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DHAKA SATURDAY MAY 6, 2000

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Pakistan hikes furnace oil price by 10pc

ISLAMABAD, May 5: Pakistan's military government today raised the price of furnace oil by 10 per cent, citing an upward trend in the world oil market for the second hike in the country in two months, reports AFP.

The government has decided to increase the furnace oil price from 8,800 rupees (about 170 dollars) a tonne to 9,680 rupees with immediate effect, Minister for Petroleum and Natural Resources Usman Aminuddin said.

He told reporters the increase was necessary because of ascending furnace oil prices on the international market.

The government, he said, suffered a loss of around 16 million dollars in one month on account of the prices of furnace oil in the international market.

However, he assured there would be "no immediate increase in power tariffs" following today's price hike.

The price of furnace oil, used by the industry and power producers, was increased by five per cent in late March when the government raised prices of all petroleum products.

The consumer price of furnace oil is adjusted on monthly basis while the price review of other petroleum products is held on quarterly basis, Aminuddin said adding that the next price change in furnace oil would be announced in June.

Sonali Bank opens new branch at Natoarepara

A branch of Sonali Bank has been opened at Natoarepara in Sirajgonj.

Chairman of the Parliamentary Standing Committee on Foreign Affairs Dr Mohammad Salim inaugurated the branch as chief guest, says a press release issued yesterday.

In the inaugural function, Dr Salim said that the branch will help thousands of businessmen and rural people avail themselves of the banking transaction scopes easily and in a riskfree environment.

Dr A I Aminul Islam, Chairman of Sonali Bank and special guest of the function, said that Sonali Bank was the largest nationalised commercial bank whose main aim was to reach banking service to the grassroot level in addition to its role in the formation of national economy.

Managing Director M Enamul Huq Chowdhury said that the drive for self-sufficiency at Natoarepara gets a boost by the opening of this branch.

Indian's tax revenues up

NEW DELHI, May 5: India's tax revenues shot up 19.3 per cent to 1,701 billion rupees (39.1 billion dollars) in the fiscal year to March, a government statement said, reports AFP.

Total direct tax revenues rose 24.5 per cent to 575 billion rupees from 463 billion rupees in the previous fiscal year while indirect tax revenues jumped 16.7 per cent to 1,125 billion rupees.

Total income tax revenues also increased by 26 per cent to 253 billion rupees, the statement said.

Less than one per cent of India's one billion population pay income tax.

Tamil war may squeeze Lankan economy

COLOMBO, May 5: Sri Lanka's economic recovery will begin faltering it the Tamil rebel successes continued on the battlefront in the coming weeks, analysts said Thursday, reports AP.

"The tourism sector and foreign investment will definitely be hit by the latest fighting," said Nandakumar Nair, chief economist at John Keells Stock Brokers.

Sri Lanka's economy is expected to grow by 5.5 per cent in 2000, up from 4.3 per cent last year, says the Central Bank. Any escalation in the war could affect the forecast.

The island nation recorded a 14.5 per cent rise in tourist arrivals last year. Foreign direct investment jumped 54 per cent to $231 million in 1999, mainly on capital outlays for telecommunications.

Overseas investment could rise several times if peace is restored, say analysts.

But the military losses are likely to reinforce the perceptions of risk, depressing foreign sentiment and investment.

Retreating government troops in recent weeks have destroyed or left behind millions of dollars worth of military hardware which has forced the government to go for new purchases. "More military purchases could mean pressure on the deficit, interest rates and inflation," said Rajiv Casie Chitty, economist at CT Smith Stock Brokers.

The battered stock market's main index tumbled 2.3 per cent on Wednesday to a 9-year low of 460.6 points as retailers sold on the military's losses.

Tourism growth slows down

Country earns Tk 245.19cr in forex in '99

Bangladesh was host to 172,781 visitors in 1999 and earned Tk 245.19 crore in foreign currency, marking a slowdown in the country's tourism industry for certain negative factors, reports UNB.

According to official data, the number of visitors was marginally higher than the previous year's 171,961 with the earnings amounting Tk 245.48 crore, a little more than 1999.

