

RBI threat to exporters a bid to talk up rupee

Economy on slippery ground over oil rise

BOMBAY, Aug 22: The Indian central bank's threat to consider disallowing exporters to retain some of their earnings overseas is a bid to talk up the rupee and the facility is unlikely to be scrapped immediately, dealers said, reports Reuters.

"This has helped the rupee to strengthen, but only for the short term. I don't think the Reserve Bank of India will do away with the scheme immediately," a senior dealer said.

Under the exchange earners' foreign currency (EEFC) scheme, Indian exporters are allowed to retain part of their dollar earnings abroad.

On Saturday, the RBI's Deputy Governor Jagdish Kapoor said the central bank was reviewing this facility.

"These accounts were put in place when the exchange control scenario was different... when there were a lot of restrictions. But after current account convertibility this sort of comfort is perhaps not needed," Kapoor told reporters.

Kapoor's statement followed a decision last week, halving by 50 per cent the amount retained overseas, and a directive to ex-

porters to convert excess dollars into rupees by August 23.

Both the halving of the EEFC Account as well as the threat to review the entire facility, helped the rupee recover strongly.

The rupee was quoted firmer at 45.662/685 to the dollar on Monday afternoon, against an opening of 45.73/77. The currency had closed Friday at 45.81/82.

The RBI's latest two measures which came after the rupee fell to an all-time intraday low of 46.08 on August 11 helped the currency recover by nearly one per cent.

Earlier attempts to stem a slide in the currency by raising interest rates and squeezing liquidity had failed and compared to its January level, the currency was still off 4.7 per cent.

Dealers estimate the halving of the EEFC Account would bring about \$1 billion into the country by the deadline of August 23.

V. Ravikumar, chief dealer at ABN-Astro Bank said the RBI would use the scrapping of the EEFC as a weapon the next time the rupee came under pressure.

"I think the scheme will have to go, but slowly. Maybe the next time when the rupee is under severe pressure, he said.

Dealers said the outlook for the rupee, which is convertible only on the current account, continued to be bearish with the balance of payments (BoP) expected to be square in 2000/01 (April-March) after four years of surplus.

A yawning trade deficit and galloping global oil prices will inflate the oil import bill and add pressure on the currency.

An AFP report from New Delhi says: "Surging global oil prices combined with a plunge in the rupee against the dollar have cast a shadow over the Indian economy."

"It's a double whammy. We will have to pay more rupees for the dollar while the international oil price levels are rising," said a spokesman for the Federation of Indian Chambers of Commerce and Industry (FICCI).

Experts say the higher price of oil imports coinciding with the rupee's fall are bound to hit India's trade balance, push up inflation and affect other crucial parameters of the economy.

The oil price has increased from 12 dollars per barrel to 32 to 33 dollars in the last 18 months. This has very great implications," said senior economist DH Pai Panandikar.

India imports around 70 per cent of its oil needs.

Panandikar said annual oil consumption was growing at roughly eight per cent, while the economy was growing at about six per cent.

The situation is likely to inflate India's expensive oil import bill to 17 billion dollars this year from 12 billion.

The 150 per cent rise in global oil prices over the past year has drastically increased the federal oil pool deficit and increased pressure on the government to generate more revenue.

Indian state-owned oil products to consumers at subsidised prices, for which they are reimbursed by the federal government from the oil pool.

Since the rupee has lost around five per cent of its value against the dollar from the end-March level of 43.60, it has further worsened the deficit in the oil pool account.

EU asks OPEC to increase output, bring prices down

BRUSSELS, Aug 22: The European Union asked the Organisation of Petroleum Exporting Countries on Tuesday to increase oil production to bring down prices, reports AP.

Gerassimos Thomas, a spokesman for the EU Commission, the organisation's executive body, said EU Energy Commissioner Loyal de Palacio telephoned Venezuelan Oil Minister Ali Rodriguez, current president of OPEC, on Monday to ask him to bring prices down.

"These changes in oil prices are leading to great volatility," Thomas said. "The EU asked Venezuela to try and moderate their stance on the oil price and to have a more reasonable price."

