Pakistan economy plunges into deeper recession: Analysts

ISLAMABAD, Oct 18: Pakistan's troubled economy plunges into a deeper recession as the army government struggles to meet stringent International Monetary Fund conditions for an economic bailout package, analysts said Wednesday, reports AP.

The IMF conditions have been tough. It wants a floating rupee which has seen the Pakistani rupee plunge 6.9 per cent in just one week in October.

It currently is trading at about 60 rupees to the US dollar.

The IMF has also sought increased interest rates. As a result the rates have soared to 11 per cent from 7.4 per cent.

The IMF also wanted subsidies removed and as a result Pakistanis are paying more for oil and agricultural products as well as electricity and natural gas.

All this will prevent economic growth, double the inflation rate and make domestic borrowing costly, says Nadim Naqvi, chief analyst of KASB & Co, a brokerage house in the southern port city of Karachi.

The sharp slide in the rupee also means that Pakistan's massive foreign debt of $32 billion is increasingly difficult to pay back.

All this means a crippling increase in the cost of living for Pakistanis, the majority of whom earn on average $400 a year.

It also means a tougher time ahead for the army government which promised economic revival one year ago when it toppled Pakistan's civilian government of Nawaz Sharif.

"There will be a great social cost of these steps," said Kaiser Bangali, an independent economist. "The country will be pushed deeper into recession, increasing poverty and unemployment."

According to the United Nations the number of poor in Pakistan have nearly doubled in the last decade.

"The IMF proposals are all designed to make sure that the country's fragile economy stays afloat in order to ensure that Pakistan can repay its foreign debt, but not so that it can revive its economy," Bangali said.

Pakistan imports more than it exports and the IMF wants that turned around because it is placing too heavy a burden on the country's $1.1 billion foreign exchange reserves.

The IMF says economic growth will come with an emphasis on increased exports.

But the government had wanted to pursue a more broad-based economic approach, according to Salman Ali, chief analyst of Indosuez WI Carr, a brokerage house.

"It's a major shift in the government's policy," he said. "Earlier the government wanted a broad-based economic growth." "The government has little choice but to meet the IMF's conditions, because without IMF money Pakistan can't pay its bills. And without an IMF package Pakistan can't reschedule roughly $3.2 billion in loans with lending countries and foreign banks, explain economists.

The IMF is expected to make its decision on whether to give Pakistan any money by December. The decision will hinge on Pakistan's progress in meeting the IMF conditions.

The last time Pakistan received any IMF money was in May 1999. Then the IMF stopped installment on a $1.6 billion loan to Pakistan because the then government of Sharif failed to meet the IMF conditions, including tax reforms and the imposition of the general sales tax.

Following his military coup, Army Chief Gen Pervez Musharraf started the documentation of businesses and private properties despite bitter opposition from merchants.

It's still not clear how much taxes Musharraf's government will be able to collect in a country where barely 1.2 million people pay their taxes and the tax system is considered deeply corrupt.

India upbeat about strong growth in exports, FDI

NEW DELHI, Oct 18: India expects a strong surge in exports and foreign direct investment (FDI) this year, and a new industrial regime is expected to further cut red tape and boost investments, officials said today, reports Reuter.

The Commerce Ministry said in a statement at a conference of economic editors that it expects India to achieve the targeted export growth of 18 per cent in 2000/01 (April-March) after showing a 23.66 per cent growth in the five months to August.

"With this achievement, there is every expectation of achieving, if not exceeding, the export growth target of 18 per cent in dollar terms set for 2000/01," it said.

Exports grew 23.66 per cent to $17.4 billion in April-August compared with $14.1 billion in the same period of 1999. Imports were up 20.51 per cent to $21.74 billion in April-August compared with $18.04 billion a year earlier.

Exports grew by 11.6 per cent in 1999/2000, exceeding an 11.3 per cent target.

Commerce and Industry Minister Murasoli Maran told the conference a new Industries Act to replace the existing law would strip the federal government of its mandatory hold over states in permitting industries.

He said a sweeping provision had empowered the federal government under a current law to decide on whether a state could attract certain investments.

"In consonance with the support of liberalisation, we are giving it (power) back to the state governments, Maran said.

Maran said he expected foreign direct investments of about $5 billion by end-December and reiterated a desire to attract an annual $10 billion in FDI.

"During the first eight months this year, we have an inflow of $.. billion and we hope to get about $5 billion in this calendar year," Maran said.

Maran announced that three export processing zones (EPZs) at Bombay, Cochin and Kandla and a privately-run EPZ at Surat will from November 1 turn into special economic zones (SEZs).