This was revealed in separate reports, prepared by Bangladesh Parjatan Corporation on the basis of information from Bangladesh Bank and other offices.

"Bangladesh has managed to bring a total of 1,810,884 foreigners since 1986, but the number increased little annually," says one report.

During the period, the highest 182,420 visitors came to the country in 1997.

The highest number of visitors 57,937, came from neighbouring India followed by 19,605 from the United Kingdom, 12,087 visitors from Pakistan and 11,358 from the USA.

"The increase in the visitors could not be satisfactory following deterioration of law-and-order situation and lack of political commitment," said Shahida Begum, Manager (Training) of BPC.

She said criminal acts, road blockades and strikes still continued to discourage foreigners from visiting the country.

However, the official informed that the number of domestic tourists increased manifold following various programmes and projects taken to increase tourist amenities, but there is no survey on it.

Under the BPC programme, setting up of a motel and a boat club at Teknaf, motel at Tungipara, motels and entertainment centres in Bandarban and Khagrachhari and tourist facilities at Mujibnagar and Sagardari are under process.

Beside, the government has completed Holiday Homes at Kuakata, tourist restaurant at Madhabkunda and hotel in Dinajpur.

With the commitment to flourishing tourism industry, the government approved a national tourism policy in 1992 and is contemplating setting up of Exclusive Tourism Zones in the country.

Moreover, increasing infrastructure facilities like road, telephone near any tourist spot are given the highest priority in the government policy.

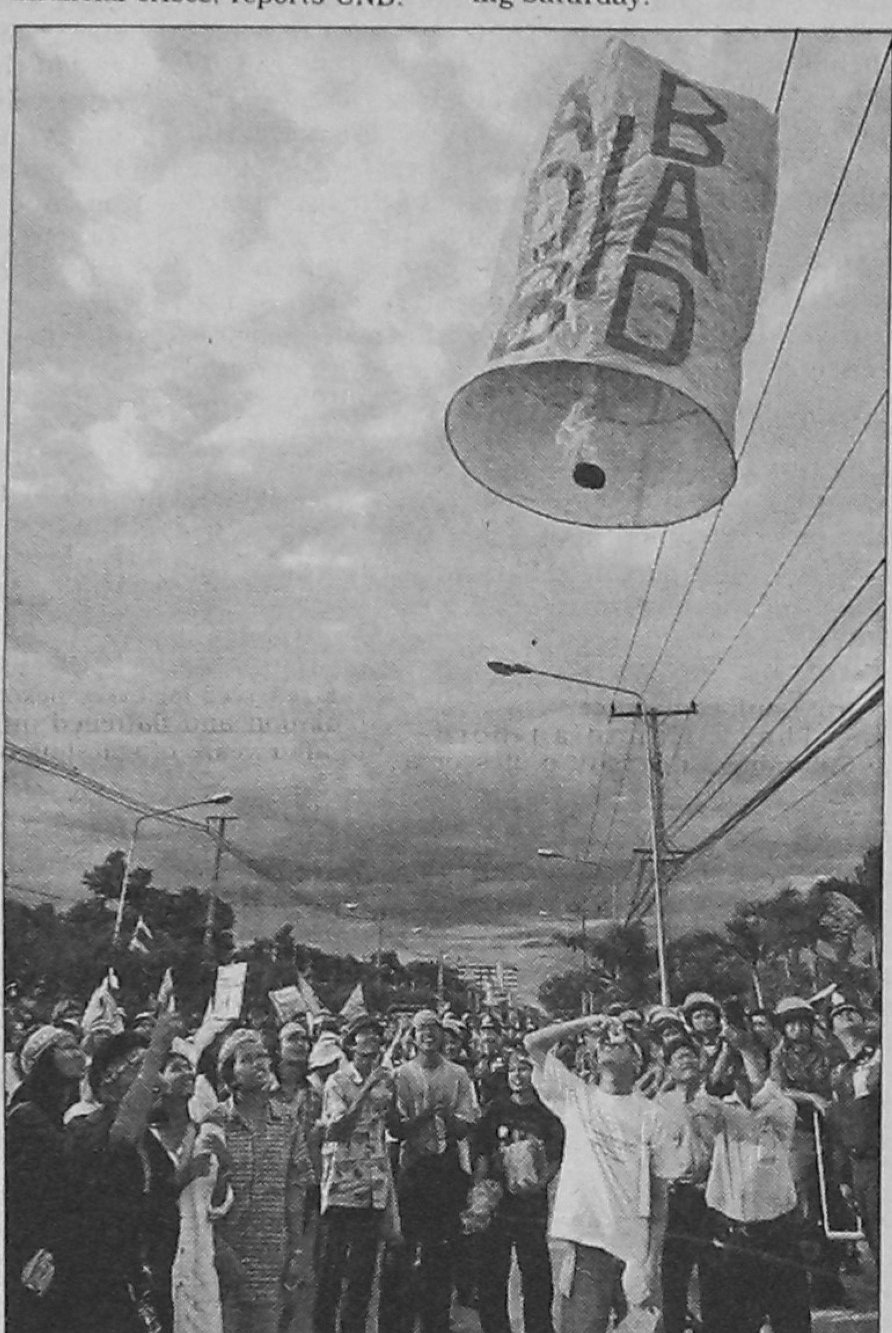
The 1st annual general meeting (AGM) of Mutual Trust Bank Ltd. was held at the bank's head office in the city on Thursday. The meeting was presided over by Syed Manzur Elahi, Chairman of the bank. Managing Director Mosharraf Hossain, other directors and sponsor shareholders were present. The Directors' report and audited accounts of the bank for the year ended December 31, 1999 was adopted at the AGM.
—Mutual Trust Bank photo

