ROK bucks global downtrend with strong growth figures

AFP, *Seoul*

Solid domestic consumption and increased government spending helped South Korea's economy buck the global downturn in the third quarter of this year, official figures released Thursday showed.

Although the 1.8 percent expansion of the economy was the lowest since the first quarter of 1999, the performance was more resilient than expected from a period where global economic activity was hit hard by the fallout from the September 11 terrorist attacks on the United States.

Bank of Korea officials said they expected the expansion to gather pace in the final quarter of the year and the country's finance minister said a government forecast of 2002 growth of below three percent would have to be revised upwards.

"The (third quarter) growth was a bit of surprise. No one really predicted the construction sector would have grown that much," said Dongwon Securities analyst Kim Kwang-Yeol.

Bank of Korea officials said growth in the construction and service sectors had offset shortfalls in manufacturing and exports.

The stronger-than-expected GDP growth sent share prices rising 1.5 percent Thursday, raising hopes that the economy may recover earlier than previously thought.

"The government's economy-boosting package including special consumption tax cuts is seen having a positive effects and GDP is expected to grow further in the fourth quarter," SK Securities analyst Kim Dae-Jung said.

The construction sector rebounded 7.3 percent. But manufacturing shrank 1.6 percent, mining was down 1.5 percent, and the agriculture and forestry sector dropped 0.4 percent.

BoK director Chung Jung-Jo attributed the stronger-than-expected growth to solid domestic consumption, a stronger construction sector boosted by increased government spending, and more working days.

"Stong domestic demand and construction were the pillars that propelled growth in the third quarter," he said, predicting a better performance in the fourth quarter.

He cautioned that it is still too early to say the worse was over, due to concerns over a slump in the technology industry and slow exports.

"We need to watch one more quarter before talking about a bottom."

Chung said the economy may recover in the second quarter of next year in line with an expected recovery in the US economy.

He said the impact of the US war against terrorism would remain the biggest variable determining the timing and extent of the recovery.

Economists said its too early to predict good times, citing 11 consecutive months of declines in capital investment. In the third quarter, facility investments fell 15.4 percent.

"Without signs of a turnaround for exports, it's too early to say that the economy has hit bottom," said Good Morning Securities analyst Lee Sung-Kwon.

He warned growth could slow again in the first half of next year unless there was a rise in demand for exports.

Finance and Economy Minister Jin Nyum, however, was optimistic saying next year's GDP growth would be higher than an earlier government projection of less than 3.0 percent.

Along with tax benefits for the service industry, Jin pledged a fiscal deficit policy saying the government would not stick to its previous goal of returning the budget to a balance in 2003.

"Increased tax revenues will be possible when the government boosts the economy through a fiscal deficit policy," he said, adding next year's fiscal deficit would stand at 1.0 percent of GDP.

South Korea's stock market has risen sharply in the last two months and is one of the few markets around the world to be in positive territory this year because of optimism that a recovery is imminent.

Investors in particular have been betting that an inventory shakeout in the semiconductor industry, in which South Korea is one of the biggest players, is nearing or at an end.

After a 6.7-percent contraction in 1998, South Korea's economy made a speedy recovery, growing 10.7 percent in 1999 and 8.8 percent in 2000.

But growth began falling sharply this year to 3.7 percent in the first quarter and 2.7 percent in the second.

IMF releases $ 52m for Vietnam

AFP *Washington*

IMF directors released 52 million dollars for Vietnam on Wednesday and urged the government to quickly pursue reform of state-owned enterprises.

The disbursement brought total support for Vietnam under the current program to about 105 million dollars, the International Monetary Fund said in a statement following a review of Vietnam's economy.

UK growth remains robust in third quarter

AFP, *London*

The British economy grew at a relatively robust 12-month rate of 2.1 percent in the third quarter, albeit at a slightly slower pace than previously estimated, official figures showed Thursday.

Gross domestic product grew by 0.5 percent in the third quarter from the figure for the April-June period, and by 2.1 percent from the third quarter of 2000, the Office for National Statistics said in figures to be finalised next month.

The figures, which tallied with the expectations of analysts, were revised down slightly from a quarterly figure of 0.6 percent and an annual rate of 2.2 percent estimated last month.

Though the British economy has been hurt by the September 11 terrorist attacks on the United States and the wider economic slowdown, it continues to enjoy stronger growth than many other leading industrialised nations.

