

Asian currencies weaker against dollar

SINGAPORE, Dec 28: Asian currencies opened mostly weaker today in tandem with the lacklustre yen after a series of dismal government reports at the weekend highlighted Japan's deepening economic woes, reports AFP.

"Most of them are tracking the yen which fell because of the bleak economic outlook portrayed for the Japanese economy, including unemployment woes," said Alison Seng, analyst at US research house Standard and Poor's here.

It was reported on Friday that Japan's seasonally-adjusted jobless rate rose to a record 4.4 per cent in November, the highest since the government began compiling the data in 1953.

The yen dipped today to 116.80 against the dollar in Singapore compared with Tokyo's trading close of 116.15 on Friday.

The foreign exchange market here was closed for Christmas on Friday, apart from the normal weekend holiday.

The Singapore dollar fell today to 1.6597 against the US dollar from Thursday's close of 1.6590, the Philippine peso to 39.04 from 38.95, the Taiwan dollar to 32.260 from 32.243, the South Korean won to 1,209.00 from 1,206.30 and the Thai bath to 36.52 from 36.48.

The Indonesian rupiah rose up 7.825 against the greenback from 7.860.

## HK industrial output, exports decline

HONG KONG, Dec 28: Weaker demand for Hong Kong products led to a sharp decline in exports and industrial production, while the territory's trade deficit narrowed, the government said Monday, reports AP.

Exports fell by 9.3 per cent in November, compared with the same month last year, to 113.1 billion Hong Kong dollars (US \$14.5 billion).

The slackened demand for Hong Kong products took a toll on industrial production, which fell by 10.2 per cent in the July-September quarter, compared with the same period a year earlier.

Output of the food, beverage, and tobacco industries fell by 15.8 per cent. Basic metals and fabricated metal products' output also fell by 14.7 per cent. Production in the textile industry also fell sharply, by 13.2 per cent.

A government spokesman attributed the export decline to a plunge in demand from Japan, other East Asian economies hit by the regional financial turmoil, and, in recent months, a drop in European and US demand.

For the first 11 months of the year, exports fell 6.9 per cent and imports, hit by falling domestic demand, dropped 11 per cent, an economic report said.

Products that come in from mainland China — and then are re-exported elsewhere — were off by 8.2 per cent, while domestic exports fell by 15.8 per cent in the first 11 months of 1998. The Chinese-made products make up the majority of Hong Kong's exports.

Exports to mainland China also continued to fall, the government said.

Meanwhile, week domestic demand led to a smaller trade deficit of 74.7 billion Hong Kong dollars (US \$9.6 billion) in the 11-month period, compared with a 145.8 billion Hong Kong dollar (US \$18.7 billion) deficit in the same period last year, the report said.

The November deficit amounted to 700 million Hong Kong dollars (US \$89.7 million), or just 0.6 per cent of the value of imports.

The decline in industrial production was also partially due to the relocation of production to mainland China, the government said.

## Anglogold buys Minorco gold interests

JOHANNESBURG, Dec 28: South African firm Anglogold, the world's largest gold producer, has taken over the gold interests of international mining house Minorco for 550 million dollars, the company announced yesterday, reports AFP.

The acquisition comes into effect from December 31 and will add an estimated 800,000 ounces of gold to Anglogold's production, the group said in a year-end report.

A total of 350 million dollars of the purchase price would be met through a syndicated bank loan and the rest from the group's cash resources, it said.

Minorco's Gold Interests are spread in North and South America and include Pikes Peak Mining Company, which owns a 66.7 per cent stake in Cripple Creek and Victor Mine of Colorado Springs in the United States.

Minorco owns the entire shareholding of Morrovelo near Belo Horizonte, Brazil, and a 46 per cent stake in Cerro Vanguardia in the south of Argentina.

The acquisition is subject to approval by Anglogold shareholders and the South African Reserve Bank.

It is expected to decrease the company's earnings per share by five per cent and increase the net asset value per share by 10 per cent.

