Japan ready to spend a lot to boost world economy

AFP, *Tokyo*

Finance Minister Masajuro Shiokawa said Tokyo is ready to spend a substantial amount of money in a supplementary budget if required to give support to the United States in its fight against terrorism.

"If Japan needs to play a role to cooperate with other countries in stimulating the world economy, we will spend drastic amounts (as part of a supplementary budget)," he told a regular news conference.

"We are going to accept all new budget requests from ministries and agencies to compile a supplementary budget as the main items are related to structural reforms," he said.

Under a reform drive by Prime Minister Junichiro Koizumi the government had planned to cut back on extra fiscal spending by placing a cap on new government bond issues at 30 trillion yen (250 billion dollars) this year and next.

But the devastating economic impact on the global economy of the suicide jet attacks on New York and Washington could force Japan to open its purse strings and breach the ceiling.

Both Koizumi and State Minister for Economic and Fiscal Policy Heizo Takenaka have hinted the bond ceiling may be broken this year to March to allow Tokyo to compile an extra budget to support the world's number two economy as it teeters on the brink of its fourth recession in a decade.

The stimulus package is being compiled by the finance ministry.

If Tokyo sticks to its 30 trillion yen limit on bond issuance this year, it's pump priming measures would be restricted to around 1.7 trillion yen.

On top of greater spending at home, Japan has also pledged massive financial aid to civilians affected by the US-led attacks on Afghanistan and the Taliban regime.

Last week the government said it was prepared to provide up to 120 million dollars to assist Afghan refugees, approximately 20 per cent of the total funding requested by United Nations Secretary General Kofi Annan.

A government official said Wednesday that Tokyo was now planning to provide two million dollars to Tajikistan to help the country deal with Afghan refugees.

Malaysia cuts interest rates for businesses

AFP, *Kuala Lumpur*

Malaysia's central bank Friday announced lending rates for selected industries and entrepreneurs will be cut by half a per cent with effect from October 15.

"The revision in the rates is aimed at promoting domestic economic activities and to provide the impetus for growth in investment," Bank Negara Malaysia said in a statement.

The central bank said the cut applied to three funds -- the rehabilitation fund for small and medium industries, the fund for small and medium industries and the fund for new entrepreneurs.

Existing and new borrowers of these funds will enjoy the cut.

The central bank said this was the second rate reduction this year to further lower the cost of doing business. The first reduction was in April as part of the pre-emptive measures to counter the effects of the global economic slowdown.

In September, the central bank cut its three-month intervention rate in the short-term money market from 5.5 to 5.0 per cent with immediate effect.

The reduction was the first time in two years aimed to boost economic growth and offset adverse impacts from the September 11 terror attacks in the United States.

PHOTO: SONY-RANGS

Kenkichi Fujiwara, Deputy Director of Visual Product of General Area Department of Sony Malaysia, opens a free service programme at its Sonartari tower show-room on Sonargaon Road in the city on Wednesday. Akhtar Hussain, Managing Director of Rangs Electronics Limited, N Nakajima, head of RND-3 Department, Rizal A Rashid, Officer of Research and Development of Sony Malaysia, and other senior officers were present on the occasion.

S'pore unveils $11.3b package to cope with recession

AFP, *Singapore*

The Singapore government on Friday announced an 11.3 billion dollar (6.3 billion US) off-budget package to help the city-state cope with its deepest recession in more than 30 years.

Announcing the wide-ranging package in parliament, Deputy Prime Minister Lee Hsien Loong said the relief measures were equivalent to seven per cent of gross domestic product and would result in a government budget deficit of four billion dollars in the current fiscal year to March.

"The Singapore economy is in a severe slowdown. The sustained contraction over the last three quarters is the steepest that Singapore has experienced," said Lee, who is also chairman of the Monetary Authority of Singapore.

The package -- which analysts said was the biggest in the island's history -- followed measures worth 2.2 billion Singapore dollars announced in July after Southeast Asia's most advanced economy fell into recession.

"I think it's a very substantive package," said PK Basu, an economist at Credit Suisse First Boston.

"It has almost everything that I expected and more," he said in a televised interview.

Lee said "conditions have indeed worsened" since the first package was announced in July.

"This was happening even before the terrorist attacks of September 11 (in the United States)," he said.

Singapore's gross domestic product (GDP) contracted a record 5.6 per cent year-on-year in the third quarter and the government forecast a fall of 3.0 per cent for the full year.

