Industrial world economies face uncertain future

AFP, *Paris*

The world's industrialized economies are grappling with an increasingly parlous future, their chances of recovery rendered uncertain by recession in Germany, deterioration in Japan and economic fragility in the United States.

In Germany, the largest economy in Europe, figures released Thursday showed that the country has suffered two consecutive quarters of negative growth, thereby meeting the technical definition of recession.

Once thought to have been spared the worst effects of the global slowdown, Britain is now seeing a rise in joblessness.

The Bank of Japan meanwhile reported Thursday the the Japanese economy, the most potent in Asia, "is deteriorating broadly as private consumption is weakening in addition to a decline in exports and business fixed investment."

By most accounts the economic fate of the industrialized world depends largely on the ability of the United States to emerge from its own recession and to regain its place as the driver of global momentum.

But for the moment, the message from the economy is clearly mixed.

For US Cabinet officials such as Treasury Secretary Paul O'Neill, recovery is in sight.

"The data I am looking at tell me the economy is and has been moving from a slow period to one where the data is kind of mixed," he said in an interview with CNBC television earlier this week.

"But I think the balance is now decidedly on the positive side and I think it foretells a movement back into signficant positive growth territory as we go through the year."

A more cautious line was taken last Friday by Alan Greenspan, chairman of the US Federal Reserve and a man whose public utterances are closely vetted by financial markets.

"There are sound reasons for concluding that the long-run picture remains bright and even recent signals about the current course of the economy have turned from unremittingly negative through the late fall of last year to a far more mixed set of signals recently," he said.

"But I would emphasize that we continue to face significant risks in the near term."

On Wednesday this week the Fed's last survey of the US economy, the "Beige Book," noted "scattered reports of improvement" from around the country but warned that the timing and scope of recovery remained uncertain.

For French Finance Minister Laurent Fabius the world economy should start to pick up in the second half of 2002.

At Credit Lyonnais, chief economist Herve Goulletquer noted that in the United States "it's only when we see signs that domestic demand -- consumption and investment -- are capable of creating a virtuous cycle in the economy that we can speak of an improvement."

He predicted that a US recovery would be "soft," yielding growth of about three per cent a year rather than the four and five per cent the country enjoyed in the late 1990s.

Manufacturing, housing sectors brighten US economic outlook

AFP, *Washington*

US manufacturing may be on the way up for the first time in more than a year and housing remains strong, a key survey and official data showed Thursday.

The reports bolstered tentative signs of recovery in the terrorism-battered US economy, which plunged into recession in 2001 after a decade-long expansion.

Manufacturers have laid off well over million people during a 17-month slide.

But activity was on the rise in January, said a survey by the Philadelphia Federal Reserve Bank.

Its business activity index, based on a survey of firms in the mid-Atlantic region of Pennsylvania and southern New Jersey, recovered to 14.7 points in January from minus 12.6 in December.

It was the first positive number since November 2000.

"The manufacturing sector may not have turned the corner yet, but the bottom looks to be near," said Naroff Economic Advisors president Joel Naroff.

He warned that the index can be volatile.

"However, the broad-based nature of the improvement has to be taken seriously and it does argue that the manufacturing sector may be reaching the point where it no longer is restricting growth."

Just as manufacturers began to claw their way out of a long winter, the housing sector showed signs it would remain an anchor of support for the economy, defying the cold wind of recesion.

For the whole of 2001, housing starts climbed 2.2 per cent to 1.60 million units, despite a 3.4 per cent decline in December triggered by volatile multi-family home projects.

"The housing sector continues to reflect the resilience of US consumers," Merrill Lynch economist Karen Dexter said.

The outlook also remained strong, with building permits increasing 3.6 per cent to 1.653 million units in December.

Year-on-year, housing starts in December were up 2.5 per cent.

"What a year for housing," said Naroff.

"A recession, a terrorist attack and massive layoffs apparently made people decide that there was no place like a new home. And new homes we got," he added.

"Housing activity faded a bit in December but the level of activity was still, should I really use the word, awesome."

Low mortgage rates, dragged down partly by the US Federal Reserve's aggressive cuts to short-term rates, were a major boon to activity, he said.

But people were only taking on mortgages because confidence in their ability to make payments was strong.

"Critically, when people begin spending again, they will want to fix up their newly purchased properties. There seems to be an awful lot of pent-up demand for shelter-related goods and when that dam breaks, consumption could soar."

Further brightening the outlook, the queue of people making new jobless benefit claims dropped last week to the lowest level since July 2001, the Labor Department said.

The number of fresh claimants fell 14,000 from the previous week to a seasonally adjusted 384,000 in the week ending January 12, it said. Wall Street analysts had been tipping a rise of 38,000.

Filipino imports plunge 23.6pc

AFP, *Manila*

Philippine merchandise imports dropped 23.6 per cent in November from a year earlier to 2.039 billion dollars, the National Statistics Office (NSO) said Friday.

