

Roaring growth, wage pressure fan US rate hike fears

WASHINGTON, Apr 28: A one-two punch from accelerating US wage pressures and roaring economic growth, revealed in two key government reports yesterday, jolted financial markets fearing big interest-rate rises ahead, says Reuters.

With little evidence that the Federal Reserve's five quarter percentage-point rate rises since last June were curbing growth and inflation risks, analysts cited a growing chance the US central bank might move into higher gear.

The Labor Department said its closely watched Employment Cost Index (ECI), a broad gauge of what employers pay in wages, salaries and benefits, jumped 1.4 per cent in the January-March quarter, building on a 1.0 per cent rise in the last quarter of 1999 for its biggest quarterly gain in more than 10 years.

Separately, the Commerce

Department said a consumer spending binge sped up and businesses invested heavily, driving the economy ahead at a continuing vigorous pace.

Gross domestic product (GDP), the value of all goods and services produced within US borders, expanded at an annual rate of 5.4 per cent in the first quarter. Though that was down from 7.3 per cent in the fourth quarter last year, it remained far above levels at which the Fed considers the economy can grow safely without risking a flare-up in wages and prices.

In fact, a key price gauge in the GDP report that measures personal consumption expenditure rose at a 3.2 per cent annual rate in the first quarter — the strongest quarterly increase since 3.5 per cent in the third quarter of 1994.

Stiff rises in prices for imported oil pushed the price index up, and pay raises for fed-

eral government employees contributed, Commerce Undersecretary Robert Shapiro said that excluding these special factors, the rate of price rises in the first quarter was far less threatening.

Both sets of figures sent shivers through world financial markets where many investors had already wondered whether the Fed will adopt a more aggressive strategy, possibly hiking rates by a half percentage point.

"Instead of jobs, the Fed may have to go with a sharp upper cut," warned economist Oscar Gonzalez of John Hancock Financial Services Inc. in Boston.

A poll by Reuters of primary dealers — big Wall Street houses that deal directly with the Fed — found 12 of 29 predicted a 50-basis-point rise in the federal funds rate to 6.50 per cent when Fed policymakers next meet on

May 16.

Inflation-sensitive US Treasury bond prices suffered, with prices for the key 30-year bond closing down 16/32 of a point as its yield climbed to 5.99 per cent from Wednesday's close of 5.95 per cent.

Share prices were again volatile. The Dow Jones industrial average, off nearly 200 points part way through the trading session, rallied to close down 57.40 points at 10,888.10.

Investors shifted money to high tech-oriented companies that trade on the Nasdaq composite index, which gained 143.96 points to end at 3,774.05.

The quarterly ECI index, closely watched by Fed Chairman Alan Greenspan, was particularly shocking since it appeared to confirm Greenspan's past warnings that tight labour markets inevitably lead to a sharp climb in compensation.

RBI keeps low rate strategy warm

BOMBAY, Apr 28: India's central bank chief said yesterday his goal of lowering interest rates whenever possible remained unchanged after delivering an annual policy statement that left markets static, says Reuters.

Reserve Bank of India Governor Bimal Jalan told Reuters in an interview the markets would have to make do for now with interest rate cuts announced just four weeks ago, but if inflation moderated there could be further cuts.

He said his policy statement should not be characterised as interest rate neutral just because he had not pulled any monetary policy levers this time.

Jalan, who has had his term extended to November 2002, stressed that he wanted an in-

terest rate environment conducive to industrial recovery, pointing to a section of the statement which read:

"The RBI proposes to continue the current stance of monetary policy and ensure that all legitimate requirements for bank credit are met while guarding against any emergence of inflationary pressures due to excess demand."

"There can't be any more categorical statement than this," Jalan said, reinforcing his commitment to a low rate strategy.

"If the situation demands interest rates will move lower," Jalan said, adding that he was not overly concerned by the inflation rate at the moment.

Nor did he see any reason

why they should rise despite the onerous 1.17 trillion rupee (\$27 billion) government borrowing programme.

Some analysts reckon the RBI may have to backtrack and let rates rise later in the year, but Jalan happily pointed out the same wrong prediction had been made for the past two years.

"If we use our strengths in terms of supply management and keep our inflation rates reasonably low, and if there is opportunity for industrial growth to continue, I don't necessarily see why interest rates have to rise."

