project Director of the BBA programmes Prof Anwarul Azim Arif while syndicate member and renowned freedom fighter Nur-e-Alam Siddiqui was present.

The minister said when the present government came to power it identified four issues on priority basis for expediting the development process.

Referring to the power crisis in the country, the T and T Minister said, "as a minister of the responsible and accountable government we did not try to conceal the power problem in the country," but he said the present government has relentlessly striving to overcome this problem inherited and accumulated by the past government.

In this context Nasim emphatically said that international tenders have already been invited for setting up of barge-mounted plants and the country will be able to meet the demand of power by next one and a half year.

Referring to the revolutionary change in free flow of information throughout the world the minister said Bangladesh has also entered into that information technology



Home Minister Rafiqul Islam says police reforms were underway to improve law and order situation creating a better climate for economic activity. The picture shows the minister flanked by OCAB president Zaglul A Chowdhury and general secretary Nadeem Qadir at a meeting with foreign correspondents in Dhaka on Monday.

Asian stocks fall as yen weakens

HONG KONG, Jun 2: Markets fell sharply in Hong Kong and elsewhere in Asia on Tuesday because of the weakness of the Japanese yen and fears that the whole region was heading toward another long bout of bad economic news, reports AP.

Hong Kong's Hang Seng index, which has been on an extended losing streak since getting the word last week that the economy was heading toward recession, shed 156 points by midday. That came on top of other large losses in the past week — 3.8 per cent, or 322 points on Monday, and more than five per cent last Wednesday.

Manila also was sharply lower. Singapore fell after opening higher. In currency markets, the Thai baht reached an 11-week low of 42.20 to the US dollar. Tokyo's main stock index rebounded from Monday's large loss, but analysts said there was not much steam in the rally. The yen continued its fall.

After the government announced last Friday that Hong Kong's economy shrank two per cent in the first quarter, institutional investors expect declines in the earning of blue-chip companies, said Kenny Tang, research manager at Tung Tai securities.

He also cited skepticism in the market that a seven-point government programme would have much of an effect. It includes plans to streamline residential mortgage programmes, improve bank liquidity and boost tourism.

Hong Kong's chief civil servant, Anson Chan, said the measures needed time to work. Speaking before leaving on a trip to Japan and the United States, she also reiterated that officials were "very confident that our medium to long-term prospects are good."

Nearly a year into Asia's economic problems, Hong Kong is just now beginning to feel strong effects. Unemployment is at a 14-year high, and in the all-important property market prices have fallen about 40 per cent.

Hong Kong's main air carrier, Cathay Pacific also is feeling the effects.

The bad news was not limited to Hong Kong. The fall in the Thai currency was tied to fears over Japan's economy. Japan is Thailand's largest creditor, and recession in Japan could slow recovery in Thailand.

In Manila, the main index fell 2.5 per cent to a four-month low on fears of a regional recession. Singapore's Straits Times index opened higher, but slumped 1.2 per cent by its midday close.

Taiwan's markets stabilized after a rough ride on Monday.

Tokyo's Nikkei index rebounded after losing almost 350 points, or 2.2 per cent, on Monday because of worries about the Japanese economy. It was up almost 100 points in early afternoon trading, but traders said there appeared to be few reasons for it to go much higher.

The US dollar was trading at 139.52 yen, up about 0.4 yen late Monday in Tokyo. Traders said the dollar could easily break above 140 yen, and perhaps to 142 in the near future.

Unemployment in Indonesia

JAKARTA, June 2: The number of unemployed in Indonesia will rise this year to 15.4 million, or 17.1 per cent of the 90 million workforce, Manpower Minister Fahmi Idris said today, reports Reuters.

A severe contraction in the economy this year, estimated at about 10 per cent by the government's Central Bureau of Statistics, would lead to lay-offs while there would be a lack of employment opportunities for new entrants to the job market, Idris told reporters.

The 13th AGM of IDLC

Exchange Rates

American Express Bank Ltd foreign exchange rates (indicative) against the Taka to clients

Currency	Selling TT & OD	Buying TT Clean	Selling BC	Buying OD Sight	Buying TT & OD
USD	46.5050	46.1100	46.5450	45.9570	45.8850
GBP	76.5705	75.2285	76.6363	74.9788	74.8614
DEM	26.2310	25.7972	26.2536	25.7116	25.6714
JPY	0.3352	0.3289	0.3355	0.3278	0.3273
FRF	7.8703	7.6469	7.8771	7.6215	7.6096
SAR	12.4332	12.2604	12.4439	12.2197	12.2005
MYR	11.8938	11.7928	11.9040	11.7537	11.7352
AED	12.6969	12.5193	12.7078	12.4778	12.4583
KWD	157.8995	145.6872	157.0344	145.2038	144.9763
QAR	12.8106	12.6287	12.8216	12.5868	12.5671

USD Usance Export Bill Buying Rates:

TT Doc	30 Days	60 Days	90 Days	120 Days	180 Days
46.0112	45.7258	45.3415	44.9573	44.5730	43.8045

