

Star BUSINESS

DHAKA THURSDAY OCTOBER 4, 2001

Lanka clocks poor Q2 growth

AFP, Colombo

Sri Lanka's economy grew a dismal 0.4 per cent in the second quarter, down sharply from 7.3 per cent growth in the corresponding period last year, the central bank said Wednesday.

The agriculture and fishing sectors saw contraction of 1.2 per cent while construction expanded by 5.6 per cent, the bank said in a statement.

The poor economic performance came on top of 1.3 per cent growth recorded in the first quarter compared with growth of 6.6 per cent in the same period last year.

The central bank had expected economic growth this year at about 4.5 per cent.

However, a devastating Tamil rebel attack on the country's only international airport in July and the global economic slowdown are expected to further add to the problems of Sri Lanka's war-battered economy.

OPEC oil price slips again

AFP, Vienna

The basket oil price used by OPEC to set its output slipped again to 20.30 dollars, below the 22-dollar floor of the cartel's target range for a seventh trading day, its secretariat said on Wednesday.

The basket price, an average of seven world crudes, was down from 20.44 the previous day, said OPEC officials, who base the daily basket price on the previous working day's world crude prices.

Under a price mechanism system aimed at keeping prices within a 22-28 dollar range, OPEC could cut production by 500,000 barrels a day if the basket price remains below 22 dollars a barrel for 10 trading days in a row.

The 10th day will be reached on Friday, if the price remains below 22 dollars.

Organisation of Petroleum Exporting Countries (OPEC) ministers agreed at a meeting in Vienna last week to leave output unchanged, but signalled they would cut output in the coming weeks if oil prices remained weak.

The basket price slumped to two-year lows last week amid forecasts of slumping demand for oil as the global economy slows further in the wake of last month's terrorist attacks in the United States.

Two Japanese cos shutting chip plants

AP, Tokyo

Two major Japanese electronics makers said Wednesday they were temporarily shutting down chip plants amid a downturn in global demand that is likely to worsen after the terrorist attacks in the United States.

Fujitsu will shut three chip plants in Japan for five days this month, affecting 5,000 workers. NEC Corp is shutting down some lines at a chip plant in southwestern Japan for six days, affecting 1,000 workers. Three nearby chip plants will be closed for four days, affecting 1,700 people, it said.

Fujitsu spokesman Bob Pomeroy said the workers will receive about 90 per cent of their salaries during their temporary leave. "It's a production adjustment. The whole sector is slow," he said.

In August, Fujitsu scaled down production at some plants for about nine days, bringing down production capacity to about 60 per cent or 70 per cent, Pomeroy said.

The workers at the NEC plants will receive 80 per cent of their salaries, the company said.

Japan seeks G7 efforts to calm forex market

AFP, Tokyo

Japan's Finance Minister Masajuro Shiokawa said Tuesday he would urge Group of Seven (G7) partners to help fend off the impact of last month's terror attacks on currency markets when they meet at the weekend.

"I am planning to propose again that G7 countries should cooperate in stabilising the US currency and providing ample liquidity to cope with the events after the terrorist attacks," Shiokawa told reporters.

"I would like to gain a consensus that we should join hands to avoid a scenario that speculators stir the market by taking advantage of this timing," Shiokawa said.

Trading with insufficient fund SEC suspends DSE broker

STAR BUSINESS REPORT

The Securities and Exchange Commission (SEC) yesterday suspended a Dhaka Stock Exchange (DSE) broker for 15 days.

In an emergency board meeting yesterday, the SEC decided to suspend the broker Anwar Securities from trading after SEC officials found that the firm had made large purchases against accounts having insufficient deposits.

"In one of the accounts, we did not even find the name of the account holder," one SEC official said.

He said another brokerage house under investigation and with its trading licence suspended earlier, appeared before the SEC yesterday to provide deposit documents. It was

later allowed to continue trading.

Meanwhile, the DSE in a press release yesterday said it would for the first time allow direct listing to public limited companies.

The release said the initiative was taken jointly by the SEC and DSE. SEC had already approved the regulation now awaiting gazette notification.

"The opportunity of direct listing would be available for three months from the date of publication of the gazette," the release added.

It said companies with Tk three crore paid-up capital, no accumulated loss, in operation for at least three years with two years' profit records and regularly holding annual general meetings would be eligible for getting listed.