The RBI said the cash reserve ratio, currently 8.0 per cent, would be reduced as and when necessary this year.

inflation allowing, in order to ensure that the system had enough funds to satisfy both the government's needs and India's corporates.

Jalan is unapologetic for leaving the markets unmoved by the inaction on interest rates or liquidity tools like the CRR.

"We have tried to delink to the extent possible the policy from the reactions to short-term changes in monetary variables," he said.

Jalan would appear to have succeeded in this aim — the rupee and government securities markets went nowhere fast after this year's policy statement.

The rupee finished at 43.65 per dollar, little changed from Wednesday and bonds were similarly sluggish.



Participants of the "Business Counseling Course" are seen the closing ceremony with chief guest Prof Dr M. Shamsul Haque, Director of MBA Programme of NSU at BRAC Conference room on Thursday. — GTZ photo

Inflation scare hits Dow, Nasdaq jumps

NEW YORK, Apr 28: An inflation scare hit Wall Street yesterday, leading investors to swap interest-rate-sensitive stocks for technology in the hope that computer and Internet issues can withstand an aggressive Federal Reserve, reports Reuters.

Traders boosted computer-clip stocks, dropping names in the financial services and energy sectors on heightened concern that the central bank will raise interest rates by a larger-than-expected 50 basis points next month.

"I think there is a feeling that the Nasdaq market is not subject to the same forces as the rest of the equities world," said Peggy Farley, president of Ascent Meredith Asset Management.

The Nasdaq composite index IXIC jumped 143.94 points, or 3.97 per cent, to 3,774.05 — ending at its session high and erasing Wednesday's loss. Strong earnings from MCI Worldcom WCOM.O and BroadVision Inc. BVSN.O helped boost the index.

Microsoft Corp. MSFT.O edged up 1-13/16 to 69-13/16 ahead of a proposed solution, expected this week, in the federal government's anti-trust case against the software leader. On Friday, the US Justice Department and the states involved in the federal anti-trust case against Microsoft are expected to file a joint proposal to break up the software giant into two separate companies.

The ultimate decision will be made later by US District Judge Thomas Penfield Jackson.

Still, strength in Microsoft and Intel Corp. INTC.O could not offset the weight of JP Morgan JPM.N and General Electric GE.N.

The Dow Jones industrial average DJI ended down 57.40 points, or 0.52 per cent, at 10,888.10. Broader market measures climbed. The Standard & Poor's 500 index, SPX, which includes many technology stocks, closed up 3.93 points, or 0.27 per cent, to 1,464.92, and the Wilshire 5000 index, TMW rose 96.06 points, or 0.71 per cent, to 13,545.33.

Economic data released before the opening bell shaped the trading session.

Venezuela, Turkey win US steel dumping case

WASHINGTON, Apr 28: In a setback for US steelmakers, the US International Trade Commission blocked the government yesterday from imposing punitive duties on steel imports from Venezuela and Turkey, says Reuters.

The federal commission ruled 5-1 that cold-rolled steel imports from the two countries were not a threat to the US steel industry.

The ruling means the United States will not carry out plans to impose duties ranging from 8.67 per cent to 56.37 per cent on Venezuelan and Turkish shipments of cold-rolled steel, used in products ranging from automobiles to household appliances.

The decision was a blow to US steelmakers and steelworkers, who had asked the ITC to rein in the imports, alleging that they were being dumped in the United States at below fair market value. The companies said the shipments threatened US production and had cost thousands of American workers their jobs.

"The problem of dumped and subsidised steel into the US continues, and our members continue to be victims of illegally imported cold-rolled steel," said George Becker, president of the United Steelwork-

ers of America union.

The ITC issued a similar ruling in March, tossing out proposed duties on cold-rolled steel imports from Argentina, Brazil, Japan, Russia, South Africa and Thailand.

The rulings have outraged major US producers, including Bethlehem Steel Corp., US Steel Group, National Steel Corp. and Steel Dynamics Inc., as well as the United Steelworkers of America.

Ahead of the November presidential election, they have put increasing pressure on the Clinton administration to curb low-priced steel imports. Vice President Al Gore, the presumptive Democratic presidential nominee, is counting on labour's support at the polls.

But US trade officials say the steel import crisis has eased in recent months. Washington is also worried that a crackdown on imports could spark a backlash from US trading partners, who have alleged that steel duties violate World Trade Organisation rules.

