

# US economy may recover in mid-2002: OECD

## Further contraction likely in first half

AFP, Paris

The US economy is probably in recession and will contract further in the first half of 2002 before picking up less than a year after terrorist attacks slammed already sluggish activity, the OECD said on Tuesday.

"The heightened state of uncertainty and aversion to risk caused by the September 11 attacks seem likely to lower activity significantly in the second half of 2001 and the first half of 2002," the Organisation for Economic Cooperation and Development said in its semi-annual Economic Outlook.

The US economy, which had been growing by more than 5.0 per cent in the second quarter of last year, had slowed sharply owing to a stock correction and increased interest rates, but began showing signs of recovery by August.

The attacks had ripped the recovery scenario apart, and it is "estimated that the economy has now fallen into recession".

Yet even with a contraction in the second half of this year, economic activity in the United States in terms

of real gross domestic product (GDP) should increase by 1.1 per cent in 2002.

For 2002, that figure should be "as a whole modestly lower, at 0.75 per cent", the report said.

The US economy could then gather steam towards the end of next year, it added, but the figures showed that this year and next the US economy would trail behind the euro zone, overtaking it in 2003.

"With activity projected to pick up toward mid-year, 2002 may see growth through the year of about 2.75 per cent," it said.

In June, the OECD Outlook had forecast US growth this year of 1.7 per cent, down from an earlier estimate of 3.5 per cent, and predicted growth in 2002 of 3.1 per cent.

In 2003, the OECD now expects the US economy to expand by 3.8 per cent.

The 30-country organisation said on Tuesday that the terrorist attacks had dealt a severe shock to the world economy, and OECD-wide output is now expected to contract slightly in the second half of this year

-- the first time this has happened in 20 years.

A significant rebound in the United States should take place in the second half of 2002 if household and business confidence recover from their current levels, the OECD said.

"The outlook is unusually uncertain at this point, given the range of possible reactions to the terrorist attacks," the report warned.

US monetary policy has responded quickly to the drop in activity, and the Federal Reserve still had room to reduce interest rates further, the report noted.

"Activity was supported by the aggressive easing of monetary policy from January onward, which contributed to resilient residential investment as mortgage rates fell," it said.

"The rapid easing in monetary and fiscal policies should ensure that growth resumes by mid-year (2002), as security concerns dissipate, inventories bottom out, and household and corporate balance sheets improve."

But "sub-par growth is expected

to rapidly generate labour-market slack, with the unemployment rate projected to rise to around 6.25 per cent in 2002.

"A stream of lay-off announcements, the jump in the unemployment rate to 5.4 per cent in October, and the continued high level in unemployment claims indicate that the labour market is deteriorating rapidly."

The budget deficit, meanwhile, would balloon owing to major tax cuts passed in the spring and an emergency 40-billion-dollar (45-billion-euro) package implemented immediately following the terror attacks.

"The Administration and Congress also appeared willing to provide further stimulus, and the projection assumes that additional fiscal measures -- totalling 90 billion dollars (cumulatively) over 2002 and 2003 -- are enacted.

"Combined with the cyclical fall-off in revenues, this leads to a projected federal government budget deficit in calendar year 2002.

# Singapore unveils commercial network to expand into China

AFP, Singapore

Singapore on Tuesday launched a business network with the aim of boosting business opportunities in the world's most populous nation.

The launch of 'Network China' will allow companies from the city-state to tap on the vast potential of the growing Chinese economy ahead of its formal entry into the World Trade Organization next

month, said the Trade Development Board (TDB).

"The tremendous pace of global change and China's new entry into the WTO mean that Singapore has to gear up quickly to stay ahead of competition," said TDB chief executive Lee Yi Shyan.

"What we want to do now is to find a better way to optimise the knowledge that we have accumulated in doing business in China," said Lee.

Lee said the TDB, a state-managed agency responsible for drumming up trade with other economies, would spare no effort in helping local companies get started in China.

"We want to be in the forefront helping Singapore-based companies internationalise, by bringing them up-to-speed in terms of knowledge and capabilities and, facilitating their entry into growth markets like China."

# Rising Russia heads for 6pc growth this year : OECD

AFP, Paris

Russia seems to be heading for growth of 6.0 per cent this year, the OECD said on Tuesday, following growth of 8.0 per cent in 2000 on the basis of official Russian data.

But prolonged slowdown in OECD economies might hit Russia, which is not an OECD member, through its exports.

Overall, preliminary estimates showed that the current account in the first half of 2001 was in surplus by more than 20 billion dollars (26.1 billion euros).

That was in line with the figure for the equivalent period of last year, but imports and falling energy prices would reduce this in the second half of 2001 and into 2002.

In the first nine months of the year inflation had hit the target for the whole year of 14 per cent, but a big budget surplus had been deposited with the central bank, containing further inflationary pressures.

And the federal budget showed a surplus of 4.0 per cent of gross domestic product in the first six months.

The OECD noted that a stabilisation fund might be created to receive surplus revenues which might be used for early retirement of foreign debt.

