Taiwan slips into recession as GDP hits record low

AFP, *Taipei*

Taiwan's economy has slipped into a technical recession with the government announcement Friday that the island's gross domestic product (GDP) had shrunk for a second successive quarter.

The worse-than-expected 4.21 per cent contraction in GDP for the three months to September, announced by the cabinet-level Directorate General of Budget, Accounting and Statistics (DGBAS), represents the country's biggest quarterly fall in 26 years.

The figure is sharply lower than a 2.35-per cent fall in the second quarter.

It was down nearly double that of a 2.45-per cent drop previously estimated by the DGBAS since the island's exports were hit hard by the September 11 attacks on the United States which exacerbated the global downturn.

Taiwan's exports suffered a record fall of 28.6 per cent in the third quarter to 28.01 billion US dollars, while its imports also plunged 34.1 per cent to 24.64 billion amid slowing global demand.

The back-to-back GDP contraction means Taiwan's economy has plunged into a technical recession, analysts said.

"The economy has no doubt hit the bottom in the third quarter and it is not likely to get any worse," said Capital Securities analyst Hsu Kuo-an.

The 4.21-per cent drop has basically fallen within the range of market expectations, which generally anticipated a 4.0-5.0 per cent fall in GDP, said analyst Gary Chu of Dresdner RCM Global Investors Securities Investment Consulting Co.

"The results did not come as a surprise to most investors, so we don't expect to see any dramatic downturn in the stock market in the coming week," he said.

But Hsu warned the extent of the decline coupled with falling share prices and soaring unemployment may keep people from spending, further prolonging a much-awaited recovery.

"Taiwan's faltering economy is unlikely to secure a solid recovery until the third quarter next year," he said.

The island's jobless rate hit a record 5.26 per cent in September amid growing business closures and downsizing.

Nearly 4,000 Taiwanese factories were shut down in the nine months to September and the economic ministry expected the number to reach 6,000 by the end of the year, up from 5,000 last year.

The DGBAS said GDP is now expected to shrink 2.12 per cent this year, sharply down from its earlier estimate of a 0.37-per cent decline after it revised the fourth-quarter GDP forecast to a fall of 2.68 per cent from growth of 2.38 per cent.

It would be the first annual contraction since Taiwan introduced measures of economic performance in 1951.

The growth forecast for next year has also been halved to 2.23 per cent from 4.16 per cent projected earlier, the DGBAS said.