SEZs enjoy additional tax concessions and all activities in the zone are considered outside the country's customs area. The government allows 100 per cent FDI for manufacturing industries in SEZs, barring a few sensitive industries like defence equipment, atomic substances, alcohol, tobacco and psychotropic drugs.

ADB predicts 8.6 pc growth for Malaysia

KUALA LUMPUR, Oct 18: The Asian Development Bank Wednesday forecast an 8.6 per cent growth for Malaysia's economy this year, a substantial upward revision from earlier estimates, reports AP.

In late September, the Manila-based bank had revised its forecast up to 7.8 per cent from 6.0 per cent earlier. The Malaysian government has projected growth of "above 5.8 per cent" for this year while some independent analysts have said the economy could expand by 7.8 per cent.

The ADB's biannual Asia Recovery Report attributed the revision to strong first half growth of 10.3 per cent and that the Malaysian economy "is continuing to surprise on the upside."

The ADB also noted that while manufacturing is continuing to drive the economy, growth is becoming more broadbased, to include all sectors apart from agriculture.

As a result, private consumption rose 14.4 per cent in the first quarter and 13.9 per cent in the second quarter.

Thailand Prime minister Chuan Leekpai (C) is welcomed on arrival at Kimpo airport in Seoul by an unidentified South Korean official (L) yesterday. Asian and European leaders will meet in Seoul for a two-day summit today, aiming to give a new boost to reconciliation efforts between the rival Koreas and bring the two continents together. – AFP photo

21 banks to sue Tokyo govt over new tax plan

TOKYO, Oct 18: Twenty-one of Japan's largest banks will soon sue Tokyo's metropolitan government over a controversial new tax on their profits, an industry body said today, reports Reuters.

The banks which include industry leaders such as the Industrial Bank of Japan Ltd 8302.T and Sumitomo Bank Ltd 8318.T, will file a suit in the Tokyo district court early afternoon on Wednesday, calling for the tax to be declared invalid, said a spokeswoman for the Japanese Bankers Association.

The tax – a three per cent levy on big banks' gross profits for five years that was implemented on April 1, the start of this business year – was opposed by the banks and central authorities, who warned that it could harm banks' global competitiveness.

But the new tax —the brainchild of maverick Tokyo Governor Shintaro Ishihara – was wildly popular with voters, in part out of resentment at a 7.46 trillion yen ($69.20 billion) infusion of public funds that major banks received last year to help clean up bad loans.

Authorities said the funds were needed to counter the risk of a financial system crisis, but many voters saw the move as a bailout for slipshod bank management.

Analysts have said the damage to banks' profits would be limited, and the levy is expected to bring an additional 110 billion yen a year into the treasury of Tokyo, whose finances have been battered by a prolonged economic slump.

Osaka, Japan's second-largest metropolis, followed suit with a similar law in May.

IBM slide sweeps thru' Asian stocks

SINGAPROE, Oct 18: Fears about US tech company earnings after a disappointing report from computer giant IBM swept through Asia's share markets today knocking Tokyo, Taiwan and Hong Kong sharply lower, reports Reuters.

In an announcement after the US markets closed, International Business Machines Corp reported disappointing third quarter sales and a scaled back outlook.

The news pounded IBM shares back by as much as $14 to a low of $99 in after-hours trading, a drop equivalent to a nearly 80 point loss on the blue chip Dow Jones Industrial Average. However, shares in the world's largest computer maker recovered some ground in late morning trade in Asia.

"Clearly this is a devastating blow to the market when it is not in any condition to handle any more bad news," said Art Hogan, chief market analyst at Jeffries & Co in the US.

Tokyo's benchmark Nikkei 225 index dived 3.13 per cent to 14,859.35 below the 15,000 support level for the first time since March 1999 -- with investors hurrying to offload chip shares such as NEC Corp.

"Besides the blue chip tumble in the United States, there is widespread fear in the market "about earnings from US tech firms and that is scaring potential buyers away," said Koji Hatano, strategist at the Sakura Institute of Research in Japan.

Very few Asian share markets managed to stave off the pessimism from Wall Street's fall with only Singapore, New Zealand, China, and Thailand registering slight gains.

Hong Kong's Hang Seng index slumped 3.38 per cent to 14,370.17.

The weakness this morning is due to Wall Street's fall and the weakness of other markets in the region," said Herbert Lau, associate director at Celestial Asia Securities in Hong Kong.

US brokers said Wall Street may be poised for further losses today after the IBM report

The Dow Jones dropped 1.46 per cent to 10,089.71 yesterday, while the tech-laden Nasdaq index lost 2.32 per cent to 3,213.96.

