

Emerging economies face fresh debt restructuring woes

AFP, Singapore

Deteriorating global economic conditions will worsen the debt woes of emerging economies in Asia and other regions, the Economist Intelligence Unit (EIU) said in a report over the weekend.

The EIU predicted the global economy will remain weak going into next year, thereby forcing emerging economies to restructure their debts in order to avoid defaults.

"Developments in the global economy will influence the risk of further debt restructuring in emerging markets in the short term," it said.

"Heavily leveraged private companies in Asia and Latin America will struggle to cope with the adverse conditions and could easily be forced to restructure to avoid default."

Argentina will probably require further reorganisation of its public debt to ease its repayment schedule over the medium term, the report said.

"Of the other large emerging sovereigns, Turkey and Indonesia are likely to need some restructuring of sovereign debt in 2002-03, in addition to current programmes, if default is to be avoided."

Indonesia, one of the worst affected by the 1997-98 regional financial crisis in Asia, is planning to ask its creditor states belonging to the Paris Club to convert old debt into grants in a bid to reduce its foreign debt.

"The announcement in early November of a programme to restructure up to 95 billion dollars of Argentina's 140 billion-dollar public debt has focused attention on the risk of lending to emerging markets," the EIU said.

While Argentina's case is an exceptional one, its proposed debt reorganisation is just the latest example of a growing trend of public debt restructuring in emerging markets, the EIU said.

Ukraine, Pakistan, Nigeria, Ecuador and Indonesia, among others, have all engaged in debt restructuring programmes with official or private creditors in recent years, it noted.

"Indeed, the 21 debt restructuring deals negotiated under the auspices of the Paris Club ... in 2000 was the highest number since 1989 at the height of the Latin American debt crisis," the EIU said.

A total of 14 deals have been concluded in 2001 to date, the latest being Indonesia's rescheduling of 2.8 billion dollars of bilateral debt in September.

It commented that while pre-emptive restructuring like Argentina's is a negative development for creditors, it can have several benefits for the debtor's credit position.

Pre-emptive restructuring can bring clarity to the payments process, indicate a desire on the part of the debtor to remain current on its obligations, force the debtor to adopt prudent policies, and allow the debtor to avoid a painful devaluation.



PHOTO: TRUST BANK

Managing Director of The Trust Bank Ltd Zahid Hossain Chowdhury hands over a certificate to a participant of a foundation course arranged for the bank's officers in the city recently.



PHOTO: NITOL

Saifur Rahman Khan, Managing Director of Pragoti Industries Ltd, VM Kulkarni, AGM (exports), N Ramchandran, Country Manager of Tata, India, and Md Ayatullah, AGM (Int'l Trade Division) of Nitol Motors Ltd, local agent of Tata, sign a deal in Chittagong recently on assembly and sale of 200 bus chassis.

Japan's top planner optimistic about growth prospect

AFP, Tokyo

Japan's planning chief voiced optimism Sunday over prospects for the economy, forecasting an extra budget initiated last week would boost growth by nearly one per cent.

The budget "will help raise gross domestic product (GDP) by from 0.8 per cent to 0.9 per cent," Economy and Fiscal Policy Minister Heizo Takenaka said in a television interview.

"We can expect a considerable impact of the budget in terms of prevention of the spiral deterioration of the economy," Takenaka said.

If Japan can achieve structural reforms successfully, "the growth rate will rise to some two per cent," he said.

On Wednesday, Prime Minister Junichiro Koizumi unveiled a plan to compile a four-trillion yen (33 billion-dollar) second extra budget this year in a bid to stimulate the ailing economy and speed up reforms.

The plan came just days after an initial extra budget was passed through parliament aimed at fighting record high unemployment.

Takenaka also said the government would stick to a spending cap of 30 trillion yen on an annual state

budget for the fiscal year to March 2003.

"The 30 trillion yen is part of public pledges made by the prime minister," Takenaka said. "I would like to draft a budget, considering meeting the promise."