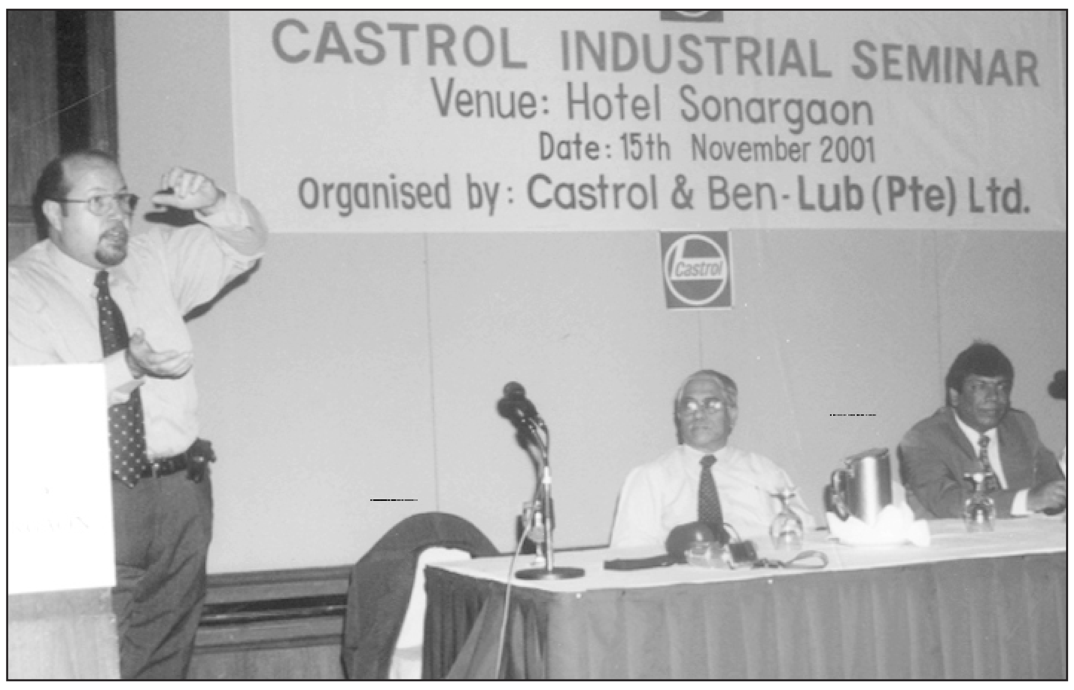

PHOTO: BEN LUB PHOTO

Karim W Ibrahim, Technical Services Manager of Castrol-Dubai, speaks at a seminar on Castrol industrial lubricant organised by Castrol International and Ben Lub Pte Ltd at Sonargaon Hotel on Thursday. Akter Hossain, Manager-Marketing (R&D), and Nurul Amin, Manager-Engineering of Ben Lub Pte Ltd, are also seen in the picture.

Seminar on Castrol industrial lubricant held

A seminar on Castrol industrial lubricant organised by Castrol International and Ben Lub Pte Ltd was held at Sonargaon Hotel on Thursday, says a press release.

Karim W Ibrahim, Technical Services Manager of Castrol Dubai was main speaker.

The seminar was intended to apprise industrial customers of the development of lubrication technology and how the advancement in technology could benefit them.

It was attended by participants from power, fertilizer, cement, pharmaceutical and other industries. Ben Lub officials also took part in the seminar.

Dollar slips against yen

AFP, *Tokyo*

The dollar slipped against the yen Friday on persistent concerns over the US economy, with a decision by the Bank of Japan (BoJ) to leave monetary policy unchanged largely discounted, dealers said.

The greenback traded at 122.21-24 yen at 5:00 pm (0800 GMT), down from 122.32 yen in New York, but slightly up from 122.16-18 yen in Tokyo late Thursday.

Better-than-expected employment data from the United States gave the unit an early boost but it soon lost energy over deepening fears about the world's largest economy, dealers said.

"Even though some numbers pointed to a good US economy I expect a long period of slowing down," said Yasuji Yamanaka, foreign exchange manager for Nikko Trust and Banking. "Japan doesn't look very good, and the euro is the same. So no currency looks attractive."

The US Labour Department said Thursday that initial claims for regular state unemployment benefits fell 8,000 in the week to November 10 from the previous week, despite Wall Street expecting a rise of 40,000 claims.

Nomura Trust and Banking Co. Ltd. deputy foreign exchange manager Teruhisa Moriyasu said a recent slump by US Treasuries negatively affected the dollar.

In addition, technically-driven profit-taking depressed the unit, together with position-adjustments ahead of the US' approaching Thanksgiving Day holiday season, dealers said.

"If the dollar misses out the chance of testing the 123-yen level before the Thanksgiving Day holiday (on November 29), then it may not be able do so again before the end of this year," Moriyasu said.

Bundesbank sees no danger of recession for Europe

AFP, *Hamburg, Germany*

Europe is neither in a recession, nor is there any danger it might slip into recession, even if the current economic environment is very uncertain, Bundesbank President Ernst Welteke said in a newspaper interview published on Friday.

"We're not yet in a recession. And I don't see any danger of a recession," Welteke told the daily Hamburger Abendbatt.

However, further economic developments were characterised by "great uncertainty. A lot depends on whether consumer and investor confidence can be given a boost," the German central bank chief said.

As head of the Bundesbank, Welteke sits on the European Central Bank's governing council, the body responsible for setting interest rates for the 12 countries which share the euro.

Welteke said that monetary policy alone could not jolt the economy back to life.

"You can lead a horse to water, but you can't force it to drink," he said.

"If someone is scared of flying, he still won't fly if tickets are made cheaper. An investment which depends on whether interest rates are a quarter of a per centage point higher or lower is a bad investment. It won't pay off," Welteke argued.

Monetary policy could only be a supporting measure, but could not kick start the economy.

Only structural reform could achieve that "and a climate which nurtures security and confidence."

Welteke rejected the suggestion that the ECB had waited too long to cut its key rates by half a per centage point last week compared with the more aggressive monetary policy practised the United States Federal Reserve.

"The Fed has a different task. It must safeguard growth and employment at a low rate of inflation. The ECB's task is to safeguard price stability. Its interest rate decisions have therefore been appropriate."

