

Business confidence in Japan growing

TOKYO, July 5: In a sign of further optimism for Japan's recession-hit economy, the central bank said Monday that business confidence is growing among major manufacturers, reports AP.

In its closely-watched quarterly "tankan" survey, the Bank of Japan said sentiment among large manufacturers had improved since the last survey in March, recording its biggest advance since August 1994.

Optimism rose among small- and medium-sized manufacturers as well, marking the first time since November 1996 that the bank's index for measuring business sentiment jumped for companies across the board.

Companies were also upbeat about future business conditions, predicting they would improve by the time of the next survey in three months, the BOJ said.

The growing confidence comes amid a recent surprise growth spurt in the Japanese economy and a drop in the jobless rate.

Japan's gross domestic product — the measure of all

goods and services produced within its borders — expanded 1.9 per cent for the first quarter of the year after more than a year of recession.

Last month, the government announced that the unemployment rate fell to 4.6 per cent in May from a record high of 4.8 per cent the previous two months.

And on Friday, the Nikkei Stock Average rose 0.40 per cent to close at 17,932.47 points, the benchmark's highest finish since Sept. 29, 1997.

Masaru Takagi, a professor of economics at Meiji University, said the tankan results — up for the second survey in a row — prove the Japanese economy has hit bottom.

"We have entered the recovery process," he said. "Still, private demand remains weak so we can't be satisfied."

But other economists were less optimistic.

Ken Landon, a senior currency strategist at Deutsche Bank, pointed out that the survey showed large manufacturers were planning to slash

spending by 11 per cent this year, compared to a 9.5 per cent cut they estimated in the March survey.

Capital spending, he said, "went in the wrong direction."

To measure business sentiment, the tankan survey calculates the percentage of firms seeing business conditions improve minus the percentage seeing conditions worsen. A negative number means pessimistic corporations outnumber optimistic ones.

In the latest report, the index among large manufacturers reached minus 37 — still negative, but a higher number than in the previous survey, when the figure came to minus 47.

The index of business sentiment has not entered positive territory since September, 1997.

The bank surveyed 9,366 companies for the latest report. A central bank official estimated that about 80 per cent of the respondents answered the survey after the announcement of growth in the gross domestic product.

Japan's second extra budget may not be final fiscal fix

TOKYO, July 5: Japan is set to craft a second extra budget this business year to keep its economy on track, but the jury is still out on whether it will be a final fiscal fix, says Reuters.

Some optimists are betting that a revitalised private sector will be able to pick up the slack if the government shifts fiscal policy to neutral after compiling an extra 1999/2000 budget with perhaps four to five trillion yen [\$33 billion to \$41 billion] in fresh public works spending.

"Capital spending will hit bottom in January-March and then rise while private consumption stays flat," said Mamoru Yamazaki, senior economist at Paribas Capital Markets.

"There will be no need for a big package (after the second extra budget), and it is better not to have one since it would have a negative impact on interest rates," he added.

Others, however, say authorities will keep the spending taps open for another year at least and shut their eyes to a growing fiscal deficit to make a strong recovery is achieved.

They will wean themselves

gradually, but how gradually depends on how private demand fares next year," said Peter Morgan, an economist at HSBC Securities.

"There is no reason to say that this has to be the last one," said Morgan, who believes worries about Japan's deficit bulge are overdone given the nation's huge net foreign assets, big current account surplus and high domestic savings levels.

Japan's top economic planner on Sunday officially acknowledged what private economists have said for months: Japan will need a supplementary budget to fund fresh public works spending later this business year.

Economic Planning Agency chief Taichi Sakaiya said the extra budget, which would be on top of a supplementary budget of just over 500 billion yen already planned to fund steps to boost jobs and corporate competitiveness, was needed to fill a public works spending gap seen emerging in the first three months of 2000.

"We must take some sort of measures, more specifically, a supplementary budget, to fill this hole," Sakaiya told public

broadcaster NHK.

Japan turned in a stunning economic performance in the January-March quarter this year, posting annualised growth of 7.9 per cent. But authorities as well as private economists have warned that a recovery fuelled by private demand was not yet in sight.