Euro-zone kingpin economy Germany by comparison shrank by 0.1 percent in the third quarter from the same period of 2000, giving 12-month growth of just 0.3 percent, separate figures showed Thursday.

After stagnating in the second quarter, the contraction leaves the Germany economy teetering on the edge of recession -- commonly defined as two consecutive quarterly contractions.

ROK banks may embrace mergers to survive

REUTERS, *Seoul*

More South Korean banks are expected to embrace mergers as they come to believe that better economies of scale and scope are the best guarantees of survival, officials and analysts said Thursday.

They made the observation as rumours of merger talks between Hana Bank 07360.KS and Korea First Bank persisted despite denials from both parties because of the potential for synergies.

"A news report on Hana being in merger talks with Korea First Bank are totally groundless," said Yoon K.J., vice president of Hana Bank. "But we don't deny the need to expand operations via mergers."

The 1997 Asian financial crisis has turned many Korean banks to mergers with the most recent being Kookmin Bank 60000.KS, which has become the nation's largest bank with $125 billion in assets after absorbing H&CB 27460.KS.

"This is an era of universal banking. Korean banks are driven to merge as a means of competition and survival," said Lee Chang-hee, analyst at Daiwa Securities. "I believe Hana and Korea First have good reasons to talk to each other."

Newbridge Capital, a US investment fund, took over Korea First Bank in 1999 in the country's first sale of a bank to foreigners. But analysts said it was not Newbridge's intention to earn a profit through managerial renovation when it took over.

The investment fund's interest appeared to be in selling the Korean bank after a simple re-packaging as the US firm is not an expert in the banking business.

Hana, on the other hand, which has showed strength in the corporate-sector banking, might want to expand its retail banking base by buying Korea First Bank's well-developed domestic service network, they said.

The Maeil Business Newspaper quoted an unidentified high-ranking government official as saying the two banks were weighing the possibility of a merger and had made substantial progress in negotiations.

Officials at the Financial Supervisory Commission and the Finance Ministry said they were unable to confirm the report.

The local report said JP Morgan and Lehman Brothers were participating in the talks as advisers.

CURRENCY

SHIPPING

HP launches new products in Bangladesh

Hewlett-Packard Company (HP), a leading global provider of computing and imaging solutions and services for business and home, Wednesday launched its new product line-up ranging from the new e-PC for commercial desktop computing to all-in-one printer and new large format printers with industry-leading speed, says a press release.

The launch was announced by Country Manager (Bangladesh) of HP, Chong Kok Leong, at a dinner held at a city hotel on Wednesday.

HP's premier business partners-Multilink International Co. Ltd, Flora Limited, Daffodil Computers, Tech Valley Computers Ltd. and DeskTop Computer Connection Ltd. were also present on the occasion.

Chong also communicated HP business directions for the year 2002 to HP partners and customers.

HP announced its new family of business desktop PCs and monitors, including the next-generation HP e-pc, HP Vectra vl420, and HP Vectra xe310. These products incorporate the most advanced technologies, and combined with the HP's wide range of PC Lifecycle services and support, help customers reduce their total cost of ownership and maximize returns on investment.

PHOTO: HP

Chong Kok Leong, Country Manager (Bangladesh) of Hewlett-Packard Company, announces the launching of the company's new products in the city Wednesday.

Japan trade surplus with Asia nosedives 73pc

AFP, *Tokyo*

Japan's trade surplus with the rest of Asia nosedived 73.7 per cent in October from a year earlier due to sluggish demand for hi-tech products, the finance ministry said Thursday.

The trade surplus with Asia fell for the 11th consecutive month to 62.0 billion yen (504 million dollars), the ministry said.

Exports fell 13.6 per cent to 1,605.6 billion yen and imports declined 4.9 percent to 1,543.6 billion yen.

"Japanese exports to Asia fell both in value and volume due to weak demand for IT (information technology)-related products," a ministry official said.

"The fall in the surplus reflected IT-recession in Asia," he said.

Among Asia-bound Japanese exports, chip shipments dropped 26.0 per cent and electronic equipment exports plunged 42.0 per cent in the month. Office equipment exports also fell 25.7 percent, the ministry said.

Japan's overall trade surplus in October dropped 32.9 percent from a year earlier to 462.5 billion yen due also to a fall in hi-tech exports amid a slowdown in the global economy.

Exports in the month declined 9.0 percent to 4,071.1 billion yen and imports slipped 4.7 percent to 3,608.6 billion yen, the ministry said.

