OECD sees global recession, rebound in late 2002

REUTERS, *Paris*

The global economy seems to be in recession for the first time in 20 years following September's attacks on the United States, but may bounce back late next year, the Organisation for Economic Cooperation and Development said Tuesday.

"The terrorist attacks of September 11... have inflicted a severe shock the world economy," the OECD, whose membership of 30 countries accounts for the bulk of the planet's wealth, said in its Economic Outlook, a twice-yearly report.

"OECD-wide output is estimated to be contracting slightly in the second half of this year -- for the first time in 20 years -- and is projected to remain very weak in the first half of next year," the report from the Paris-based agency said.

The OECD forecast US growth of 1.1 per cent this year, with growth of 1.2 per cent in the first half offset by a 0.6 per cent contraction in the second half.

It said the US Federal Reserve could cut interest rates further below the current 2.0 per cent level, the lowest since 1961, if things got even worse, but it should hold off for now as the 10 rate cuts made this year started to feed through.

The OECD predicted US shrinkage of 0.1 per cent in the first half of next year followed by a solid pick-up of 3.8 per cent second-half growth, to give 0.7 per cent growth for 2002 as a whole. Growth in 2003 should be 3.8 per cent, it said.

The forecasts for the powerhouse economy for 2001 and 2002 were the same as the revised forecasts issued last week by the International Monetary Fund.

As for the euro zone, the OECD said it expected 1.6 per cent growth this year, followed by 1.4 and 3.0 per cent in 2002 and 2003 respectively, broadly on line with the IMF forecasts.

The OECD said it assumed the ECB would cut interest rates by another half of a percentage point as inflation eased back below two per cent in the 12-nation currency zone in 2002 -- and that it might need to cut more aggressively if things deteriorated.

Its key rate currently stands at 3.25 per cent.

As for Japan, the economy was expected to shrink 0.7 per cent this year and by 1.0 per cent in 2002, with a return to growth in 2003 with a modest 0.8 per cent expansion.

The Bank of Japan, with key rates barely above zero, has very little room to help activity by lowering credit costs and should focus on driving the yen lower through foreign exchange market intervention to fend off deflationary pressures, it said.

In general, the OECD sounded a positive message about the prospects for global recovery late next year, but emphasised that all forecasts were uncertain at this time.

"Assuming that household and business confidence turns up from current low levels, a significant rebound of activity should take place in the second half of next year," it said.

PHOTO: UCBL

Zafar Ahmed Chowdhury, Chairman of United Commercial Bank Ltd, presides over a meeting of the Board of Directors held at the bank's head office yesterday.

EC paints bitter-sweet economic forecast

AFP, *Brussels*

The European Commission Wednesday painted a bitter-sweet economic forecast for the EU over the next three years, with up-and-down GDP growth, mounting unemployment, falling inflation but seasoned with cautious optimism for recovery.

"Economic growth in the EU has been decelerating in 2001, but will rebound in 2002," it said in its autumn economic forecast.

"The euro area is likely to face a very weak year-end, and to grow at only 1.6 per cent this year on average," it said.

"Next year's growth performance is not expected to be better on average, notwithstanding a gradual recovery ... which will gain steam throughout 2003."

On Tuesday the OECD reported that EU growth would be 1.7 per cent this year, 1.5 per cent in 2002 and 2.9 per cent in 2003.

The OECD signalled that the euro-zone economy would outperform the US economy by a big margin in the second half of this year and in 2002, but would slip behind in 2003 as the US recovers vigorously while European countries remain burdened by structural weaknesses.

Gulf states must prepare for post-oil era: Study

AFP, *Paris*

The oil-rich Gulf Arab states must prepare for the post-oil era by diversifying their economies and making structural adjustments, a Credit Agricole study said Tuesday.

The anticipated depletion of the Gulf states' oil reserves makes it essential to introduce economic activities that will create jobs, said an analyst with the French bank.

The region's high population growth rate "means that the current setup ensuring security and stability could reach its limits," according to the study, published by CA Perspectives.

It said Bahrain, Oman and Qatar -- whose reserves could dry up in 15 years at the current rate of production -- had taken the lead in diversifying their economies, along with the United Arab Emirates (UAE).

In contrast, Saudi Arabia and Kuwait, which sit on huge oil reserves, are lagging behind, even though it is in Saudi Arabia that the demographic problem is most acute, the study noted.

Thus Qatar and Oman have been trying to develop their significant gas wealth, estimated at 7.4 per cent and 1.5 per cent of world reserves respectively.

The UAE and Bahrain, for their part, have opted to boost heavy industries such as aluminium and refining, as well as set up free zones to promote their services sector, notably in banking, business and tourism.