Prime Minister Keizo Obuchi has pledged to achieve an economic growth target of 0.5 per cent growth, so they'll be getting out their calculators to figure out how much push is needed to achieve it after they see the April-June GDP (gross domestic product) numbers," Morgan said.

A closely watched Bank of Japan (BOJ) survey released on Monday showed corporate sentiment had improved for a second straight quarter, but gave no clear clues as to whether the economy was actually pulling itself out of its worst postwar recession.

Corporate sentiment in the BOJ's June "tankan" survey improved to minus 37 reading from the minus 47 logged in the last survey in March. Large non-manufacturers posted minus 28, up from minus 34 in March.

The tankan subtracts the percentage of firms reporting unfavourable business conditions from those reporting favourable conditions.

Both figures were in line with private forecasts, but were not so bullish as to fan speculation that the Bank of Japan would abandon its ultra-easy zero interest rate policy.

Some analysts said compa-

nies could turn gloomier again later this year, given the deflationary impact of restructuring and the fact that much of the economy's improved performance has been due to public spending and loan guarantees for smaller firms.

Al Baraka Bank

earns Tk 76m

profit in 1998

Star Business Report

Al Baraka Bank Bangladesh Ltd earned a profit of Tk 76.28 million in 1998, says a bank press release.

This was disclosed at the 33rd meeting of the board of directors of the bank held at its board room Thursday.

The board also approved the annual accounts of the bank for the year.

Besides, some important decisions relating to the bank's operations were also taken in the meeting.

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The 33rd meeting of the Board of Directors of Al-Baraka Bank Bangladesh Ltd held at its Head Office.



Shoppers browse during a summer bargain sale at Printemps Ginza department store in Tokyo on Monday. Japan's business confidence leap forward in the three months to June, with the Tankan index released by the Bank of Japan for large manufacturers recovering to minus 37 from minus 47.

Exchange Rates

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

Currency	Selling TT & OD	Selling BC	Buying T.T. Clean	Buying OD. Sight Export Bill	Buying OD Transfer
US Dollar	48.7300	48.7700	48.3200	48.1570	48.0860
Pound Stg	77.1152	77.1785	75.9949	75.6787	75.5656
Deutsche Mark	25.8670	25.8882	24.8990	24.7995	24.7625
Swiss Franc	31.1374	31.1629	30.6599	30.5965	30.5108
Japanese Yen	0.4011	0.4014	0.3942	0.3928	0.3922
Dutch Guilder	22.9574	22.9763	22.0982	22.0100	21.9771
Danish Krone	6.7493	6.7548	6.5984	6.5761	6.5663
Australian \$	32.9805	33.0075	31.7124	31.6054	31.5582
Belgian Franc	1.2541	1.2562	1.2072	1.2024	1.2006
Canadian \$	33.6254	33.6530	32.6509	32.5407	32.4921
French Franc	7.7126	7.7190	7.4240	7.3943	7.3833
Hong Kong \$	6.2924	6.2975	6.2150	6.1940	6.1847
Italian Lira	0.0261	0.0261	0.0252	0.0251	0.0250
Norway Krone	6.1957	6.2008	6.0909	6.0704	6.0613
Singapore \$	29.0163	29.0401	28.0665	27.9917	27.9499
Saudi Rial	13.9301	13.9408	12.8487	12.8053	12.7862
UAE Dirham	13.3044	13.3153	13.1197	13.0755	13.0559
Swedish Krona	5.7437	5.7487	5.6700	5.6508	5.6424
Qatar Riyal	13.4279	13.4390	13.2365	13.1919	13.1722
Kuwaiti Dinar	164.4617	164.5967	152.4290	151.9148	151.6877
Thai Baht	1.3211	1.3222	1.3028	1.3028	1.3008
Euro	50.9515	50.6330	48.6981	48.5037	48.4312
Bill buying rates					
TT Doc	30 Days	60 Days	90 Days	120 Days	180 Days
48.2112	47.9074	47.5048	47.1023	46.6997	45.8945
US dollar London Interbank Offered Rate (LIBOR)					
Buying	Selling	Currency	1 Month	3 Months	6 Months
48.0850	48.7300	USD	5.18375	5.31000	5.58688
48.0850	48.7300	GBP	5.09313	5.16078	5.29469
Cash/TC	Cash/T	Euro	2.63313	2.66168	2.64375
Exchange rates of some Asian currencies against US dollars					
Indian Rupee	Pak Rupee	Thai Baht	Malaysian Ringgit	Indonesian Rupiah	Korean Won
43.292	51.470	36.880/3	3.7995/3.8005	6700/6750	1162/1162.6