Hopes of an early recovery evaporated with the terrorist attacks against the United States, Singapore's biggest export market.

The biggest chunk of the relief package would see 3.5 billion dollars used to jumpstart infrastructure projects, said Lee.

More than 100 public infrastructure projects would be implemented within the next 18 months, he said.

Corporate and personal income tax and fee rebates worth 3.0 billion dollars were the second biggest item in the package, followed by a novel national share scheme valued at 2.7 billion dollars aimed at redistributing wealth.

Financial assistance for local companies and lower income Singaporeans along with funds to retrain workers make up the remainder of the package.

Song Seng Wun, a regional economist with GK Goh Brokerage, was skeptical if the rebates would spur consumer spending amid the pervading gloom.

"Given the rather uncertain economic environment, you are likely to see people saving rather than spending," he told AFP.

Lee said ministerial salaries and those of senior public sector officials would be cut to "send a signal that this is a grave situation," Lee said.

India seen raising foreign equity limits

AFP, *Bombay*

Leading Indian companies are raising their limits on investment by foreign institutions after changes to widely-used Morgan Stanley Capital International indices, analysts said Friday.

MSCI has said it will base it weightings for companies in its indices on the free float of companies, the portion of shares not tied up in long term strategic holdings.

MSCI said this week it would cut its weighting for India on the MSCI Emerging Market Free (EMF) index to 6.2 per cent from 7.1.

"There is no doubt that companies such as Wipro, Infosys, Satyam Computer and even other old economy majors will raise their FII (foreign institutional investment) limits to attract more and more foreign institutional portfolio investments," said SG Crosby analyst Dharmendra Grover.

"Given the present stock market conditions, who would not want that additional investments which could raise the share value," he added.

Infosys, Satyam Computer, Himachal Futuristic, Reliance Industries, Reliance Petroleum, Housing Development Finance Corp and HDFC Bank have already raised the FII limit to 49 per cent of their equity.

Analysts said the government's recent move to bring FII limits into line with foreign direct investment limits was also linked to the changes in the MSCI indices, which are widely used as benchmarks followed by fund managers.

Sony-Rangs opens free service clinic

Sony-Rangs has opened a free service clinic 2001 at its Sonatari Tower show-room located on Sonargaon Road in the city.

Kenkichi Fujiwara, Deputy Director of Visual Product of General Area Department of Sony, Malaysia, inaugurated the clinic on Wednesday, says a press release.

Aktar Hussain, Managing Director of Rangs Electronics Limited, N Nakajima, Head of RND-3 Department, Rizal A Rashid, Officer of Research and Development of Sony Malaysia, and Sabur Ahmed, General Manger, S Iqbal Khan, Service Manager and other senior officers of Rangs Electronics Limited were present on the occasion.

In his speech, Aktar Hussain, Managing Director, Rangs Electronics said that Sony-Rangs was not interested only ink promoting its sale but also in extending all kinds of after sales services including free services to its valued customers in order to create confidence in their minds that they could depend on Sony Rangs and its products.

Free services will be provided from 10 showrooms of Sony Rangs in Dhaka city from October 10-18, 2001.

Airline crisis weighs heavily on in-flight catering firms

AFP, *Paris*

The current crisis afflicting global airlines, sparked by September 11 suicide attacks in the United States, is also weighing heavily on the in-flight catering market, 70 per cent of which is controlled by three European groups.

LSG Sky Chef of Germany is the leading single supplier of in-flight meals, controlling 35 per cent of the worldwide business, followed by Gate Gourmet of Switzerland, 25 per cent, and Servair of France, 10 per cent. The three firms are affiliates respectively of Lufthansa, Swissair and Air France.

Their domination of the market comes at the expense of the US airline catering industry, which is made up of numerous small enterprises.

The deadly US attacks, carried out by four hijacked commercial airliners, dealt a staggering blow to international civil aviation, triggering a wave of failures -- Ansett of Australia, Swissair, Belgium's Sabena -- as planes bound for trans-Atlantic or Middle East destinations have been taking off half full.

In the immediate aftermath of the attacks, carriers in the United States decided to halt food service on internal flights of less than four hours.

In France, activity at some of Servair's facilities has declined 25 per cent since September 11, according to company spokesman Boris Eloy.