Annual ADB meet begins today

Thailand calls for creating Asian monetary fund

CHIANG MAI, Thailand, May 5: Thailand tried to build support among Asian countries Friday for creating a regional monetary fund that would work alongside global institutions like the IMF to head off future financial crises, reports UNB.

The campaign for an Asian monetary fund, which ran into US opposition during the regional economic crisis in 1997, has been revived for the three-day annual meeting of the Asian Development Bank opening Saturday.



Anti-globalisation protesters release an anti-Asian Development Bank (ADB) hot air lantern yesterday during a demonstration in front of the venue of the 33rd Asian Development Bank annual meeting. Some 1,000 demonstrators marched through the streets of the northern provincial capital — AFP photo

Thailand, the first domino to fall in the crisis, has been sending signals that it would like the Manila-based bank to expand its mission of reducing poverty to become lender of last resort during financial upheavals.

The change could reduce the power of the Washington-based International Monetary Fund and the influence many smaller nations believe the US government holds over it.

Supachai Panitchpakdi, the deputy prime minister who takes over the helm of the World Trade Organisation in 2002, said at pre-meeting seminar Friday that he personally thought a bigger role for regional institutions like the ADB was "inevitable."

But he cautioned against any arrangement that would preclude "the real solution to the crisis, which is the reform of our financial and real sectors."

Supachai declined to confirm expectations that the 10-member Association of Southeast Asian Nations would propose to China, Japan and South Korea on the meeting's sidelines Saturday to join a currency swap programme widely seen as the first step toward a monetary fund.

ASEAN's economic ministers in March agreed to get such a plan off the ground. ASEAN comprises Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

The swap plan would enable central banks to draw on each others foreign exchange reserves to repel speculative currency attacks, one of the triggers Thailand believes pushed its overheated economy into collapse in 1997.

Philippine National Treasurer Leonor Briones has said she personally supports such a facility.

Many countries have been critical of the delays and misdirected programmes imposed by the IMF in grappling with the Asian crisis. The IMF itself has admitted many mistakes were made.

Increased S Asian ties needed to boost accountants' professional standards

Speakers at ICAB-ICMAB seminar on corporate governance says

Star Business Report

The South Asian countries need to strengthen their efforts towards greater regional economic ties to encourage trade in goods and services and improve the professional standards of the accountants, speakers said at a seminar in the city yesterday.