New MD of Rupali Bank

Md Yeasin Ali has been appointed managing director of Rupali Bank Limited, says a press release.

Ali started his banking career as Manager Grade-2 in the then Agricultural Development Bank of Pakistan in 1971. He was the Managing Director of Rajshahi Krishi Unnayan Bank and also held various responsible positions of BKB.

He also served Agrani Bank as General Manager.

Ali earlier served Rupali Bank as Managing Director from August 24, 1999 to December 31, 2000. He switched over to Bangladesh Shilpa Bank as Managing Director and worked there till his joining Rupali Bank again as Managing Director on November 13, 2001.

Sony to produce Vaio laptop PCs in China

AFP, *Tokyo*

Japanese hi-tech giant Sony Corp. will build a factory in eastern China to produce and market Vaio laptop computers by early 2002, a news report said Friday.

"Sony seeks to tap the Chinese market in light of the country's coming entry into the World Trade Organization (WTO) and the rapid growth of 30 per cent annually in its (personal computer) market," the Nihon Keizai Shimbun said Friday.

Dubai defies global gloom with multibillion-dollar boom plan

AFP, *Dubai*

This little Gulf city-state with giant ambition is doggedly gambling on a strategy of huge expansion despite the global gloom in the aftermath of the US terror attacks and the war on nearby Afghanistan.

Fears of recession, terrorism and an uncertain future have all been brushed aside by the rulers of Dubai.

The Maktoum sheikhs had already committed billions of dollars to pursue the phenomenal growth which has transformed a sleepy pearl and trading outpost into a dynamic regional economic and tourist power with world-class infrastructure in just 25 years. And this month has seen billions more added in a bid to maintain the boom as oil resources run out.

Some critics, notably in neighbouring emirates, warn that Dubai has over-reached itself and predict an implosion.

But others point to the record the Maktoums have of turning projects, even some dismissed as fanciful dreams, into reality.

From the world's richest horse race to the world's leading stables set in a desert country which even has to import hay to feed the horses and the grandiose Burj Al-Arab hotel, written off as a folly but today the global trademark of Dubai, the emirate likes to defy convention.

And Crown Prince Sheikh Mohammed bin Rashid Al-Maktoum, the driving force behind the mega projects to position the emirate as a hi-tech, luxury leisure and trading hub, this week unveiled bold new targets for Dubai's success over the decade:

-- double gross domestic product (GDP)

-- knowledge-based industry to contribute 20 per cent of GDP

-- production and service sectors to contribute 70 per cent of all economic activities

How can he do it?

The selling of "Brand Dubai" is a slick operation, pulling together some of the world's top marketing and sales experts and a small number of dedicated Emiratis gifted with what appears to be boundless imagination and optimism.

Dubai's future is above linked to a series of gigantesque schemes mocked by some as the pyramids of sheikhs who have lost the run of themelves but which are emerging from the sand and sea.

-- Palm Island, the world's biggest man-made island, adding 120 kilometres (75 miles) of sandy beaches and dozens more five-star hotels south of Dubai city.

-- Dubai Marina, a 10-billion city to house 100,000 people, is already well underway. The waterway stretches 4.5 kilometres (three miles) inland and covers 53 hectares (130 acres).

Turkey vows strong reforms in return for vital IMF loan

AFP, *Ankara*

Turkey said on Friday that it had agreed to strengthen measures in an existing economic recovery programme in return for a much-needed new loan from the International Monetary Fund (IMF) for the cash-strapped country.

The agreement with the IMF involved "taking strong structural and financial measures as of the beginning of 2002 to bolster the economic programme and gradually implement public reforms on government decisions," a written statement from Economy Minister Kemal Dervis' office said.

The statement followed an announcement by IMF director Horst Koehler in Washington that he would recommend that the Fund's board of directors extend 10 billion dollars (11.36 billion euros) in loans to Turkey under a new stand-by deal, to be discussed next month, to tackle the impact of the September 11 attacks on the troubled Turkish economy.

Kohler said in a statement after an informal meeting of the executive board on Turkey that Ankara had performed strongly in implementing a programme of tight reforms to handle its worst economic recession in years.

"However, in the aftermath of September 11 a financing gap of approximately 10 billion dollars for the remainder of 2001 and 2002 has arisen," he added.

Shaky Turkish markets have been showing signs of improvement in the past few days over news of impending IMF loans. The Turkish stock exchange has shown strong upward mobility, while interest and foreign exchange rates have declined.