Amex notes on Monday's market

The USD/BDT rates maintained its position of yesterday at 48.65-48.67 level. The supply of USD has remained steady, and the demand has somewhat decreased. However, market makers continue to support USD at 48.6500 while the resistance at 48.6900 is unlikely to breach anything soon.

The government has taken 1-bills worth BDT 711 crores yesterday. This is likely to push the call rates up as 1-bills worth BDT 212 crore are likely to mature today. The market makers are likely to push the rates up a little in the morning. The expected level is 8.5-9 per cent.

The Bank of Japan (BOJ) was detected intervening in the currency markets early in the Tokyo morning after the release of the central bank's closely watched "tankan" corporate sentiment survey. The BOJ may have intervened from levels below 121.50 yen to around 121.80 yen. The central bank was seen buying continuously near 122.10/20 yen, chasing the greenback to around 122.35 yen. Senior Finance Ministry official Haruhiko Kuroda confirmed that Tokyo authorities had acted in the foreign exchange market on Monday morning. A second wave of intervention came early in the Tokyo afternoon after the dollar faltered below 122 yen, with the BOJ apparently buying from around 122 yen to around 122.50 yen. The central bank buying helped push the dollar to a high of 122.72, above the previous post-intervention high of 122.55 yen on June 21. Market makers assume that the BOJ clearly wanted to lift the dollar after it failed to rise above its key resistance at 122.50 yen in the first round. If the BOJ had failed to intervene, the dollar would have slid back again.

The euro was at \$1.0224/28 by 1450 GMT, off a high of \$1.0252 seen after the euro bounced from a low of \$1.0210. In late European trade on Thursday, the euro was at \$1.0237/42. The euro has fallen by nearly 16 per cent against the dollar since its peak of \$1.1906, reached a few hours after its launch in January. With a better outlook for European growth an end could be in sight for the euro's long-term downturn. The euro was last at 123.93/96 yen, after visiting is near two-week low at 123.51 yen set on Thursday during the euro's earlier bout of weakness.

The pound limped back toward the middle of the week's range against the dollar after dipping 23-month lows below \$1.157 on Friday, pressured by the dollar's broad strength against European currencies. Sterling traded at \$1.5764/74 at 1430 GMT against an early touch of \$1.5699 — its lowest level since August 1997 — and \$1.5772/82 late in Thursday European trading.

Around 0651 GMT exchange rates of major currencies against USD were GBP/USD 1.5774/79, USD/SFR 1.5884/94, USD/JPY 122.40/45, EUR/USD 1.0223/44.

British pay settlement edges lower

LONDON, July 5: British pay settlements edged lower in the three months to end June, with more than a quarter of new deals worth below three per cent, wage experts Incomes Data Services said today, says Reuters.

That proportion was up from 15 per cent in January, said IDS, adding the number of deals at four per cent and above was diminishing.

IDS added around half of recent settlements were between 2.0 and 3.4 per cent — still above Britain's headline inflation rate of 1.3 per cent.

It said neither pay settlements nor average earnings figures had shown any upward blip as a result of the introduction in April of a statutory minimum wage. It was set at 3.60 pounds an hour for adults and 3.00 pounds for 18-25 year olds.

The government would maintain "high prices" for purchasing high-quality grains from farmers and stabilise prices paid for other farm products, he said.

Stagnant farm incomes have frustrated Beijing's hopes to stir up consumption in rural areas.

The commission would prevent industrial firms from dumping their products on the price-war-plagued market, Wei said.

"Pricing supervision will be strengthened to crack down on the abuse of monopoly power and protect fair competition."