EU officials said the 15-nation block would like to see the price of crude oil around \$15 a barrel.

Oil prices have been trading recently near 10-year highs, close to \$30 a barrel.

Thomas said the EU was working with the United States to coordinate efforts to bring down the price of oil.

No Saudi move yet on extra crude

LONDON, Aug 22: OPEC power Saudi Arabia by Monday had yet to signal that it would continue in September its unilateral release of extra barrels

in an effort at containing runaway oil prices, says Reuters.

"We haven't given up hope of extra Saudi barrels in September but we're less optimistic than last month," said an oil executive. "At the moment, the message from (Saudi oil marketer) Aramco is that they're sticking to the July OPEC quota."

By this time last month, they kingdom's biggest customers had received a second helping of August-loading barrels after Saudi Arabia vowed to turn up its taps by 500,000 barrels per day (bpd).

The customers in Asia, Europe and the US so far this month have had no such signal.

With oil prices stuck stubbornly above \$30 a barrel and stockpiles in the United States draining down they are wondering why Aramco has yet to repeat the exercise for September.

"Aramco used a low-key approach with us last month, but the hints were stronger then," said an European customer. "This time we're doing all the legwork and the response so far has been negative. Some industry sources said Riyad intends to follow through with its unilateral pledge, but the instructions have not been passed down to Aramco."

There are some movements afoot to imply there is more oil coming for September," a senior oil executive said. "But nothing

has been implemented on a working level."

Major lifters said - logistics permitting - they might be able to schedule in incremental September barrels from Saudi Arabia as late as early next month.

Prices strengthen

LONDON, Aug 22: Oil markets handed more good news to revenue-hungry OPEC exporters yesterday, with crude rising on jitters about US heating oil stocks ahead of a northern hemisphere winter demand surge, says Reuters.

Prices were also buoyed by a tropical storm in the Atlantic, which was threatening to reach hurricane force and was heading towards the western hemisphere's biggest refinery.

London Brent futures hit a session peak at \$31.15 per barrel before easing back to \$30.62, a rise of 18 cents. Brent stands well above the 12 months-to-date average of \$25.83.

US light crude traded up to \$33 per barrel before closing 48 cents higher at \$32.47.

Oil hit the day's peaks as refiner Hovensa started closing units at its 545,000 barrel per day plant on the Caribbean island of St. Croix amid warnings that tropical storm Debby had a 43 per cent chance of hitting the complex within the next three days.

Rodriguez would be perfect OPEC secy general candidate

CARACAS, Aug 22: Venezuela's state oil company chief Hector Ciavaldini said yesterday that Energy and Mines Minister Ali Rodriguez would be an excellent candidate to fill the vacant post of OPEC Secretary-General, says Reuters.

Venezuela, which is currently president of the 11-member cartel, has yet to name a candidate, despite receiving the backing from Iraq.

Iran and Saudi Arabia have been at a stalemate over their candidates since last year.

"I think the Minister Ali Rodriguez has all the qualities to be, not only Secretary General of OPEC, but anything he wanted to be in the world of oil," Ciavaldini said in a radio interview.

An Iraqi official said last week that Saddam Hussein had backed his candidate in favour of Venezuelan after Venezuelan President Hugo Chavez became the first elected leader to visit Iraq since the 1991 Gulf War.

Ciavaldini is a very close friend and ally of Venezuelan president Hugo Chavez, who recently toured the Arab-dominated group to prepare to host OPEC's first heads of state summit in 25 years.

Rodriguez said Saturday that Venezuela had no candidate for the job, which is based in Vienna.

Economy buzzes with activity

Recession-weary Japan on way to recovery

TOKYO, Aug 22: Japan buzzed with economic activity from April to June, raising hopes that the recession-weary economy is on course for continued recovery, key government data showed today, says Reuters.

"We cannot make direct comparisons with gross domestic product, but looking at supply-side data alone, April-June (GDP) would certainly seem to be positive," a Ministry of International Trade and Industry (MITI) official said.