Japanese companies might be losing their market share abroad to Asian rivals, said Satoru Ogasawara, economist at Credit Suisse First Boston.

"Amid a slowdown in the global economy, consumers opt to buy cheaper goods. I suspect Japanese companies are losing ground in foreign markets against Chinese and other Asian competitors," Ogasawara said.

Moody's downgrades S'pore DBS Bank ratings

AFP, *Singapore*

Global ratings agency Moody's said Thursday it has downgraded DBS Bank's financial rating to reflect the worsening risk profile of Southeast Asia's biggest lender.

Moody's Investors Service said its revised rating from 'B' to 'B-' reflects "the moderate increase in the bank's risk profile that is likely to continue developing in coming years, despite the bank's recent capital raising."

Also behind the lower ratings were the Singapore-based bank's regional expansion drive combined with a more difficult operating environment.

DBS Bank faces several challenges with the most obvious happening on its home turf since the liberalisation of the banking sector, Moody's said in a statement.

"Consolidation in Singapore's banking sector has also reduced DBS Bank's domestic market dominance," it said.

"Although, in the interim, recent mergers might reverse damaging price competition, competition from foreign banks is likely to increase over the longer term, as liberalisation measures are pursued by the government."

Adding to DBS Bank's woes were the worsening conditions of the local financial sector, which continues to suffer the effects of the global economic slowdown.

"The general operating environment for Singapore's banks continues to deteriorate, as a result of the global economic slowdown, and in particular the downturn in the tech sector, to which the island nation is heavily exposed," said Moody's.

Singapore's trade-dependent economy has slipped into a recession and gross domestic product is projected to shrink 3.0 percent this year from nearly 10 percent growth last year.

Prodi urges India to promote infrastructure reforms

AFP, *Bombay*

The president of the European Commission Romano Prodi Thursday urged India to promote infrastructure reforms to attract increased foreign investment from Europe.

"India has ports like Bombay which are equally good like Hong Kong which can be can be exploited in a better way for increased trade between European nations and India," Prodi told AFP on the sidelines of an India-Europe business meeting here.

"The Indian government needs to complete its reform strategy largely with infrastructure as the key factor of growth between India and any European nation," he added.

When asked about unfair duty restrictions that have been identified as a stumbling block in India-EU trade relations, Prodi said this was an issue to be discussed at WTO meetings.

The EU is India's biggest trading partner, accounting for 30 percent of its imports and exports. The EU is also traditionally India's largest source of foreign direct investment.

Oil prices end steady

REUTERS, *London*

Oil prices ended steady Wednesday as markets awaited word from Russia on whether it would meet OPEC demands for crude supply curbs.

European benchmark Brent Blend crude oil ended two cents down at $18.70 a barrel after a four per cent jump on Tuesday. US light crude futures last traded 20 cents weaker at $18.95 a barrel.

Having begun the day much higher, prices eased in the afternoon on growing impatience with Russia's equivocal stance over the merits of cuts, versus weathering an oil price fall at full production capacity.

"The market is in a holding pattern waiting to hear more from Russia," said Shelley Mansfield of ADM brokers on London's International Petroleum Exchange.

Russia's Interfax news agency quoted Deputy Prime Minister Viktor Khristenko as saying that the world's second largest exporter could improve its offer of a 30,000 barrel per day (bpd) cut, equivalent to just 0.4 per cent of production.

Its original offer was dismissed by members of the Organisation of the Petroleum Exporting Countries (OPEC) as too small to trigger cuts of their own.

"The adoption of more serious measures aimed at stabilising oil price levels is possible," Khristenko was quoted as saying.

OPEC, which controls two-thirds of world exports, said last week that it would slice 1.5 million bpd from its quotas -- its fourth cut in a year -- only if rival exporters chipped in with a 500,000 bpd reduction.

The 11-member cartel has been battling a recession that has shattered its demand growth forecasts and left world oil markets drenched with excess supply.

Alvaro Silva, Energy and Mines Minister of OPEC member Venezuela, said Russia seemed willing to make a cut of sufficient size to satisfy OPEC.

The bullish signals were countered by President Vladimir Putin's top economic adviser, Andrei Illarionov, who said Russia should resist calls for cuts because lower prices help world economic growth.

"Today when a recession has started in the United States, when a recession is going on in Japan, when a recession has started in Europe, it is ridiculous to take measures to support oil prices," he said.