Corporate governance is one of the issues that gave rise to a great deal of comments and debates over the past few years all over the world. This has been made responsible for sluggish foreign investment in the emerging economies, they observed at the two-day South Asian Federation of Accountants (SAFA) seminar on 'Corporate Governance' jointly organised by the Institute of Chartered Accountants of Bangladesh (ICAB) and Institute of Cost and Management Accountants of Bangladesh (ICMAB) at Hotel Sheraton.

Commerce Minister Md Abdul Jalil attended it as the chief guest while Finance Secretary Dr Akbar Ali Khan was present as special guest. Former finance minister M Saifur Rahman was the keynote speaker.

Speaking at the inaugural session of the seminar, the commerce minister mentioned that the society expects a certain level of expertise from the professional accountants.

"This calls for grooming the individuals in the profession not only with high standards of education and training, but also respect for their integrity and trustworthiness."

SAFA, now a constituent organ of SAARC, has been playing an important role in improving professional standards not only in the region, but also at the international level, Jalil observed.

The commerce minister said that unprecedented development of information technology had brought about changes in corporate structures, movement of capital and electronic data processing.

"The services and opinions of the professional accountants are now needed on a wide variety of matters relating to the economic development of a country," said the minister, adding that intellectual and professional standards of the accounting profession need to undergo massive changes.

In his keynote speech, former finance minister M Saifur Rahman stressed the need for improving the management practices in different corporate bodies.

"Because of globalisation, we are going to face cost-effective knowledge in the corporate sector. Cost-effective services are needed in a free market economy."

Finance Secretary Akbar Ali Khan highlighted the responsibility of the professional accountants, saying that they have special roles to play in the overall development of a country's economic health. "When you fail, the whole thing fails," he said, addressing the accountants present.

"We need democracy in the political as well as the economic areas. We have to run our corporate bodies properly," he mentioned.

SAFA President Lal Nanayakkara, ICAB President M Abul Kalam Mazumdar and ICMAB President AK Chowdhury also spoke at the inaugural session.

Weekly Currency Roundup

Local Market

Last week, the number of working days was cut by the May Day holiday. Although the market was a little quiet, high dollar demand still prevailed. The greenback's trading range went up even further and it traded in a relatively narrow range. The corporate segment was actively associated in hedging foreign currency exposure. The inflow of dollar has plummeted, as there seems to be a decline in inward remittance. In the kerb market, dollar demand reached a new plateau and it traded between BDT 53 to BDT 53.20.

The local money market picked up and the demand for call money escalated because of increased government borrowings. The call money rate ranged between 5.75 to 6.50 per cent.

International Market

During the week, euro maintained its downstream trend and continued to slide against dollar. Even volatility in the US asset market did not help to prop up the vulnerable currency. The weakness of euro also left its effect on the Swiss Franc, which was at its lowest against dollar in 11 year. Throughout the major part of the week, euro was creating new records about its downtrend against dollar. The other major currencies spent an insipid time while euro was the major market star.

in the last part of the week, the single currency rallied more than half a cent from the record lows against dollar. The rise came as the market-players commented that they saw the European central banks buying euro for dollars. The market was unsure whether the orders were executed for commercial purposes or were in tended to show official intervention in support of the battered euro. The euro had initially been unable to capitalise on a broad fall in US stocks as investors continued to look fovourably at the US economy. Sterling was buoyant throughout the week but took a dip after the Bank of England decided to keep its monetary policy on hold for now. These fuelled expectations of a widening rate differential with the US.

— Standard Chartered Bank

Oil strong on US gasoline dearth

LONDON, May 5: Oil prices stayed strong yesterday amid lingering concerns of a potential shortfall in US gasoline supplies this summer and the suspension of some of Norway's crude exports because of a general strike, reports Reuters.

North Sea benchmark Brent Blend crude futures for June delivery finished up 18 cents at $25.18 a barrel, reversing a late sell-off on profit-taking on Wednesday.

US June light crude futures firmed 15 cents to close at $26.90.