US Fed cuts rate to 39-yr low

Massive bid to fight recession, BOE to follow suit

REUTERS, Washington

The US Federal Reserve Tuesday slashed borrowing costs to their lowest level in nearly 40 years as a top Bush economic advisor admitted what many have been saying for weeks: a US recession is likely.

The gloomy assessment came three weeks after attacks on the United States sent shudders through the global economy, leading the US central bank to cut rates to their lowest level since 1962 in an attempt to battle the bleak economic outlook.

The Fed's move came as Europe's outlook grew more dire.

For weeks policymakers around the world have been working in chorus as cheerleaders, proclaiming that the right actions could avert economic stagnation, statements made in the knowledge that maintaining consumer confidence would be key to avoiding a deeper downturn.

But with the evidence consistently stacking up on the recession side of the global economic ledger, one official US economic guru conceded the seemingly inevitable.

"These 'supply shock' consequences of the attacks substantially reduce the growth rate of GDP during the third and fourth quarters of 2001, and increase significantly the likelihood that the economy is in a recession," White House economic advisor Glenn Hubbard told Congress.

Hubbard, chairman of the Council of Economic Advisors, is the first in President George W Bush's economic team to openly speculate that the world's richest economy may be in recession, although he tempered his words with the caveat that it was too soon to tell for sure.

The powerful US central bank slashed key short-term interest rates by a half a percentage point for the second time this month, taking the federal funds overnight lending

rate to a 39-year low of 2.5 per cent in its ninth reduction this year.

The Fed said the attacks "significantly heightened uncertainty" in the already weak US economy and added that inflation was not a primary risk a sign it stands ready to take further action if needed.

US stocks initially fell on the Fed's concern about heightened uncertainty but posted a late rally to close about 1 per cent higher after a choppy and uneven afternoon of trading.

Meanwhile, US House of Representatives Republican leader Dick Armey said outright, "we have a recession," as he called for \$150 billion in tax relief to jolt the economy out of the doldrums.

The latest comments came as more data confirmed American consumers stayed home in recent weeks rather than shopping something that had been keeping the US economy afloat.

Many economist believe that if

the United States falls into recession, the global economy will follow the same dismal path since growth is also slowing in Europe and Japan is seen as likely already in recession.

Elsewhere, the news was even worse.

In the most striking example of the impact on airlines of the September 11 attacks, cash-strapped SwissAir grounded all its planes as fuel firms cut off supplies and foreign airports demanded payment of landing fees. The Swiss government made a desperate plea to commercial banks to come to the flag carrier's rescue.

France and Sweden reported declining consumer confidence and the European Commission announced euro zone economic sentiment was at its lowest level in nearly four years even before the attacks, suggesting the worst is yet to come.



8th Annual General Meeting (AGM) of Bangladesh Dyeing & Finishing Industries Limited, a unit of Doel Group of Industries, was held recently at Savar in Dhaka with DN Kejriwal, Managing Director of the company, in the chair. The AGM declared a 10 per cent dividend for the year 2000.

Mercantile Bank conducts training for new officers

Mercantile Bank Training Institute recently conducted a training course on "General Banking" for the bank's newly recruited officers, says a press release.

M Taheruddin, Managing Director of the bank awarded certificates among the trainees on the concluding ceremony of the training program. M Nurul Islam, Deputy Managing Director and A K M Shahidul Haque, Executive Vice President were also present on the occasion.

Boeing signs deal with China for 30 aircraft

AFP, Washington

US aerospace firm Boeing announced plans Tuesday to sell 30 aircraft to Chinese airlines in a deal worth 1.6 billion dollars at list prices.

The deal was signed at the Commerce Department in Washington between Boeing and China Aviation Supplies Import and Export Corporation (CASIK) for the firm order of 30 Boeing 737 jetliners. Commerce Secretary Donald Evans and China's Vice Chairman of the State Development Planning Commission Zhang Guobao led the Chinese delegation.

"Today's announcement reflects an expansion in bilateral trade between commercial fleet to improve airline efficiency and profitability."

CASIK is a trading company that conducts the import and export business of civil aviation materials for the Chinese government.