Thursday's ruling was a victory for Venezuela's leading steel manufacturer, Sidor, which had been threatened with duties of 56.37 per cent. Other Venezuelan producers would have been forced to pay a 42.93 per cent duty.

Weekly Currency Roundup

Local market

Local market was off to a slow start but picked up rather quickly as the week proceeded. The high note of the dollar demand prevailed and the dollar traded in a relatively narrow range. The corporate segment was actively associated in hedging foreign currency exposure. The market is still apprehensive about depreciation of Bangladesh Taka. The inflow of dollar has plummeted, as there seems to be a decline in the inward remittance segment. The foreign exchange market was much involved in cross currency trades and significant amount of cross currency deals took place. In the kerb market the dollar demand reached a new high and the dollar traded between BDT 53 and BDT 53.20.

Local money market maintained its insipid tone and the call money rate decreased a little. The call money rate ranged between 5.5 and 6.25 per cent.

Bangladesh Bank accepted Treasury Bills of BDT 5660 mio. of which BDT 5150 for 28 days at 6.00 per cent. BDT 400 mio for 364 days at 7.75 per cent and BDT 1100 mio for 2 years at 8.52 per cent.

International market

During the week, euro remained vulnerable against US dollar and yen. It has reached its all time low against the major currencies and the dollar traded in a relatively narrow range. The corporate segment was actively associated in hedging foreign currency exposure. The market is still apprehensive about depreciation of Bangladesh Taka. The inflow of dollar has plummeted, as there seems to be a decline in the inward remittance segment. The foreign exchange market was much involved in cross currency trades and significant amount of cross currency deals took place. In the kerb market the dollar demand reached a new high and the dollar traded between BDT 53 and BDT 53.20.

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Potential future economic shocks Brazil, Argentina meet to draft early warning plan

BUENOS AIRES, Apr 28: Brazil and Argentina's foreign, finance and defence ministers met yesterday to draft a plan to share debt, deficit and inflation data as an early warning device to brace for potential future economic shocks, says Reuters.

Brazil's more than 30 per cent devaluation in January 1999 priced many Argentine exports out of the Brazilian market and took its Mercosur customs union partners by surprise.

South America's top two economies are senior members of the world's third-largest trade bloc which includes Paraguay and Uruguay. Chile and Bolivia are associate members of the bloc that links 210 million people who produce \$1

trillion in goods and services.

"We hope to set a timetable to coordinate our (economic) statistics," said Congressman Carlos Raimundi, chairman of Argentina's Foreign Relations Committee.

Brazilian Finance Minister Pedro Malan, Foreign Minister Luiz Felipe Lampreia and Defence Minister Gerardo Maguella Quintao joined their Argentine counterparts Jose Luis Machina, Adalberto Rodriguez Giavarini and Ricardo Lopez Murphy to draft a plan to share macroeconomic data.

Sharing such data is seen as a first step to agreeing to common debt, deficit and inflation goals, like Europe's Maastricht Treaty.

"This meeting represents

Mercosur's evolution. We're going from being a customs union to a common market. You build a common market through macroeconomic convergence," Lux Felipe Seixas Correa, secretary general of Brazil's Foreign Ministry told reporters.

The short-term result of such a deal would be to bring transparency to the sometimes turbulent economic relations between the two countries.

Argentina and Brazil have talked about the possibility of creating a common currency in the future and macroeconomic convergence would ensure their economies march at the same pace before heading for monetary union, as Europe's 1997 Maastricht Treaty mandated for European Union nations.

Strong yen weighs on Sony profits

TOKYO, Apr 28: A strong yen pushing down the value of overseas profits helped send earnings down 32 per cent at Sony Corp. for the fiscal year ending in March, the Japanese electronics giant said Friday, reports AP.

Sony profits totaled 121.84 billion yen (\$1.1 billion), down from 179.00 billion yen (\$1.7 billion) the previous fiscal year — the second consecutive year of on-year falls in Sony's group profits.

A higher yen decreases the value of dollar-denominated earnings for Japanese exporters like Sony.

Sony said that during the fiscal year ending March 31, the yen was 25 per cent higher against the dollar at 110.6 yen, compared to a year earlier. It expects the dollar to cost 105 yen for the fiscal year that began April 1.