Norwegian trade unions decided on Thursday to widen a strike that is already Norway's biggest labour conflict since the 1980s.

Stoppages have so far have disrupted the country's oil exports from onshore terminals amounting to about one million barrels per day (bpd). Norway is the world's second largest exporter behind Saudi Arabia and pumps 3.2 million bpd.

The powerful trade unions were adamant on Thursday that the onshore oil and gas export terminals would stay shut for as long as the strike lasted.

The two main oil operators, state-owned Statoil and Norsk Hydro, said that, while exports from onshore terminals remain suspended production was running normally and going to storage.

The companies will be forced to shut in some output if the dispute is prolonged.

The extension to the strike, to happen next week, did not appear to include any additional workers to the 1,000 employees in the oil sector already on strike. But production could be hit later if maintenance requirements cannot be met or if essential supplies to platforms such as food and water are unable to be replenished.

Weak currency, new tax may push Aussie inflation

Central bank twice-yearly monetary policy statement says

SYDNEY, May 5: The weak Australian dollar and the possibility of wage and price rises after the 10 per cent Goods and Services Tax are the two main inflation threats to the economy, the Reserve Bank of Australia warned today, says AFP.

In its twice-yearly statement on monetary policy, the central bank forecast inflation of between two and three per cent in the second half of 2001.

But it cautioned that this assumed there would be no second-round effects of the GST on wages and prices, and that the Australian dollar stayed around recent levels.

"On present assumptions, inflation on a year-ended basis, and net of tax effects, is projected to be between 2-3 per cent in the second half of 2001, though possibly rising towards the higher end of that range," the RBA said.

"The assumptions underlying this projection include no second-round effects of the GST on wages and prices, and an average exchange rate around recent levels."

The bank said that in the event that the GST did push up wages "to a significant degree," inflation would exceed the forecast band.

"The extent of this risk would partly depend on how community expectations respond during the implementation of the tax package," it said.

"It will be important for the community to recognise that a significant part of the initial price impact is temporary, and that the overall effect of the tax package is more than fully compensated by other changes to taxes and benefits."

The bank said that similar considerations applied to the assumption of the exchange rate remaining around recent levels.

"In the event of a further sustained depreciation of the exchange rate, the forecast would be subject to upward revision," the bank said.

The bank said inflation would be substantially higher than its target for the first year following the implementation of the tax reform.

"In the near term, the most significant influence on the CPI will be the implementation of tax reform on 1 July," the bank said.

"CPI inflation in year-ended terms will, for the first year following implementation, be substantially higher than the target, with the peak effect of the package occurring in the September quarter 2000.

But once the impact of the tax was stripped out, inflation was likely to remain within the range, the bank said.

The bank said it currently expected that in mid-2000, the year-ended rate of CPI inflation was likely to be about 3 per cent, with underlying measures of inflation generally around 2.5 per cent.

"The introduction of the GST will then temporarily push inflation a good deal higher," the bank said.

"The net effect is uncertain, but based on the government's published modelling of the tax package, the net impact of the GST and the removal of other taxes is expected to add around 2.75 per cent to the CIP over the year to June 2001."

The effects of the elimination of wholesale tax would probably take a little time to flow through completely.

"Hence the very short-term impact of the GST could be expected to be somewhat larger than the 2.75 per cent expected by the end of the first year," the bank said.

If this is the case, CPI rises in ensuing quarters would be relatively small, and for some time, it would be difficult to discern the ongoing inflation rate by looking at the CPI — possibly until the first half of 2000, the bank said.

The bank said that, abstracting from volatile influences, a more gradual rise in inflation had been evident for some time.

"Underlying inflation is currently around 2.25 per cent, up from a trough of around 1.5 per cent two years ago," it said.

Japan may need fresh stimulus to recover: US

NEW YORK, May 5: Japan may need to put together another fiscal stimulus package this year and keep interest rates low to help the economy recover from its worst recession in half a century, a senior US official said, reports Reuters.