Wall Street's decline hit Korea's Samsung Electronics stock which lost as much as 10.22 per cent in early trade and dragged the KOSPI down over five per cent initially.

Samsung, the world's largest memory chipmaker, had recovered a little and the KOSPI was faring better at 510.32 points, down only 0.49 per cent.

Wall Street's fall stripped nearly five per cent off Taiwan stocks which were trading 270.98 points lower at 5,431.38.

In Australia, the S&P/ASX 200 index shed 1.29 per cent to 3,222.1 as media giant News Corp Ltd plunged more than five per cent in line with heavy US selling.

Taiwan looks to WTO entry to smooth ties with China

BEIJING, Oct 18: Taiwan hopes entry with China into the World Trade Organisation will 'bring about a "fundamental soothing" of relations between the sides, a visiting trade official said Wednesday, reports AP.

The remarks by Wu Wenyea, director of Taiwan's Board of Foreign Trade, underscored Taipei's desire to see economic cooperation improve ties where political efforts have failed.

Contacts between their leaders are on hold, but trade and Taiwanese investment in China is thriving and into ventures in China and trade between them has grown at an average rate of 25 per cent for the last 13 years.

Exchange Rates

American Express Bank Ltd foreign exchange rates (indicative) against taka to clients

CURRENCY	SELLING T.T & O.D	SELLING B.C.	BUYING T.T CLEAN	BUYING O.D SIGHT EXPORT BILL	BUYING O.D TRANSFER
US Dollar	54.2500	54.2800	53.8150	53.6970	53.6250
Pound Stg	78.9500	78.9937	77.7411	77.5707	77.4667
Deutsche Mark	24.1067	24.1201	23.0742	23.0236	22.9928
Swiss Franc	30.8589	30.8760	30.2501	30.1838	30.1433
Japanese Yen	0.5044	0.5047	0.4955	0.4944	0.4938
Dutch Guilder	21.3951	21.4070	20.4788	20.4339	20.4065
Danish Krona	6.2629	6.2664	6.1397	6.1262	6.1180
Australian $	28.7200	28.7358	27.3865	27.3264	27.2898
Belgian Franc	1.1688	1.1694	1.1187	1.1163	1.1148
Canadian $	36.0993	36.1192	35.0861	35.0091	34.9622
French Franc	7.1878	7.1917	6.8799	6.8648	6.8556
Hong Kong$	6.9704	6.9743	6.8871	6.8720	6.8628
Italian Lira	0.0244	0.0244	0.0233	0.0233	0.0232
Singapore $	31.2482	31.2655	30.2825	30.2161	30.1756
Euro	47.1482	47.1747	45.1293	45.0303	44.9699
Saudi Rial	14.5026	14.5107	14.3083	14.2769	14.2578

Bill buying rates

TT Doc	30 Days	60 Days	90 Days	120 Days	180 Days
53.7512	52.3665	52.9181	52.4696	52.0212	51.1243

US dollar London Interbank Offered Rate (LIBOR)

Buying $	Selling ($)	Currency	1 Month	3 Months	6 Months	9 Months	12 Months
53.6250	54.2500	USD	6.62000	6.76000	6.70000	6.69125	6.69125
77.4667	78.9500	GBP	6.05500	6.15781	6.23750	6.28906	6.33797
Cash/TC	Cash/TC	Euro	4.82375	5.01500	5.07188	5.14063	5.19125

Exchange rates of some Asian currencies against US dollars

Indian Rupee	Pak Rupee	Thai Baht Ringgit	Malaysia	Indonesian Rupiah	Korean Won
46.32/ 46.33	57.65/ 57.75	43.73/ 43.78	3.7995/ 3.8005	8910/ 8940	1139/ 1140

Amex notes on Wednesday's market

The Interbank USD/BDT market was active on Wednesday. Increased flow of US dollar pressured the USD/BDT rate to come down, which ranged between 53.8550 and 53.8825. The call money market was active with average call rates ranging from 5.75 to 6.5 per cent.

The euro won some reprieve and stayed away from last month's record lows against the dollar on Wednesday, benefitting from renewed weakness in US stocks and persistent wariness of possible central bank intervention. The single currency was also given a helping hand by a tentative Middle-East peace deal and comments from a regional US Federal Reserve bank president who said late on Tuesday that the strong dollar had hurt US manufacturing. At 0940 GMT, the euro was trading around $0.8540, about a cent above the record lows it hit just before the G7 intervention last month and retested earlier this week.

The dollar was a touch firmer against the yen as worries over Wall Street stocks were offset by Japan's own stock market turmoil and the euro's strength against the yen dampened the need for Japanese exporters and investors to buy the yen.