# EU, ROK pledge joint battle against US steel rulings

AFP, Seoul

South Korea and the European Union agreed Tuesday to launch a joint battle against US trade panel rulings which could lead to anti-dumping curbs against steel imports.

The agreement came at a meeting of government officials and corporate executives from both sides, the Ministry of Commerce, Industry and Energy (MOCIE) said.

"Both sides agreed to take

strong joint measures against US trade restrictions," an MOCIE official told AFP.

The US International Trade Commission ruled last month that 12 steel products, including hot-rolled, cold-rolled and slab steel, had hurt the US industry, raising the prospect of controversial anti-dumping curbs.

It must now make recommendations for action against the foreign steel imports it has identified as harming US industry. The recom-

mended remedies are to be forwarded to US President George W. Bush on December 19.

At Tuesday's meeting, EU and South Korean officials expressed concern that the panel's ruling would be detrimental to the global steel industry, the MOCIE official said.

"If needed, South Korea, Japan and the EU will stage an aggressive joint campaign through the World Trade Organization (WTO)," he added.

# Proton outlook bullish

AFP, Kuala Lumpur

The outlook for Malaysia's national car maker Proton remains bullish despite the economic gloom after it turned in stronger-than-expected interim results, analysts said Tuesday.

Perusahaan Otomobil Nasional Bhd. (Proton) late Monday announced a six-fold increase in its net profit to 382.812 million ringgit (100 million dollars) for the six months to September, from 54.335 million ringgit in the same period last year.

This was on the back of a 40 per cent year-on-year rise in sales to 5.297 billion ringgit. Its earnings per share surged to 0.70 ringgit from 0.10 ringgit in the same period last year.

The carmaker attributed the improved results to higher domestic sales in the second quarter.

Proton shares closed Tuesday up 0.40 ringgit at 6.30.

An auto analyst with a foreign brokerage said Proton's results were 85 per cent above his expectations and some 43 per cent above market consensus.

"The results were very good. We thought there could be a positive surprise in the earnings compared to our rather conservative forecast but this has really exceeded our expectations," he said.



DHL Worldwide Express in association with TACK-CDME organised a training workshop on 'Computer Care in Action' in the city recently. Picture shows Bhola Nath Saha, HR Manager, Tarikul Hasan, Custom Service Manager, Rezaur Rahman, Duty Manager of DHL Worldwide Express, and S A M Showkat Hossain, Managing Director, Gofran Farooque, Senior Management Trainer of TACK Training International, with the successful participants of the workshop at its concluding ceremony.

# CURRENCY

# SHIPPING

# US oil prices fall to 29-month low

REUTERS, New York

US crude oil prices briefly sank to a 29-month low yesterday after Russia, the world's second-biggest oil exporter, hinted it would not offer OPEC any more ground in a row over oil production cuts.

OPEC last week said it would boost oil prices with a production cut of 1.5 million barrels per day (bpd) from Jan 1, but only if non-OPEC producers Russia, Mexico and Norway agreed to cut production by a total of 500,000 bpd. Oil prices have fallen roughly a third since Sept 11.

So far Mexico has agreed to a 100,000 bpd cut, but Russia has only offered a 30,000 bpd cut. Norway said it was continuing to

monitor the market.

The rebuff of OPEC's demands pressured the December crude contract on the New York Mercantile Exchange (NYMEX).

December crude fell to a 29-month low of \$16.70 a barrel soon after the market opened and after Russian oil executives and Energy Minister sources took stances that suggested a more substantial cut may not be coming. The contract expired at \$17.72.

In London world benchmark Brent crude futures settled up 26 cents up on the day to \$18.05 per barrel after touching a two-and-a-half year low of \$16.65 a barrel.

When asked if Russia had offered new output cuts, a Russian Energy Ministry source told Reuters on Monday, "Of course not."

# Malaysia 'safe haven' for ME investors

AFP, Kuala Lumpur

Malaysia is emerging as a new "safe haven" for Middle East investors amid investment security concerns in the United States after the September 11 attacks, a senior official said Tuesday.

The country has much to offer to Middle East investors with its wide range of Islamic banking and insurance products, said the finance ministry's parliamentary secretary Hashim Ismail.

Malaysia would "become the safe haven for their investment" now that the US no longer appeared secure for Middle East investors, Hashim was quoted as saying by the official Bernama news agency.

He told parliament that the government would adopt proactive measures to cater for all foreign investors' needs.

Hashim also said the September

11 terror attacks on the United States had reinforced the need for Malaysia to focus on domestic investment and stimulate internal spending to boost its economy.

Economists last month tipped Malaysia as a leader in the race to tap the vast funds held by Muslims worldwide as interest in Islamic banking grows.

They said the terror attacks had put Islamic funds and investors under close scrutiny in the US and Europe, which could result in Middle Eastern investors pulling out their funds and parking them into other "safe havens."

Islamic banking, which combines the religion's laws against interest payments with modern banking principles, is now part and parcel of financial services offered by most local and foreign banks in Malaysia.