# Pak stock market may recover next year

KARACHI, Dec 28: Analysts expect Pakistan's stock market to stage a recovery in 1999 after a year in which it was buffeted by the Asian crisis and the country's own economic woes — including the fiscal fallout from May's nuclear tests, says AFP.

Foreign investors pulled an estimated 250 million dollars out of the market this year, they said. The Karachi Stock Exchange (KSE) 100-index fell from 1,750 at the beginning of the year to 950.

Now analysts said there were signs of a recovery.

They cited the agreement by the United States to reimburse 326 million dollars paid by Pakistan for undelivered F-16 Jets and an expected 5.5 billion dollar bailout package from the International Monetary Fund.

"I think these two factors coupled with good food and cash crops will increase the country's falling foreign exchange reserves and help the stock market," said Arif Habib, a former exchange president, said the most disturbing developments of the year were the Asian economic crisis, a follow-up by the atomic tests.

Declines in Southeast Asian stock markets triggered panic selling in Pakistan early this year, pushing the market down 12 per cent.

The nuclear tests in May, in response to India's, brought international sanctions and the suspension of loans from the International Monetary Fund.

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Brokers said most of the capital flight occurred between August and October as foreign investors used unauthorised means to transfer funds.

"These factors caused an outflow of more than 250 million dollars by foreign investors from the Pakistani stock market as the KSE-100 index fell by 45 per cent during the year," he said.

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Financial institutions, enterprises and individuals in China can accept and use the euro in economic, trade and financial exchanges with 11 members of the European Union, effective January 1, 1999, Xinhua reported.

"In addition, they can convert, use and open the euro accounts," it said.

Chinese officials have said the government may convert a proportion of its \$145 billion worth of foreign exchange reserves into the euro after the currency's Jan. 1 debut.

The 11 countries launching the common currency are Austria, Belgium, Ireland, Italy, Finland, France, Germany, Luxembourg, the Netherlands, Spain and Portugal.

Meanwhile, an AFP report says: Beginning on January 1, European monetary union will apply not just to metropolitan France but to its departments in far-flung corners of the earth as well.

The Caribbean Islands of Guadeloupe and Martinique, French Guiana on the South American mainland and the Indian Ocean Island of Reunion have the status of overseas department (DOM) and presently use the same money — francs and centimes — as metropolitan France.

The same is true of Mayotte in the Comoros archipelago and Saint Pierre and Miquelon off the coast of new found land in Canada, and on January 1 all will enter the euro-zone along with France.

The Pacific franc is presently worth 0.055 French francs and on January 1, the French authorities will be obliged to set a conversion rate for the Pacific franc against the euro.

Up to now, the role of the Bank of France, the French central bank in the DOMs, was exercised through the Overseas Department's Currency Emission Institute (IEDOM), the launch of the euro will turn IEDOM into a private subsidiary of the Bank of France.

The project has aroused the ire of the IEDOM staff, who say it poses a threat to jobs.

## China gives green light to euro

BEIJING, Dec 28: China made trading in the euro official Monday, announcing authorisation for the European Common currency's use in trade and financial dealings starting Jan. 1, reports AP.

The expected announcement from the central People's Bank of China and the State Administration of Foreign Exchange, carried by the official Xinhua News Agency, also authorised the opening of euro accounts.

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## ADB warns Philippines on corporate loan defaults

MANILA, Dec 28: The Asian Development Bank warned the Philippines on Monday that growing corporate loan defaults may pose a threat to the country's banking system, says AP.

In a country report, the ADB said a critical factor affecting the economy's ability to recover quickly will be the pace at which the health of the banking sector can be restored.

The ADB praised the way the government handled a labour dispute that nearly closed Philippine Airlines Inc. earlier this year, as well as its efforts to find an investor for the loss-making airline. But the ADB said the episode "highlighted the financial distress facing many corporate entities."

Since the currency turmoil broke in June 1997, companies continue to grapple with the burden of high interest rates.

The Manila-based bank noted the ratio of bad loans to total outstanding loans in the

banking system has risen from a pre-crisis level of 4 per cent to 10.5 per cent in August.

"A close watch over the growing number of non-performing loans will have to be kept so as to prevent declining asset quality from fatally infecting the banking and corporate sectors," the report said.