Treasury Under Secretary Timothy Geithner told a group at the Japan society that Japan's macroeconomic policies should be aimed at strengthening domestic demand, something the administration of President Bill Clinton has been urging Tokyo to do for many months.

"In terms of fiscal policy, this will probably require, as many Japanese officials have stated, further stimulus measures later in the year," Geithner said.

He warned it would be dangerous if Japan failed to generate growth or began an inevitable consolidation process prematurely.

In turn, Japan's central bank "will want to maintain a fairly accommodative stance" until "deflationary pressures in their various forms have been more definitively dispelled," Geithner said.

Even as the world's second-largest economy is nearing a self-sustaining recovery, data last week showed that recent improvements in corporate capital investment and profits have yet to translate decisively into household demand.

Japan has spent most of the last decade in recession. It made a partial recovery in 1999, only to fall back into recession late in the year as personal consumption fell even though industrial output and corporate profits were rising.

Better tax collection, labour reform

Argentina heading for economic recovery: President

BUENOS AIRES, May 5: Argentine President Fernando de la Rua said yesterday that improved tax collection and planned labour reforms are pulling the nation toward economic recovery, and he warned tax cheats to pay up or go to jail, says Reuters.

"There's great hope for the future. There's light at the end of the tunnel. This is a country that's growing, there will be more jobs and more equitable economic development," de la Rua said in a live television interview.

The centre-left government last December inherited South America's second largest economy, which was mired in its worst recession in a decade along with its highest budget deficit in history at $7.1 billion and unemployment at about 14 per cent.

De la Rua's solution was to couple fiscal austerity in the form of reduced public spending and improved tax collection with market stimulus measures such as cost-cutting labour reforms and cheap loans to small and mid-sized businesses.

But 146 days after he was sworn in, economists complain that select tax increases have smothered consumption, the source of 81 per cent of gross domestic product, and unions charge that the labour reforms will only lower wages, not create jogs.

Argentina must cut its deficit to $4.7 billion in 2000 in a deal with the International Monetary Fund for a $7.2 billion precautionary standby loan. Labour reforms likely to be passed by Congress next week have been priced into the market and an expected 100-basis point drop in government borrowing costs was part of a 400-point fall since December, economists have said.

But trucker union chief Hugo Moyano has called a national transport strike for Friday, arguing that the labour reforms will only lower wages rather than create new jobs. Police and union members clashed violently in front of Congress last month.

Signs of recovery surfaced earlier this week when Argentina posted a 2.2 per cent rise in April tax revenues to $3.89 billion.

Tax evasion is often described as Argentines' second favourite sport after soccer, but tax evaders were warned last month in a personal televised address by Dela Rua to comply or face consequences.

The 62-year-old leader repeated his warning on Thursday, vowing to imprison the corrupt and those who dodge taxes. He said a meeting he brokered between cabinet ministers and 750 small and mid-sized business leaders on Thursday will yield jobs.

Now his administration plans to send legislation to Congress to create a $100 million seed money fund to aid industrial startups and provide $100 million to guarantee loans to small and mid sized businesses.

The idea is to increase the value of those companies' exports to $3 billion by 2003 from the current $2 billion and increase the number of smaller or medium size exporters to 3,000 from 2,000 during the same period by promoting value-added exports and training.

S'pore economy seen growing by 6.2pc in 2000

SINGAPORE, May 5: Singapore's economy, still humming from the last half of 1999, is seen growing by a strong 6.8 per cent in the first quarter of this year, says Reuters.

A Reuters poll of 10 economists also produced an average forecast of 6.2 per cent gross domestic product growth for the full year.

"On the supply-side, it looks quite achievable .. unless we see a sharp deceleration of export growth to the United States or Japan," said Song Seng Wun, economist at GK Goh Securities.

The full-year forecast was half a percentage point above the results of a Reuters poll on March 15 and also topped a recent Asian Development Bank forecast of 5.9 per cent.

On Monday, Prime Minister Goh Chok Tong said Singapore would report "good" Q1 data, adding that if growth averaged above five per cent annually, cuts in employer contributions to a national pension scheme could be restored in less than five years.