Total imports for the first 11 months of the year slumped by six per cent to 27.408 billion dollars, the office said in a statement.

The country's trade surplus in the first 11 months of the year slumped by 61.4 per cent to 2.097 billion dollars in the face of a sharp drop in exports caused by the lower demand for electronic products abroad, the NSO said.

Electronics and components were the country's largest import in November, amounting to 327.08 million dollars or 16 per cent of the total. However the November figure was down 43.8 per cent from the same period in the previous year.

Telecommunications equipment and electrical machinery were the second largest import, amounting to 249.23 million dollars or 12.2 per cent.

Japan was the largest source of Philippine imports in November, accounting 455 million dollars or 22.3 per cent of the total, the NSO said.

Argentine central bank chief resigns

Police raid foreign banks, airlines

AFP, *Buenos Aires*

Crisis-hit Argentina got further shocks Thursday as its central bank chief resigned and police raided foreign banks and airlines in search of evidence of capital flight.

And public discontent again spilled into the streets of various Argentine cities, where demonstrators blocked roads, held marches and banged on pots and pans to protest the government's failure to solve a deep, almost four-year-old recession.

In Buenos Aires, thousands of people staged a noisy rally outside the Supreme Court to protest tough banking restrictions imposed on December 3.

As the protest was under way, President Eduardo Duhalde told local television the measures would be eased, though the government already made it clear it would not raise a 1,500 peso (750 dollars) limit on monthly withdrawals from current accounts.

Confusion and disagreements over the complex banking restrictions contributed to pressure that led Central Bank chief Roque Maccarone to resign Thursday.

The bank's vice-president, Mario Blejer, took over the job. IMF spokesman Thomas Dawson pointed out that Blejer was well known in Washington, where he participated in several negotiations with the International Monetary Fund in the past.

While widely anticipated, Maccarone's resignation further stirred a country already shaken by the collapse of two governments last month at the height of violent protests.

Ironically, the announcement came as police searched the offices of British banking giant HSBC, American Airlines, and other companies in an investigation into capital flight.

The searches were part of an investigation into claims that anywhere between 10 and 36 billion dollars left the country illegally, mainly for the United States, around the time the government froze bank accounts.

Mabrouk awards presented to 2 Emirates staff

Two Emirates staff members have been given Mabrouk awards for their outstanding achievements, says a press release.

The recipients are: Shaheda Muid, Executive Secretary to Area Manager and Al Mahmood Shamimuzzaman, Airport services supervisor of Emirates at Zia International Airport.

Majid Al Mualla, Area Manager-Bangladesh of Emirates, presented the awards at a simple function held at his office at Gulshan on Wednesday.

Praising their contributions, he said, "Introduced in May 1997, this is a recognition and reward programme aimed at recognising outstanding achievements amongst staff in the Emirates Group."

"This Award recognises significant achievements that are beyond the call of duty. I am glad to present the Mabrouk Award to Shaheda and Shamim," Majid Al Mualla added.

Citigroup profits top $14b in '01

AFP, *New York*

Financial giant Citigroup said Thursday it posted a fourth quarter net profit of 3.88 billion dollars, and 14.13 billion dollars for all of 2001, despite big write-offs from Enron and Argentina.

PHOTO: EMIRATES

Majid Al Mualla (right), Area Manager-Bangladesh of Emirates Airline, hands over a Mabrouk award to Shaheda Muid, Executive Secretary to the Area Manager, at a simple ceremony held at Emirates office at Gulshan in the city on Wednesday. Kazi Zahurul Qyyum, Sales Manager of Emirates, is also seen in picture.

ROK seeks new Hyundai buyer as AIG talks fail

AFP, *Seoul*

The South Korean government was forced Friday to start a new hunt for a suitor for the ailing financial arm of the former Hyundai group after the collapse of talks with a US consortium.

The consortium leader American International Group (AIG) said talks had been terminated after a December 31 deadline for an accord had been extended for 15 days but still ended in failure.

Seoul said other foreign investors were already interested after AIG and its partners pulled out of making a joint investment with the government of about 1.5 billion dollars in three Hyundai financial firms.

"The government has decided to drop talks to jointly invest in Hyundai Investment Trust and Securities with American International Group (AIG)," the state Financial Supervisory Commission (FSC) said in a statement.

"The government could not accept the AIG-led consortium's demand that the government provide a full guarantee to make up for any potential loss which may arise in the future," the FSC said.

Other potential partners have already come forward however, officials said.

"A renowned US banking group recently sent a letter of intention and another financial institution is preparing its own letter of intention," FSC head Lee Keun-Young told journalists.

AIG, which has the largest stake of about 50 per cent in the consortium, withdrew leaving other consortium members to look for other potential members, Lee said.

The news badly hit shares of Hyundai Securities Co., which fell 12 per cent to close at 10,800 won Friday.

Analysts said the breakdown would have a negative impact on the bourse in the short term, with shares of securities firms likely to bear the brunt of it.