Prices slumped by almost 20 per cent immediately after last Wednesday's decision by OPEC, because traders thought the non-OPEC condition would be hard to achieve.

But the futures market rebounded this week as non-OPEC producers began discussing serious cuts.

Russia's position is important because other non-OPEC exporters have already said they are willing to cut about three per cent of their output to make up the 500,000 bpd figure.

Norway said on Wednesday it would take its share of the burden, but that cuts were not intended to push prices back up to recent highs.

"I have no plans to contribute with a cut that will bring prices up even on a higher level," he added.

OPEC's export basket stood at $17.06 per barrel on Tuesday, down from $25 in September. Mexico and Oman have both said they will cut if others do.

Russian Finance Minister Alexei Kudrin appeared to signal that the former Soviet republic was digging in for lower prices.

He announced on Wednesday that Russia had cut its oil price forecast from $18.50-$22.00 to $14.50-$18.50 in next year's budget.

If prices fell below $14.50-$16.50 in 2002, Kudrin said, Russia could be forced to seek new credit with the International Monetary Fund.

Russia's benchmark export crude was worth $17.95 per barrel on Wednesday.

Russian oil major chiefs, govt to discuss oil prices today

AFP, *Moscow*

Russian oil major chiefs will meet Friday with top government officials to discuss world oil prices and Russia's future oil strategy, the president of the country's top oil company, Vagit Alekperov, said Thursday as quoted by the Interfax news agency.

Alekperov's deputy Leonid Fedoun said he thought that "the (Russian) government will cut (oil) production enough to stabilize prices," Interfax reported.

Alekperov added that discussions were ongoing between Lukoil, which favors cuts, and Russia's second largest oil company, Yukos, which opposes them.

Iraqi oil sales for food purchases fall short: UN

REUTERS, *United Nations*

Plunging oil prices and lower exports are impairing the UN oil-for-food programme that allows Iraq to sell oil to buy food, medicine and other goods to ease the impact of UN sanctions in force since 1990, the United Nations said Wednesday.

The humanitarian programme had counted on taking in $5.5 billion from oil sales during the five-month June-October period but ended up with only about $3.77 billion, according to a report to the UN Security Council from Secretary-General Kofi Annan.

The resulting shortfall of about $1.73 billion was a major concern, Annan said.

The programme was able, during the period, to distribute only 2,229 kilocalories and 50.5 grams of protein per person per day. The UN recommendation is for at least 2,463 kilocalories and 63.6 grams of protein per person per day, according to the report.

UN sanctions have been in force since Iraqi troops invaded Kuwait in August 1990.

Iraq blames the sanctions for crippling its economy, health care and education systems, causing ordinary Iraqi citizens including children to suffer.

The United States accuses Baghdad of manipulating the programme to assure its failure, in order to put pressure on the international community to lift the sanctions.

While Baghdad wants the sanctions ended, the UN Security Council has been unwilling to do so until Iraq allows weapons inspectors back in the country to verify claims it has eliminated its weapons of mass destruction.

UN weapons inspectors have been barred from Iraq since December 1998. Washington on Monday accused Iraq of having biological weapons.

Oil prices have plunged since September 11 suicide airliner attacks that left thousands dead in the United States. The price of Iraqi crude was about $15.50 this week, compared with about $24.50 a barrel before September 11.

The decline in oil prices alone left Iraq with about $19 million less per day than it had counted on spending through the oil-for-food programme.

Iraq's oil exports have fallen during the five months ending October 31 primarily because Iraq interrupted crude exports for about a month in June and early July while the Security Council debated a plan by the United States and Britain to revamp the sanctions.

Baghdad opposed the proposed revisions, described by London and Washington as a shift to "smart sanctions" aimed at making it easier for Iraq to buy ordinary goods while clamping down on smuggling and keeping tight controls on the purchase of goods with military applications.

Britain and the United States will still push for the reforms when the current phase of the oil-for-food programme comes up for renewal at the end of this month.

Russians' real income rises

AFP, *Moscow*

Russians' real income increased by 9.7 percent in October from the figure in October last year, statistics from the State Committee, and were reported by the financial news agency Prime-Tass, showed on Thursday.

However, real income, adjusted to take inflation into account, slipped by 1.1 percent from the figure for September, the committee also said.

Average monthly income in Russia stood in October at 3,042.8 rubles (103 dollars, 117 euros), the data showed.

The average nominal salary was 3,473 rubles in October.