On a yen-denominated basis,

group sales dropped 1.7 per cent to 6.687 trillion yen (\$63 billion) from 6.804 trillion yen (\$64 billion).

Sales of electronic goods, which make up the biggest portion of Sony's revenue, rose 1.1 per cent to 4.720 trillion yen (\$44.4 billion), on high demand for personal computers, digital cameras, digital videodisk players and colour TVs.

By geographic region, sales were up everywhere except for South America, Sony said. Personal computers, cellular phones and colour TVs sold well in Japan, while in the United States digital cameras, DVD players and video cameras did well in addition to PCs and colour TVs.

For the current fiscal year, Sony expects a group net profit of 120 billion yen (\$1.1 billion) on group sales of 7 trillion yen (\$65.8 billion) — the third consecutive on-year fall in profits.

Bangladesh Agricultural Development Corporation
Krishi Bhaban
49-51, Dilkusha Commercial Area, Dhaka-1000

Purchase Division

1. Tender No & date	: I-DTW(P)30/99-2000 Dt 17.04.2000.
2. Description of stores	: (a) 35 Nos 25 HP (b) 15 Nos 30 HP Electric Halo Shaft Motors.
3. Sale value of tender documents (non-refundable)	: Tk 1000/- (Taka one thousand) only.
4. Last date of selling of tender documents	: 09.05.2000.
5. Date & time of submission of tender	: 10.05.2000 at 12:00 Noon.
6. Date & time of opening of tender	: 10.05.2000 at 12:05 PM.
7. Place of submission of tender	: Tender box kept in front of the office to the General Manager (Purchase), Purchase Division, 49-51, Dilkusha C/A, Dhaka-1000.
8. Validity of offer	: 60 (sixty) days from the date of opening of tender.
9. Consignee	: Ex Engineer (Equipment), Central Stores, Sher-e-Bangla Nagar, BADC, Dhaka.
10. Terms of delivery	: Free delivery of stores within 20.6.2000 to the consignee found acceptable in inspection.
11. Name of scheme	: Repairing & Rehabilitation Project (1st phase) of 1200 Nos DTW under BRDB.
12. Source of fund	: Local fund.

Tender documents can be purchased on cash payment from the cash section of Accounts Division (3rd floor), Krishi Bhaban, 49-51, Dilkusha C/A, Dhaka-1000.

2. Tender documents will not be sold on the date of opening of the tender.

3. No tender documents of part thereof will be accepted after opening of tender.

ADC-1184
DFF-9725-24/4
G-78

Md Faridul Alam
Manager (Purchase)
BADC, Dhaka

EU finds rise in anti-dumping moves

BRUSSELS, Apr 28: A report by the European Union's Executive Commission said yesterday there had been a "remarkable" increase in EU anti-dumping measures imposed in the first quarter of this year, says Reuters.

The Commission linked the increase to the Asian financial crisis, which led to complaints from some European companies, particularly in the steel sector, that they were being forced to compete against a wave of cheap imports.

The Commission said it had imposed 22 provisional anti-dumping or anti-subsidy measures in the first three months of the year, compared with 17 for the whole of 1999.

It launched a further 10 investigations in the first quarter, seven of them anti-dumping probes and three anti-subsidy investigations.

The figures were contained in a report published on the web site of the European Commission's trade department.

The Commission can impose duties on imported products which it finds have benefitted from unfair state subsidies or which have been sold in the EU at below production cost.

Development countries, which are often hit by duties, complain about the use of anti-dumping measures by the 15-nation EU and the United States. Provisional anti-subsidy measures normally last four months and provisional anti-dumping measures six months. They can be extended by a decision of the 15 EU governments.

The report said the "remarkable" increase in the number of provisional measures taken during the first quarter was "a direct consequence of the increased number of new investigations initiated during 1999."



Mohammad Yunus, Chairman, Executive Committee of Islami Bank Bangladesh Limited (IBBL), addresses the concluding session of a day-long meeting of heads of zones and head office-controlled branches at the Boardroom of the bank recently. — IBBL photo

Unemployment remains stuck at record high in Japan

TOKYO, Apr 28: Japan's tightfisted consumers, key to pulling the nation out of its worst recession in half a century, clamped down on spending in March as unemployment remained stuck at a record high, says Reuters.