The firm said 20 of the planes would be delivered to China Southern Airlines, with the rest going to other Chinese carriers. The planes will be delivered 2002 through 2005.

The 737s will be powered by CAM-7 engines produced by CAME, a joint venture of General Electric Co. of the United States and Seneca of France.

Retail trade volume rises in Euro zone

AFP, Brussels

The volume of retail trade in the euro zone increased by 1.3 per cent in July from the figure for August, and by 2.3 per cent in the EU15 for the same period, Eurostat, the EU's statistics branch, said Wednesday.

Compared to June 2001, sales increased by 0.3 per cent in the euro zone and by 1.3 per cent in the EU15.

Bush outlines economic stimulus package

REUTERS, Washington

US President George W Bush outlined his principles Tuesday for an economic stimulus package aimed at spurring business investment, bolstering consumer confidence and helping Americans who lost their jobs in the aftermath of last month's hijack attacks.

But the administration made clear that the package, which could be finalized as early as next week, should be limited in size and scope to dampen the impact on the federal budget, which could slip back into deficits next year.

"What's needed is a stimulus

package big enough to get the economy moving in the short run but small enough so that it doesn't affect long-term interest rates," Bush said after meeting with congressional leaders.

Bush made the comments before the Federal Reserve slashed short-term interest rates a half-percentage point, its ninth cut this year, and said it was poised to lower borrowing costs again as it tries to avert the growing threat of a recession in the wake of the Sept 11 attacks in New York and Washington.

Key lawmakers said the Fed move would not deter them from

pushing forward with legislation to spur growth. "The consensus is we should still have a fiscal boost to the economy," said Senate Finance Committee Chairman Max Baucus, a Montana Democrat. "I think we need to proceed."

The president offered few details about the stimulus package under consideration.

Congressional aides said it could total up to \$100 billion, including roughly \$50 billion in emergency spending already approved. Lawmakers said that leaves about \$45 billion to \$50 billion for new tax cuts and additional spending.



M Taheruddin, Managing Director of Mercantile Bank Limited, Md M Nurul Islam, Deputy Managing Director, and A K M Shahidul Haque, Executive Vice President, are seen along with the participants of a training course on "General Banking" at the certificate awarding ceremony recently.

Europe finds hard to unite on common crisis response

AFP, Paris

European economies reeling from the shock wave of terror attacks in the United States will struggle to build a common defence against threats of recession, specialists say.

"In Europe, we have the means to resist, especially if we set coordinated policies," French Finance Minister Laurent Fabius nevertheless maintained two weeks ago at a meeting with counterparts in Liege, Belgium.

That statement now appears more like wishful thinking, with an already weak US economy sinking further and economic priorities differing from one country to another within the 15-member European

Union (EU).

"We spoke willingly of coordinated economic policy when everything was going well, but it is harder now that the situation has deteriorated," noted Anne Beaudou, a Credit Agricole economist specialising in the euro zone.

Repercussions from the September 11 attacks have been managed independently by the zone's 12 members, with Spain offering businesses and individuals a tax cut while Germany and France maintained resolutely optimistic forecasts.

One collective step finance ministers took in Liege was to agree on types of credit guarantees provided to airlines facing soaring

insurance premiums after four US planes were hijacked and intentionally crashed.

But their governments are still free to act as they see fit, and nothing in the system, itself limited to the airline sector, is closely coordinated, an EU source pointed out.

And EU members can not come up with a one-size-fits-all way to encourage economic growth because their economic conditions vary.

"After the year 2000 when everything was going well and everyone was going in the same direction, economic situations became more heterogeneous this year, and increasingly so since the attacks," Beaudou remarked.

Australia slashes interest rates to 29-yr low

AFP, Sydney

Australia's central bank cut official interest rates Wednesday by a quarter of a per cent to a 29-year low of 4.5 per cent in a bid to bolster the economy in an international downturn.

The announcement by the Reserve Bank of Australia (RBA) board followed a decision hours earlier by the US Federal Reserve to cut US interest rates by half a per cent to a 39-year low of 2.50 per cent.

The fifth cut in Australia's official cash rate this year came amid fears the September 11 terrorist attacks on the United States will weaken an already flagging international economy.

Although Australia's economy has been among the strongest in the world this year, its central bankers feared it could not withstand the impact of rapidly slowing growth in all of its major markets.