On Friday the Turkish stock market gained 1.9 per cent in morning trading on news that the IMF was considering offering more help.

The Istanbul stock exchange had already risen by 5.2 per cent on Thursday.

The optimistic climate has also boosted the embattled Turkish lira against the dollar.

On Friday the Central Bank sold 20 million dollars for 1,512,500 Turkish lira, reflecting continuation of an improvement trend in recent days.

Singapore economy contracts 5.6pc

AFP, *Singapore*

The Singapore economy contracted 5.6 per cent in the third quarter and the outlook was dismal with no immediate sign of a way out from recession, the government said Friday.

The confirmed third-quarter gross domestic product (GDP) figures, which mirrored snap estimates released last month, included a record 19 per cent fall in the manufacturing sector, the backbone of Singapore's economy.

Within the sector, the key electronics industry fell by 35 per cent.

The depressing economic data released by the once buoyant Southeast Asian economy showed unemployment rising sharply in the quarter from 2.6 per cent to 3.8 per cent.

"Forward looking indicators also point to continued weakness in the Singapore economy," the trade ministry said in a statement.

Although this week's agreement to launch a new round of global trade talks and the defeat of the Taleban in Kabul were good news, it was "too early" to estimate their impact, the ministry's chief economist Tan Kong Yam said

While there was "no silver lining, there could be a copper lining out there," he told a media briefing.

The government was maintaining its GDP growth target this year at minus 3.0 per cent, from a booming 9.9 growth last year. Growth for next year is forecast between negative 2.0 to positive 2.0 per cent.

Since the September 11 terrorist attacks in the United States, the major export market for trade-driven Singapore, "the external outlook has deteriorated dramatically," the ministry statement said.

"Besides the tradable sectors, which have been reeling from the worsening situation in the global economy, the domestic services sectors have also been affected by the loss of business and consumer confidence.

The 5.6 per cent third-quarter contraction followed a negative 0.5 per cent in the second quarter, and "growth prospects are expected to remain poor until the external environment improves," the ministry said.

On an annualised quarter-on-quarter basis, the economy contracted 11 per cent in the third-quarter, following declines of 10 per cent and 9.7 per cent in the first and second quarters.

In addition to the unprecedented double-digit fall in manufacturing, the construction sector contracted by 3.9 per cent, wholesale and retail trade posted negative 8.0 per cent growth, and financial services slowed markedly from 4.2 per cent in the second quarter to 1.3 per cent in the third.

Total employment fell by 12,500 in the three-month period, while retrenchments for the first nine months of the year reached nearly 17,100.

Japanese upper house okays $25b extra budget

AFP, *Tokyo*

Japan's upper house Friday gave final approval to a 25-billion-dollar extra budget aimed at fighting record high unemployment but calls immediately mounted for more pump-priming as the economy falters.

"Those who voted in favour of the bill were 137, those against were 97," said a parliamentary spokesman. "Since it was passed at the House of Councillors, it will be enacted today."

The 3.0-trillion-yen (24.8-billion-dollar) package is much smaller than previous supplementary measures, reflecting Tokyo's commitment to cap fiscal expenditure and plug funds to public works projects as part of a reform drive to kick-start the moribund economy.

Prime Minister Junichiro Koizumi demanded the money in September after data showed gross domestic product (GDP) for April-June shrank 3.2 per cent on an annualised basis.

"There are going to be many difficult problems ahead, so I can't take a breather," Koizumi told reporters after the budget was passed, adding he had not yet thought about a possible second fiscal package.

But ruling coalition lawmakers and some cabinet members have openly demanded more money, saying the weak economy needs more support to avoid a deep recession and stem job losses.

In September the unemployment rate hit a record post-war high of 5.3 per cent.

"I'm disappointed that they did not speak about boosting the economy," said Nobuo Yamaguchi, chairman of the Japan Chamber of Commerce and Industry. "I urge them to get to work right away on a second supplementary budget."

One trillion yen of extra cash will be spent on employment measures -- such as benefits for those without jobs -- funding for smaller enterprises and advancing a structural reform plan advocated by Koizumi, which involves promoting certain industries such as technology and science.

Around 50 billion yen will pay for emergency anti-terrorist measures in response to the September 11 attacks in the United States, while 26.5 billion will go to tackling a mad-cow disease scare that hit Japan in September.