The government says the world's second-largest economy is nearing a self-sustaining recovery, but data out on Friday showed recent improvements in corporate capital investment and profits have yet to filter through decisively to household demand.

Japan is in a jobless recovery such as was seen in the United States in the early 1990s," said Economic Planning Minister Taichi Sakaiya. "The job market should improve after a certain time lag."

Falling personal consumption tipped Asia's dominant economy back into technical recession late last year even though industrial output and corporate profits have been rising on the information-technology revolution, strong export markets and corporate restructuring.

Spending by wage-earners' households, the key monthly indicator for private consumption, fell a real 1.3 per cent from a year earlier, the government said, well below the median forecast of a 0.1 per cent drop in a Reuters poll this week.

Unemployment remained at 5.3 per cent in March, the number of unemployed hit to a record 3.49 million as school and college graduates flooded the job market at the end of

Japanese school year but many were unable to find work.

Sakaiya detected some improvement in private consumption, which comprises 60 per cent of the economy, forecasting increased travel during the "Golden Week" string of holidays starting Saturday.

For January to March, wage-earners' spending rose a real 0.7 per cent from the previous quarter on a seasonally adjusted basis, although it was down 0.4 per cent from a year earlier, according to the Management and Coordination Agency data.

Restraining consumption has been a stubborn decline in personal income as companies cut costs, slowly paring payrolls with early retirement and crimped hiring.

BAPEX
Bangladesh Petroleum Exploration Company Limited
(A Subsidiary Company of Petrobangla)

Tender No. 123.53.137 Dated: 18.04.2000

গ্যাস জাতীয় সম্পদ। এর অপচয় রোধ করে জাতীয় দায়িত্ব পালন করুন।

Re-Tender Notice

Sealed quotations are hereby invited from the bonafide suppliers/manufacturers/distributors on prescribed schedule for supply of Tyre Tube & Battery.

Tender schedule containing terms and conditions will be available at our Accounts & Finance Division, Ibrahim Mansion (3rd floor), 11, Purana Paltan, Dhaka during office hours from 07.05.2000 at a cost of Tk 500.00 per schedule (non-refundable). No tender schedule will be sold on the opening date of the tender. Tender in separate sealed covered superscribing the case number and description of goods may be dropped in the tender box kept at Materials Control Division, HBFC Building (9th floor), 22, Purana Paltan, Dhaka at 12:00 noon on 15.05.2000 which will be opened on the same day at 12:10 pm in presence of the tenderers (if any).

Management reserves the right to accept/reject any or all the tenders and increase/decrease the quantity of item without assigning any reason whatsoever.

DFP-9744-24/4
G-784

General Manager (MCD)

Government of the People's Republic of Bangladesh
Office of the Chief Conservator of Forests
Ban Bhaban, Gulshan Road, Mohakhali, Dhaka-1212

Tender Notice

No: 35/CCF/2000 Dated: 18.4.2000

Tenders in sealed envelopes in respective pads are invited from repairing establishment for necessary repairing due to mechanical trouble and assembling of necessary new parts in Selects GR-2010 photocopier, used in the Establishment Section of the Dhaka Office of the Chief Conservator of Forests, Bangladesh, Toshiba photocopier model No. 1550 used in the coastal green belt and sharp SF 2022.

Security money deposit at the rate of 5% of the quoted total cost in the forms of Pay-Order/Bank Draft in mortgage in the name of the undersigned for 12 (twelve) months and trade licence up to date and attested copy of VAT registration form must be submitted with tender, otherwise tender will not be acceptable. Tenderers will have to be submitted after on the spot examining the photocopier machines and being informed of the mechanical trouble and other problems of the machines on discussion with machine operator. In case of change of drum number of copies should be at least 80,000 to 1,00,000 copies and in case of replacement of other tools a guarantee for 12 (twelve) months will have to be given.

Tenders will be received till 4:00 PM on 7.5.2000 in the office chamber of the Assistant Chief Conservator of Forests (General), (Room No-509, 4th floor), Ban Bhaban, Mohakhali, Dhaka and these will be opened the same day at 2:00 PM in presence of the tenderers (if anyone remains present).

Md Yunus Ali
Assistant Chief Conservator of Forests (General)
Bon Bhaban, Mohakhali, Dhaka

DFP-9658-24/4
G-786