Koizumi took office in April promising to rein in government debt among other reform drives, but with unemployment at a post-war high of 5.3 per cent and company profits buckling under a nationwide price slide, calls have mounted on him to spend more.

Foundation course for Trust Bank officers ends

A 15-day foundation course for the first batch of 28 officers of The Trust Bank Ltd, conducted by Bangladesh Institute of Bank Management (BIBM), concluded in the city recently, says a press release.

In the concluding session, Zahid Hossain Chowdhury, Managing Director of the bank, distributed certificates among the participants. The session was presided over by Dr Mohammad Sohrab Uddin, Director General of BIBM.

Among others, Mohammad Ehsanul Haque, EVP, M Mominul Haque, SVP, and Md Shamsul Huda, VP of the bank were present.

Pragoti, Tata sign deal

Pragoti Industries Ltd, an enterprise of Bangladesh Steel & Engineering Corporation Ltd, has concluded an agreement with Tata International Ltd of India for the assembly and sale of 200 bus chassis modelled LPO1316TC, says a press release.

This is 50-60 seater bus chassis, the latest model from one of the world's leading manufacturers and exporters of automobiles.

These will be environment-friendly 160HP Cummins turbo charged inter-cooled diesel engine, which meets the current Euro-I emission norms.

The accord was signed in Chittagong recently by Saifur Rahman Khan- Managing Director of Pragoti Industries Ltd, VM Kulkarni, AGM (Exports) of Tata, N Ramchandran, Country Manager of Tata, and Md Ayatullah, AGM (International Trade Division) of Nitol Motors Ltd, the local agent for Tata in Bangladesh.

ROK reform absorbs \$118b public funds since '97

AFP, Seoul

South Korea has spent 118 billion dollars in public funds to bail out troubled financial organizations since the outbreak of the Asian economic crisis in late 1997, officials said Sunday.

Suspicion of malpractice China suspends four financial institutions

AFP, Beijing

China's central bank has suspended four financial institutions in the scandal-ridden southern island province of Hainan over suspicions of malpractice, state media said Sunday.

The People's Bank of China ordered the suspension of the four institutions Thursday and has started "rectification" of their business, the Xinhua news agency reported.

It did not specify the alleged malpractice of the four, which include Hainan Huayin International Trust and Investment Corp., Hainan International Renting Co., Hainan Huitong International Trust and Investment Corp. and Sanya Trust and Investment Corp.

The central bank said in four notices published in the Financial News, its daily mouthpiece, that once rectification procedures were completed, principal and interest on

debt owed to individuals would be cleared.

The central bank did not say what would happen to any debt owed to institutional lenders.

It is not the first time that the spotlight has moved onto Hainan's financial system.

The Hainan Development Bank folded in June 1998 because it was unable to pay its debts, becoming the first bank to close down in the history of the people's republic.

It was the first warning sign that China's financial system was much more fragile than previously believed and heralded the central bank's decision to shut down Guangdong International Trust and Investment Corp (GITIC) in October of that year.

GITIC was the largest non-bank financial institution in the booming southern Guangdong province before its collapse under a mountain of unpaid foreign debts.



PHOTO: DCCI

Benajir Ahmed, President of the Dhaka Chamber of Commerce & Industry (DCCI), presents a bouquet to Niranjan Shaha, President of Bengal National Chamber of Commerce & Industry (BNCCI) of West Bengal, India while a 9-member business delegation of BNCCI called on DCCI officials at the DCCI office Saturday.

Economic slump puts brakes on Indian automobile sector

AFP, Bombay

Gloomy economic conditions are putting the brakes on India's automobile sector despite rising vehicle sales in October driven by festive demand, analysts said.

The jump in sales of passenger cars, commercial vehicles and two wheelers in October was welcome, but was unsustainable in the medium term given the general economic slowdown, they said.

Passenger car sales rose by 4.3 per cent in October compared to the

same month last year, from 36,284 to 37,856, the Society of Indian Automobile Manufacturers said last week said.

Commercial vehicle sales were up seven per cent from 10,023 to 10,717 while sales of motorbikes and scooters rose a substantial 58.7 per cent to 286,367.