The cut was widely expected, although some analysts had predicted the RBA might go further and reduce rates by half a per cent point.

Australia, which has cut official interest rates four times since February when they stood at 6.25 per cent, last reduced rates by 0.25 per cent to 4.75 per cent on September 5.

The cash rate is now at its lowest level since the current monetary policy regime began in 1990, and the lowest overall since 1972.

Wall Street higher after rate cut

AFP, New York

Stocks ended higher Tuesday after a widely expected half-point rate cut by the Federal Reserve as investors concluded the reduction should ultimately translate into accelerated equities buying.

The Dow Jones industrials rose 113.76 points (1.29 per cent) to 8,950.59.

The Standard and Poor's 500 added 12.78 points (1.23 per cent) to 1,051.33 and the Nasdaq composite added 11.86 points (0.90 per cent) to 1,492.32.

A few minutes after the Fed announcement stocks moved lower in a knee-jerk "buy on the rumor and sell on the news" reaction, dealers said.

However, stocks soon returned to positive territory and managed to close with fairly strong gains. Some market participants apparently were thrown off by language in the Fed's communique, including an observation that "the terrorist attacks have significantly heightened uncertainty in an economy that was already weak."

Peter Kenny of Peter C. Kenny said investors later in the session took a positive view of the rate cut news because it ultimately will bolster consumer confidence by making cheaper purchases of such items as cars, clothes and energy.

US business leaders hail rate cut

AFP, Washington

US business leaders welcomed Tuesday the Federal Reserve's decision to cut the key interest rate to a 39-year low to cushion the impact of the terrorist assault on the United States.

"The Fed is doing its part," said National Association of Manufacturers president Jerry Jasinowski.

"With the economic consequences of the September 11 attacks still reverberating across the country, the Fed made an important and supportive move today that should mitigate the negative impact of last month's tragedy on the economy overall and set the stage for a recovery in 2002," he said.

The policy-making Federal Open Market Committee (FOMC) lowered the target for the benchmark federal funds rate by half a percentage point to 2.50 per cent, the lowest level since May 1962.

The discount rate was cut by the same margin to 2.0 per cent, the lowest since 1958.

"The number one priority for the Fed is to stimulate economic growth," said US Chamber of Commerce vice president and chief economist Martin Regalia.

"The Fed is steadfast in its efforts get the economy moving," he said.

Consumers, whose spending accounts for two-thirds of US economic activity, held the key to US economic stability, the US business representative said.

EU, ACP group hold 'fruitful' talks on new world trade round

REUTERS, Nairobi

The European Union and the Africa, Caribbean, Pacific (ACP) group of developing countries held "fruitful" trade discussions Tuesday but reached no consensus on the launch of a new round of global trade talks.

Officials said trade ministers from the two sides had narrowed their differences on trade relations in discussions about proposals for a

new round of World Trade Organisation (WTO) talks, which Europe wants to see launched in Doha, Qatar in November.

The meeting brought together 18 trade ministers from ACP countries and 15 ministers from Europe as well as the EU's Commissioner for Trade Pascal Lamy.

"We are not yet there, we will not be there before the final hour of the Doha meeting but we've moved a step further," Lamy said. "We've

substituted the process which was creating divergences which led to Seattle to a process which is creating convergence."

Lamy said a new round, two years after a similar gathering in Seattle failed, is the only way the 56 ACP countries can achieve their trade objectives and is especially important in the wake of last month's attacks on the United States.

Blair to call referendum on euro if conditions met

AFP, Brighton

British Prime Minister Tony Blair said Tuesday he would hold a referendum on joining the euro during the term of the current parliament if tests of economic convergence are met.

In a brief but distinct rallying cry to proponents of ditching the pound in favour of the single European currency, Blair said that if Britain

was a good match for the euro zone then it was time to show "courage in our argument" -- and take it to the nation.

"We should only be part of the single currency if the economic conditions are met," Blair told his Labour Party at a conference in this southern town. "They are not window-dressing for a political decision. They are fundamental.

"If they are met we should join,

and if met in this parliament we should have the courage of our argument to ask the British people for their consent in this parliament," Blair said.

Blair and his finance chief Gordon Brown have drawn up five economic tests which they say must first be met before the issue of joining the euro can be put to a national plebiscite.