But the Gulf states must introduce structural reforms if they are to attract investors and become competitive, a process which could take many years, the study warned.

Lucrative oil-based economies have resulted in high purchasing power and overvalued currencies, which would make it difficult to establish competitive export-orientated industries.

The Gulf petro-monarchies will have to consider devaluing their currencies and thus choose between economic development and maintaining their populations' high purchasing power, the study said.

They will also have to thin down their public sector, amend fiscal regulations and, above all, enact legislation that can attract and reassure foreign investors.

Oil prices rebound on hopes for Russian deal with OPEC

REUTERS, *London*

Volatile world oil prices rebounded sharply Tuesday as hopes grew that Russia might be prepared to strike a deal with OPEC on oil supply curbs.

Brent crude futures jumped by 72 cents to \$18.73 a barrel in London after hitting a 29-month low on Monday of \$16.65 US light crude climbed 67 cents to \$19.10.

The cartel was still awaiting a firm commitment from Moscow that dealers say is needed to calm nerves in a market battered by weak demand.

Russian Deputy Prime Minister Viktor Christen said on Tuesday: "The situation on the oil market remains worrying for the Russian leadership.

"This question is under our continuous control. I think further decisions will be understood and set out soon."

Oil prices surged further after Norwegian Oil Minister Einar Steensnaes said he sees the possibility for a 500,000 barrel per day (bpd) output cut from non-OPEC producers.

His Mexican counterpart Ernesto Martens said after talks between the two in Oslo that he expected non-OPEC producers to confirm a decision on cutting oil output by 500,000 bpd in a few days.

Steensnaes said that a 200,000 bpd cut in Russia's oil output would be reasonable and that he believed in joint action to stabilise oil prices.

"I think for Russia to come up with a couple of hundred thousand would be reasonable," Steensnaes said. "I think there is a possibility for a joint action in this," he said, referring to OPEC's demand of 500,000 bpd cut by independent nations.

UCBL cuts lending rates

United Commercial Bank Ltd (UCBL) yesterday decided to reduce its interest rates by 1-3 per cent on various categories of advances, says a press release.

The decision was made at a meeting of the bank's Board of Directors held in the city.

Zafar Ahmed Chowdhury, Chairman of the Board of Directors, presided over the meeting.

Russia cuts oil price forecast for 2002

AFP, *Moscow*

Finance Minister Alexei Kudrin drastically slashed the forecast price of Russia's benchmark Urals crude oil over the next year and asked parliament on Wednesday to accept belt-tightening measures in 2002.

Kudrin told the State Duma lower house of parliament's budget committee that the original government forecast of a 18.5 to 23.5 dollars per barrel range on which the 2002 draft budget is based was far too optimistic.

"What had been our pessimistic forecast, that is 18.5 per dollars (per barrel), has become our optimistic forecast," he said.

Kudrin, who also serves as deputy prime minister, said the new budget should be based on an oil price range of 14 to 18.5 dollars per barrel instead.

4,200 Taiwanese factories closed in 10 months

AFP, *Taipei*

Nearly 4,200 Taiwanese factories were shut down in the 10 months to October from slowing domestic and overseas demand in the wake of the terror attacks on the United States, the economic ministry said Wednesday.

"More businesses are likely to close their plants here if the economic condition worsens," said a ministry official, who estimated the number would top 6,000 by the end of this year, up from 5,000 last year.

The number of factory closures in the January-October period rose 6.8 per cent year-on-year to 4,166, but the official feared the actual number was greater because many firms had not registered with the ministry.

Meanwhile, the number of newly registered plants in the 10-month period dropped 34.3 per cent to 3,112 as more businesses scaled down investment in face of weaker demand, according to the ministry.

The situation was expected to worsen since domestic investment by local manufacturers was anticipated to shrink by a record 35.1 per cent to 246.6 billion Taiwan dollars (7.15 billion US) next year, according to a survey by the Directorate General of Budget, Accounting and Statistics (DGBAS).

Taiwan has slipped into a technical recession as its gross domestic product (GDP) shrunk 4.21 per cent in the three months to September, the biggest quarterly fall in 26 years, said the DGBAS.

The GDP is now expected to shrink another 2.68 per cent for the fourth quarter and contract 2.12 per cent for the full year, it added.

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

PHOTO: SHAHJALAL BANK

The 5th meeting of the Board of Directors of Shahjalal Bank Limited (SBL) was held at a city hotel Sunday. The meeting was presided over by Sajjatuz Jumma, Chairman of the Board. Various issues relating to banking policies and progress of branch expansion in different places in the country were discussed. Members of the Board and Managing Director Matin Uddin Ahmed are also seen in the picture.

CURRENCY

SHIPPING