US dollar London Interbank Offered Rate (LIBOR) as of June 2, 1998

	Buying	Selling	Currency	1 Month	3 Months	6 Months	9 Months	12 Months
Cash	45.8850	46.5050	USD	5.65625	5.6875	5.75	5.78125	5.84375
TC	45.8850	46.5050	GBP	7.4375	7.5	7.5	7.5	7.5

Exchange Rates of some Asian currencies against US dollars

Indian Rupee	Pak Rupee	Thai Baht	Malaysian Ringgit	Indonesian Rupiah	Korean Won
41.70/41.95	44.45/44.49	41.92/ 42.02	3.91/3.96	11500/ 11800	1401/ 1406

Amex notes on Tuesday's market

Demand for US dollars in the local foreign exchange market was very high on Tuesday. The supply situation worsened as inward remittances were low keeping the pressure on the USD.USD/BDT traded mostly within a range of 46.4650 to 46.4750.

Call money market slid to a range between 8.75% and 9.75%.

In the International market, US dolllar was soft against the Japanese yen. After declining from the overnight high of 139.80, it was mostly around 139 level in late Tokyo on Tuesday.

The greenback was supported by heavy buying pressure from Japanese investors. The yen's upward move were limited after the yield of Japanese government bond reached a record low.

The market was cautious about possible Bank of Japan intervention and reported meeting of G7 Deputy Finance Ministers in the second week to discuss Russia and forex to halt the yen's fall against the dollar. The dollar was higher against the German mark, as mark came under pressure regarding concerns about Russia.

At 1900 local time the majors traded against USD at 1.7804/09 DEM, 138.58/63 JPY, 1.6367/77 1.4800/10 CHF, 5.9659/64 FRF, and GBP at 6367/77 USD.

Jakarta recognises labour union

JAKARTA, Jun 2: Keeping up the pace of reform, the Indonesian government Tuesday formally recognized the legality of the country's largest independent labour union, suppressed before by ex-President Suharto's old regime, reports AP.

Manpower Minister Fahmi Idris told reporters the Indonesian Welfare Labour Union could now operate as a legal organization.

The union is headed by dissident Muchtar Pakpahan, one of four political prisoners released by the government in recent days.

"According to the labour laws, it meets all criteria to exist," the minister said of the union after talks with new President BJ Habibie.

Habibie, formally Suharto's deputy, replaced the 76-year-old autocrat on May 21 after the nation of 202 million people was rocked by rioting and protests, sparked by the worst economic crisis in 30 years.

In his brief time in office, Habibie has promised to make big economic and political changes, most notably a plan to liberalize the tightly controlled political system and to hold elections in 1999.

During Suharto's era, human rights groups regularly criticized Indonesia for suppressing workers' rights and allowing bosses to pay unfair wages. Many employees were also forced to work in sweatshop conditions.

Until his releases last week, Pakpahan had been serving a three year sentence for allegedly organizing a workers' riot on the island of Sumatra in 1994. Since his release, other charges of subversion against him have been dropped.

WB, ADB pledge to provide $ 620m in loans to Vietnam

HANOI, June 2: The World Bank and the Asian Development Bank have pledged to provide 620 million dollars in loans for projects to ease Vietnam's chronic power shortages, the Vietnam Economic Times reported Tuesday, reports AP.

The World Bank will provide 350 million dollars for three projects, including 150 million dollars for Dai Ninh, a 300-megawatt hydroelectric plant in the central highlands province of Lam Dong, and 100 million dollars for improving efficiency of electricity delivery, the report said.

ADB will provide 150 million dollars for the Sesan 3 hydroelectric plant and 120 million dollars for a northern power distribution network.

The loans are for the 1998-2000 fiscal years.

Vietnam has been running into regular power shortages each year, particularly during the dry season, as it increases industrial production.

The problems have been underscored by the worst drought this century, which have hampered the hydroelectric plants that supply the bulk of the country's power.

The drought has eased in recent weeks with the onset of the rainy season, and rotating power cuts that had been imposed nationwide are being dropped.

IDLC approves 30pc dividend

Star Business Report

The shareholders of Industrial Development Leasing Company of Bangladesh Limited (IDLC) have approved a proposed 30 per cent dividend for the fiscal year 1997.

The approval was given at the company's 13th Annual General Meeting held at a city hotel yesterday, the company said in a press statement.

The shareholders also appreciated the operational and financial performance of the company during the period under review.

The meeting was attended by respective directors nominated by both local and foreign sponsor institutions as well as public shareholders.

Earlier at the meeting, the Managing Director, M Aminul Islam, presented the directors' report and financial statements for FY 1997 before the shareholders.

IDLC continued to maintain its growth in terms of profit and lease volume. Total volume of lease contracts during 1997 amounted to Tk 947 million, an increase of about 5.1 per cent over the previous year.

The company maintained sectoral diversity to ensure balanced portfolio which is spread over transport, telecommunications, textile, chemical, pharmaceutical, service and other industrial sub-sectors.

The net profit of the company increased by about 11.9 per cent over previous year and stood at Tk 89.4 million.

Total lease assets (at cost) and equity at the end of 1997 stood at Tk 2,601 million and Tk 326 million respectively.

The primary objective of the company was to introduce leasing and broaden the investment base of the country.