MITI's all-industries index, watched by many economists as a supply-side proxy for quarterly GDP, rose 1.4 per cent in June from the previous month and 1.8 per cent in the April-June quarter, exceeding economists' expectations and marking a sixth consecutive quarter of growth.

Economists agreed that Monday's data boded well for

April-June GDP, which is calculated from the consumption side of the economy and is due for release around September 10.

In late July, a Reuters poll of 25 economists produced an average and median forecast of 0.5 per cent GDP growth, although Monday's data could spur some upward revisions.

The stock market, struggling to digest selling by retail investors who must cover six-month margin calls, largely ignored the data, although analysts agreed it was better than expected.

"It's not so much that the BOJ is correct in its assessment of the economy, but that the downside risks are diminishing," said Yoshito Sakakibara, senior economist at Merrill Lynch Japan.

MITI said the rise in the all-industries index and its core component, the "tertiary index" of service sector activity, marked the longest string of quarterly gains since an eight-quarter rally that ended in January-March 1997.

MITI said the April-June period has been a focus of intense scrutiny by the markets, especially since the government said it would decide on the size of a stimulative supplementary budget when it analyses the April-June

GDP numbers.

If the April-June figures are strong it would provide vindication for the Bank of Japan (BOJ) which came under criticism for jumping the gun when it raised interest rates 10 days ago for the first time in a decade.

While economists said the jury may still be out on the BOJ's move, the economy was heading in the right direction.

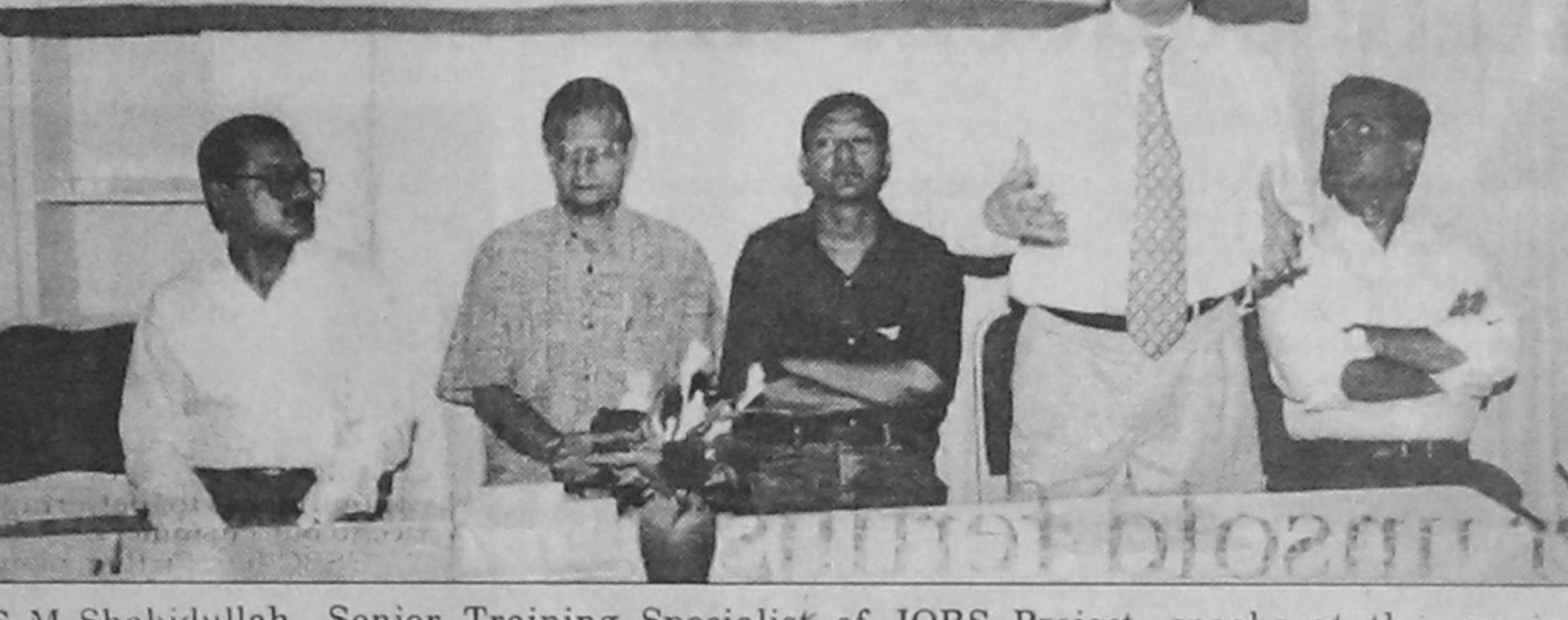
"It's not so much that the BOJ is correct in its assessment of the economy, but that the downside risks are diminishing," said Yoshito Sakakibara, senior economist at Merrill Lynch Japan.