"The October growth is largely due to the festive season and is unlikely to be sustained," said Motilal Oswal Securities automobile analyst Abhay Kantak.

"One must also understand that

last year around this time, the country's largest car maker, Maruti Udyog, was undergoing a strike. So the rise in car sales is also a result of a lower base effect last year," he added.

October saw the run-up to the important Hindu festival of Diwali as well the start of the marriage season in India.

Analysts also discounted news that sales of petroleum products were also higher in October led by increased diesel sales.

Taiwan to relax stock fluctuation limits following WTO entry

AFP, Taipei

Taiwan's finance ministry plans to ease the existing seven-per cent daily limit on stock fluctuations to 10 per cent as part of its efforts to further liberalise financial markets following Taipei's WTO accession in January, it was reported Sunday.

Finance Minister Yen Ching-chang said measures must be adopted to comply with international trends after Taiwan is allowed into the World Trade Organisation, the Commercial Times and Economic Daily News said.

"As long as the policy is approved (by the cabinet), it is likely to become effective in January when Taiwan is allowed entry to WTO," Yen reportedly told a financial reform seminar on Saturday.

He said the existing limits had failed to reflect the speed of data transmission across international markets and that stiff trading limits were sometimes to blame for speculation.

The present margin trading system was imposed as part of a range of measures designed to help prevent a plummeting of share prices despite criticism that the market mechanism was being destroyed.

To help prop-up share prices the finance ministry had also doubled the deposit ratios for short-sale trading from 60 per cent to 120 per cent. The ratio is now at 90 per cent.

CURRENCY

American Express Bank Ltd foreign exchange rates (indicative) against Taka to major clients.

Currency	Selling TT & OD	Selling BC	Buying TT Clean	Buying OD Sight Export Bill	Buying OD Transfer
US Dollar	57.6500	57.6800	56.5000	56.2970	56.2250
Pound Stg	81.8515	81.8941	79.0548	78.7708	78.6700
Deutsche Mark	26.3397	26.3534	24.9361	24.8465	24.8147
Swiss Franc	34.8149	34.8330	33.7012	33.5801	33.5371
Japanese Yen	0.4677	0.4680	0.4508	0.4492	0.4487
Dutch Guilder	23.3770	23.3891	22.1312	22.0517	22.0235
Danish Krona	6.8452	6.8487	6.6276	6.6038	6.5953
Australian \$	30.4565	30.4723	28.6625	28.5595	28.5229
Belgian Franc	1.2770	1.2777	1.2090	1.2047	1.2031
Canadian \$	36.4090	36.4279	35.0062	34.8804	34.8358
French Franc	7.8536	7.8577	7.4351	7.4083	7.3989
Hong Kong \$	7.4063	7.4102	7.2298	7.2038	7.1946
Italian Lira	0.0266	0.0266	0.0252	0.0251	0.0251
Singapore \$	31.7107	31.7272	30.3960	30.2867	30.2480
Euro	51.5160	51.5428	48.7708	48.5956	48.5334
Saudi Rial	15.4149	15.4229	15.0250	14.9710	14.9519

US dollar London Interbank Offered Rate (LIBOR)

TC Buying (USD)	TC Selling (USD)	Currency	1 Month	3 Months	6 Months	9 Months	12 Months
56.2250	57.6500	USD	2.10875	2.15625	2.2225	2.4000	2.62
TC Buying (GBP)	TC Selling (GBP)	GBP	3.86	3.94063	3.99	4.06688	4.17469
78.6700	81.8515	EURO	3.34313	3.37375	3.29213	3.27513	3.316

Exchange rates of some Asian currencies against US dollars

Indian rupee	Pak rupee	Thai baht	Malaysian Ringgit	Indonesian rupiah	Korean won
48.00/48.010	60.70/61.00	44.13/44.17	3.7995/3.8005	10480/10510	1260/ 1270

Amex notes on Sunday's market

The inter-bank USD/BDT market was moderately active Sunday due to weekend in the international market. The average call rate ranged between the previous range of 5.50 and 6.00 per cent.