Gate Gourmet, which turns out 815,000 meals a day for more than 250 carriers at 165 facilities in 34 countries, recently announced the elimination of 3,000 jobs, or 10 per cent of the workforce. The company last year posted sales of 2.4 billion euros (2.17 billion dollars).

More confusion hits Swiss airline industry

AFP, *Basel, Switzerland*

The future of the Swiss airline industry was thrown into confusion on Thursday as US investor Texas Pacific was reported to be interested in the bankrupt Swissair Group or its former regional offshoot Crossair.

The Swiss media reports came shortly after Swiss bank UBS, which is working on a financial package for both airlines along with Credit Suisse, said that European regional carrier Crossair would need several billion Swiss francs in investment for expansion plans to go ahead.

"We are noticing that we need more liquidity as the plans are put together, but we can't put a figure to it yet," Crossair spokeswoman Diane Muller-Tanquerey confirmed to AFP.

She said Crossair's final plans would be put to Swiss government officials and banks at a meeting on Sunday.

Meanwhile, a spokeswoman for UBS told AFP's financial subsidiary AFX that the bank had received a letter from Texas Pacific.

The spokeswoman would not say whether the letter contained a bid for Swissair and Crossair, which are now separate companies.

According to business news agency AWP, Texas Pacific had offered seven billion dollars (7.68 billion euros) for the whole Swissair Group.

However, other Swiss media reported that Texas Pacific was interested in Crossair, which was split off from the bankrupt Swissair Group 11 days ago and is meant to expand by taking over some of the former parent company's flight operations on October 28.

Muller-Tanquerey said Crossair was not aware of an offer from Texas Pacific.

A Swissair spokesman declined to comment on the reports.

Weekly Currency Roundup

October 7 to October 11, 2001

Last week the local foreign exchange market was active. Demand for dollar was steady in the interbank market.

The weekly treasury bill auction was held on Sunday. Bangladesh Bank accepted treasury bills worth of BDT 31.925 billion against a maturity of BDT 24.35 billion Bangladesh Bank accepted treasury bills worth of BDT 31.195 million for 28 days at 5.96 per cent, BDT 200 billion for 91 days at 6.58 per cent, BDT 200 billion at 6.91 per cent, BDT 70 million for 364 days at 7.15 per cent and BDT 260 million for 2 years at 7.97 per cent. Demand for overnight borrowing at call was steady during the week. The call money rate ranged between 6.5 and 8.5 per cent, closing the weekly average at 8.25 per cent.

In the early part of the week, dollar drifted lower against the yen and Swiss franc following the US led military strikes on Afghanistan. Dollar's fall against these two currencies was not as drastic as that in the aftermath of the September 11 attacks. Traders refrained from heavy trading amid uncertainty arising from the attacks. Although risk-averse investors switched to safe-havens like Swiss franc, the market was void of a concrete direction in apprehension that the conflict would not be resolved very quickly. The Bank of Japan (BOJ) bought at least $20 million last month trying to cap an export-crippling rise in yen.

In the middle part of the week, dollar gained a bit against yen. The market remained cautious with dealers reluctant to take new positions on dollar amid the growing uncertainty over US retaliation. US actions were so much expected that it did little to undermine the dollar, rather it shored up investor confidence about their capital held in dollar-denominated assets. However, traders believed the dollar might dive at the prospect of other terrorist attacks on US Euro fell against dollar, but was well supported against yen, as Japanese investors are willing to buy European bonds in this half of the fiscal year.

In the last part of the week, dollar remained steady against yen, lingering at the level of 120 yen. Trading was thin as most market players adopted a wait-and-see approach in the absence of any solid view on currency movements. Investors expected the US government to employ more monetary and fiscal stimulus program, essentially supporting the dollar to a higher level. Now the market eagerly awaits the release of key economic data to assess the full economic impact of the September 11 attacks. Meanwhile, ECB was expected to match the most recent US Federal reserve rate cut of 50 basis points earlier in the week. The market was disappointed when ECB finally decided to leave the refinancing rate unchanged for the time being. Thus, euro failed to sustain its recent gains against dollar, down to a level of 0.9099. The two-day policy meeting of the Bank of Japan (BOJ) started on Thursday. The meeting is not likely to result in any policy change on the backdrop of a relatively stabilised Japanese currency market.

At 1500 hrs on Thursday, euro traded at 0.9099/03, pound sterling at 1.45495/00 against dollar and Japanese yen was traded at 120.76/82 against US dollar.

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