Some economists believe there will be a marked rise — possibly to 15 per cent — in the ratio of bad bank loans in the coming months, but the levels should fall from mid-1999 in step with an expected recovery in the broader economy.

Still, as a measure of the resilience of the Philippine economy, its bad-loan ratio is still considerably lower than the ravaged banking systems of neighbouring countries.

Indonesia's bad-loan ratio, for example, is around 75 per cent.

The ADB acknowledged that in contrast to other crisis-hit

countries in the region, there were no incidents of major bank failures or corporate bankruptcies until early 1998.

Another AFP report says: Asian economies remained the Philippines' top investors in 1998 despite the lingering effects of the financial crisis, official data showed here.

Data from Manila's Board of Investments (BOI) showed total investment from Asia in the eleven months to November jumped 98.9 per cent to 14.53 billion pesos (372.5 million dollars).

The agency noted a steady investment flow from Hong Kong, Thailand and Singapore, although investment from Malaysia fell slightly.

In contrast, investments from Europe dropped 86.9 per cent to 4.22 billion pesos (10.8 million dollars), the agency said.

Europe was the leading foreign investor in 1997.



Mechanics proudly surround the first "Indica" during the roll-out from the Tata plant in Pune, 140 kilometers (88 miles) north of Bombay on Saturday. The 1400cc Indica, India's first indigenously-developed passenger car manufactured by the Tata Group, the country's largest commercial vehicles manufacturer, is scheduled to hit the streets by the year-end. According to the company's chairman Ratan Tata, "the launch of Indica will lead all other car manufacturers to slash their prices."

— AP/UNB photo

## Japan acted too nonchalantly to weather recession'

TOKYO, Dec 28: The Japanese government admitted yesterday it had acted too nonchalantly in pulling the domestic economy out of a recession stemming from the burst of the "bubble economy" investment boom in the late 1980s, reports AFP.

It failed fully to anticipate the adverse effects of slow disposal of bad loans borne by financial institutions, the Economic Planning Agency said in a year-end report.

The government has instead "tried to reflat the economy under the lead of measures to stimulate demand, a prescription valid for a usual business slump," said the annual review of the Japanese economy.

A series of economic stimulus packages failed to produce expected results, while expanding budget deficits and dampening consumer sentiment, the report said.

In November, the government announced its biggest-ever stimulus package pledging to spend more than 23 trillion yen (200 billion dollars) and promising the world's second largest economy would soon grow again.

The plan brings to more than 100 trillion yen the amount Tokyo will have spent trying to revive growth since the collapse of the bubble economy in the early 1990s.

The burst of the bubble economy with sharp depreciation of asset values would have delivered a considerable blow to

the Japanese economy," the report said. "Even if the banking sector began disposing of their bad loans much more swiftly."

But reluctance on the part of the public and private sectors to admit failure has left the economy unable to pull out of recession this time as well, the report said.

Banks have also been slow in disposing of their bad loans in the absence of a system for disposal on an unprecedented scale, it added.

The report said the burst of the bubble has led to a combined capital loss of 840 trillion yen to Japanese businesses and households between 1990 and 1996.

The sum is about 1.7 times Japan's gross domestic product (GDP) in 1996.

This loss caused household spending to shrink an average 0.8 per cent every year between 1991 and 1993, and corporate capital spending by an annual average of 4.0 per cent from 1991 to 1997.

Altogether, the capital loss pulled down Japan's GDP growth rate by an average of around two percentage points each year between 1991 and 1993, the report said.

The negative effect on the GDP growth rate diminished to about 0.8 percentage points per year from 1994 to 1996, it said.

There is the possibility that declines in asset prices and reductions in general demand are occurring interactively," the report said.

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## Civil war, oil price slump

### Angola pushed further towards collapse

LUANDA, Dec 28: The virtual resumption of the civil war in Angola and the fall in the price of oil, the country's main resource, have pushed the national economy further towards collapse, reports AFP.

Officially classed as a "least developed country" by international agencies, Angola has failed to eliminate the effects