Sterling recovered nearly ½ cent from day's low of around $1.4430, which was also a key chart support level, as a few large orders filter through in thin market conditions.

At around 1037 GMT, the exchange rates of major currencies against USD were GBP/USD 1.4463/1.4466, USD/CHF 1.7683/1.7693, USD/JPY 108.24/108.25, EUR/USD 0.8539/0.8544.

EU exports to 10 ASEM countries on the wane

SEOUL, Oct 18: Exports by the European Union (EU) to the 10 Asian member countries of the Asia-Europe Meeting (ASEM) have fallen since ASEM was launched four years ago, a trade promotion agency said today, reports AFP.

The Korea Trade-Investment Promotion Agency (KOTRA) said EU exports to the 10 Asian nations fell from 96.8 billion euros in 1995 to 94.1 billion euros last year.

The 10 Asian countries are China, Japan, South Korea, Indonesia, Malaysia, Thailand, the Philippines, Singapore, Vietnam and Brunei.

During the five-year period, the EU's market share in the Asian countries fell from 16.9 per cent in 1995 to 12.5 per cent in 1999, KOTRA said in a special report on its daily bulletin.

However EU's imports from the Asian countries increased from 126 billion euros to 187.6 billion euros in the five-year period.

"ASEM is just a consultative body and not a decision-making organisation and its creation has yet to have any direct impact on trade relations," KOTRA manager Kim Sun-Hwa said.

"The reason that the growth of trade between the EU and Asian countries is slower than expected is that there is a growth in tendency for EU countries to trade among themselves and with East European countries," she said.

KOTRA also said the EU had stepped up its crackdown on suspected under-priced products from Asia after the forum was created to help promote cooperation between the two regions.

The number of cases investigated by the EU for suspected dumping by the 10 Asian ASEM member countries jumped 80.9 per cent from 21 cases in 1995 to 38 last year.

South Korea saw its market share in the EU inch up 0.3 per cent to 2.3 per cent in the four year period, while the number of cases of dumping charges by the EU against its products jumped from four to nine.

The third biennial ASEM summit begins in Seoul on Friday, with at least 22 heads of state or government attending.

Oil up on US stock draw, ME jittery

SINGAPORE, Oct 18: Volatile oil prices took a step higher again today after an unexpected dip in crude inventories in the United States again deepened concerns of possible fuel shortages in the peak demand winter season, reports Reuter.

The market is expected to remain nervous despite a tentative truce between Israel and the Palestinians ending almost three weeks of bloodshed that has killed more than 100 people.

Stock figures released by the American Petroleum Institute (API), released after the close of New York trading, sent US benchmark light crude futures surging more than 70 cents in electronic trading to a peak at $33.70 a barrel.

Today US crude stood at $33.66 a barrel, up 67 cents from the day-earlier New York settlement at $32.99, which marked a slim seven cent gain.

The weekly API data showed US crude inventories dropped by 3.11 million barrels to 280.72 million barrels in the week to October 13, the second hefty fall in stocks in as many weeks.

The data served as a reminder of how vulnerable the world's largest oil consumer will be to any supply disruptions in the next few months.

The latest fall comes after a slide of 3.9 million barrels in the seven-day period to October 6, and despite the fact many refineries are running at lower levels because of seasonal maintenance.

Inventories are almost 21 million barrels below year-ago levels and just two million above a 24-year low hit in August.

The API also recorded stock draws for distillates, which includes the key winter fuel heating oil, and gasoline.

The figures caught the market off guard. Many analysts had expected US crude and distillate levels to rise.

Sale of Daewoo Motor unlikely by end-2000

SEOUL, Oct 18: The sale of South Korea's ailing Daewoo Motor and related units is unlikely to be finished by the year-end as expected because due diligence studies will last at least two months, a company official said today, reports Reuters.

A fact-finding team from potential buyers General Motors and Fiat FIA.MI began undertaking due diligence on the troubled Korean firms last Thursday.

"GM and Fiat will want to check the conditions of our companies quite closely," said a Daewoo Motor official. "Due diligence studies alone will take at least two months."

GM, the world's largest automaker, said last Monday it and partner Fiat wold enter into talks to buy assets of Daewoo Motor and its related companies.

Separately, Daewoo Motor's main creditor Korea Development Bank said it would soon provide support loans to keep the ailing carmaker afloat.

"Creditors are aware of Daewoo Motor's fund shortages," said Yoon Jae-min, a spokesman for the KDB. "We will decide on a support programme as soon as Daewoo Motor hands in its restructuring plan."

South Korea has been desperate to sell Daewoo Motor and other indebted firms because much of the success of its restructuring efforts depends on selling distressed assets to foreign investors.