"Investors had not put much hope on this deal, which had long been delayed and this low expectation for this deal has largely been priced in," said Terence Lim, head of research of Goldman Sachs.

"This will not bring any instability to the country's financial system itself as the system has been building up resilience which is strong enough to endure the shock," he told AFP.

Lim and other analysts said the government could find other potential buyers.

Hyundai Investment Trust and Securities officials also stressed that the company would survive.

"We have been building up our strength to stand on our own over the past one and half years and we have not had any liquidity crisis despite the economic slump," an official of the company said.

The government and the consortium signed a memorandum of understanding in June last year on jointly investing a total of two trillion won (1.53 billion dollars) in Hyundai Securities Co., Hyundai Investment Trust and Securities Co., and Hyundai Investment Trust and Management Co.

AIG announced in New York late Thursday that it had terminated negotiations to invest in the three Hyundai affiliates.

AIG said it had been unable to reach an agreement on terms with the FSC. Discussions had been extended for 15 days after a December 31 deadline, AIG said in a statement.

"However, despite the best efforts of all the parties concerned, it appears that an agreement will not be attained," it said. "Thus, AIG will terminate negotiations."

AIG said it would continue to explore opportunities to expand its presence in South Korea.

Russian DPM in Hanoi to boost trade

AFP, *Hanoi*

Russian Deputy Prime Minister Viktor Khristenko arrived here Friday on a three-day visit aimed at boosting Moscow's flagging economic ties with its Cold War ally Hanoi.

After an official welcoming ceremony hosted by his Vietnamese counterpart Nguyen Manh Cam, Khristenko was due to hold afternoon talks with both Prime Minister Phan Van Khai and communist party supremo Nong Duc Manh.

In an interview with the Russian news agency Novosti carried by the official media here, Khristenko said economic cooperation, particularly in Vietnam's offshore oil and gas industry, would top the agenda for his talks.

In recent months, Moscow has sought to rebuild its close Cold War links with Hanoi, which were badly disrupted by the 1991 collapse of the Soviet Union.

Last month, Russia granted Vietnam a soft loan of 250 million dollars to complete the financing arrangements for Vietnam's first oil refinery, a 1.3 billion-dollar joint venture between state-owned PetroVietnam and Russia's Zarubezneft.

The planned refinery was an "outstanding example of the strengthened cooperation between the two countries during their renewal process," Khristenko told Novosti.

But critics noted that Vietnam only turned to Russia to finance the project after Asian and Western partners pulled out in the face of its insistence on building the refinery at Dung Quat on the central coast, far from both Vietnam's southern oil fields and the main consumer markets in Hanoi and Ho Chi Minh City.

Khristenko said Russia aimed to boost its steel and fertiliser exports to Vietnam and import more textiles, garments and other light industrial items.

Two-way trade amounted to just 500 million dollars last year, according to Vietnamese estimates -- 30 per cent up on 2000, but still a tiny fraction of their Cold War exchanges which then accounted for the bulk of Vietnam's overseas trade.

Khristenko blamed the "low level" on the impact of the two countries' painful transition to a market economy but insisted it could be rectified.

The Russian deputy prime minister was due to sign a new technological and scientific cooperation agreement Saturday and attend a groundbreaking ceremony for a new 1,000-square metre Russian Culture and Science House in the city centre Sunday.

Aussie ANZ, ING form $24b joint venture

AFP, *Sydney*

Australia's ANZ Banking Group Ltd. and Dutch-based financial group ING announced here Friday the formation of a 47 billion-dollar (24 billion US) joint venture.

The two companies have signed a memorandum of understanding which will launch the alliance known as ING Australia Ltd., combining ANZ Investments with ING's Australian and New Zealand funds management and life insurance businesses.

The joint venture will reportedly combine the 30 billion dollars of retail and wholesale assets ING has under management in Australia with ANZ's 17 billion dollars of funds under management.

ING will have a majority holding of 51 per cent against ANZ's 49 per cent but ANZ said both parties would have an equal say in decisions which impacted the strategic direction of the joint venture.

The agreement also provides for an "equalisation payment" by ANZ to ING.

ANZ, one of Australia's "big four" banks, was left with a depleted funds management team when its local shares team defected en masse to rival Allianz early last year.

Since then the bank has been in protracted discussions with potential suitors including Deutsche Bank, BT Australia and Axa, as well as ING.

ANZ said the new entity would become the supplier of funds management and insurance products to ANZ's corporate and personal businesses.

ANZ will outsource investment management activities to ING Investment Management, which would get the bank's asset management business in Australia.

ANZ chief executive John McFarlane said the joint venture would give ANZ a strategic position in the rapidly growing wealth management industry and create the fourth largest retail funds management business in Australia after CBA-Colonial, National Australia Bank-MLC and AMP.

"Together we would create a new platform with growth prospects both organically and by acquisition," McFarlane said.