The April-June period has been a focus of intense scrutiny by the markets, especially since the government said it would decide on the size of a stimulative supplementary budget when it analyses the April-June

USAID Funded JOBS Program

Training of Trainers (TOT) Course on Entrepreneurship Development & Business Management

Organised by:
MicroIndustries Development Assistance and Services



S M Shahidullah, Senior Training Specialist of JOBS Project, speaks at the opening ceremony of the TOT course on Entrepreneurship Development and Business Management in the city on Sunday. Picture also shows Abdul Karim, MD of MIDAS, Golam Sarwar Bhiyan, GM of MIDAS, Asgar Ali Sabri, Senior Coordinator of JOBS Programme, Proshika, and Madhab Sarkar, Coordinator of SEED Programme, Proshika.

— JOBS photo

Shipping Intelligence

Berth position and performance of vessels as on 21.8.2000

Berth No.	Name of vessels	Cargo	L port call	Local agent	Date of Leaving	Arrival
J/1	All Round	Rice(P)	Sing	CCNL	11/8	24/8
J/2	Pericles	Sugar(G)	CYP	Fortune	6/8	21/8
J/3	Sanko Rainbow	Wheat(P)	P.Land	Rainbow	22/7	22/8
J/4	Allegro	C Clink	Krabi	NWSL	5/8	27/8
J/5	Iiaci Restt					
	Kalkavan	Wheat(P)	Tekf	Angelic	6/7	25/8
J/6	Bay Fortune	Gil(Log)	Tekf	Angelic	16/8	25/8
J/7	Cebu	Wheat(p)	Sing	Angelic	19/7	25/8
J/8	Mergul	Rice(p)	Yang	MTA	6/8	28/8
J/9	Asian Prosperity (Roro/24) Veill	P Kel	JF	20/8	21/8	
J/10	Nan Changhai	Wheat(p)	Edad	Litmond	29/7	22/8
J/11	Orient					
	Independence	Cont	P Kel	Bdship	19/8	23/8
J/12	Banga Bijoy	Cont	Sing	Bdship	17/8	23/8
J/13	Acturia	Cont	P Kel	QCSL	17/8	24/8
CCT/1	QC Pintail	Cont	P Kel	QCSL	20/8	24/8
CCT/2	Dafu	Cont	Sing	RSL	15/8	24/8
CCT/3	OSG Argosy	Cont	Col	Everest	15/8	22/8
RM/15	Weming	C Clink	Sing	RKSA	1/8	22/8
CCJ	St Aubin	C Clink	Krabi	Everett	12/8	24/8
GSJ	Diana	Wheat(G)	K Dla	Lams	R/A	21/8
TSP	Nautilus	R Phos	Sing	HSL	10/8	22/8
RM/3	Pranayda Dwitya	E Oil	Sing	CTPL	19/8	24/8
RM/6	Saucon	HSD	Sing	MSTPL	18/8	21/8
DDJ/2	Banglar Sourabh	C Oil	-	BSC	R/A	21/8
DDJ/2	Seabull	Repair	-	BSC	R/A	22/8
	Command		K Dla	MS	R/A	-
RM/8	Al Muizzi	Idle	Okha	Cla	17/7	23/8
RM/9	Banglar Mookh	Repair	-	BSC	R/A	25/8
Cufli	Mary Nour	Cement	Lank	BSL	11/8	24/8

Vessels due at outer anchorage

Name of vessels	Date of arrival	L Port call</th