IBM to lay off 8,000 workers

AFP, *Washington*

International Business Machines Corporation (IBM), the top US computer maker, will lay off as many as 8,000 workers or about 2.5 of its world-wide work force this quarter, the Wall Street Journal reported Friday.

The daily quoted an unnamed source. An IBM spokesman declined to comment to the Journal on layoff plans.

The planned downsizing would be the latest in a series of cost-cutting measures by Big Blue during the current slowdown in technology spending.

In recent months, IBM has outsourced manufacturing of desk-top personal computers, and the company last fall laid off 1,000 people in its semiconductor-making business, the Journal reported.

IBM employs 320,000 world-wide.

Late last month, IBM's new chief executive, Samuel Palmisano, delivered a gloomy outlook for technology spending to employees and suggested there would have to be cost-cutting by the firm to adjust to the sluggishness.

In his speech, Palmisano said IBM would have to "pare back" its operations.

Shares in IBM have fallen sharply over the last month as Wall Street has grown increasingly pessimistic over the company's prospects in what continues to be a weak high-tech market.

Annual ADB meet opens in Shanghai

Pakistan upbeat on economic prospect despite bomb blast

AFP, *Shanghai*

Finance Minister Shaukat Aziz on Friday gave a positive assessment of Pakistan's economic prospects in a speech to international bankers, despite this week's suicide bombing in Karachi.

Aziz, speaking at the Asian Development Bank's (ADB) annual board of governors meeting in Shanghai, chose not to refer to Wednesday's blast, which killed 14 people, including 11 French nationals.

Instead, he stressed that despite the impact of September 11 and the US-led war in Afghanistan, Pakistan's economy was on the road to recovery, although foreign investment had been dealt a blow.

"Reconstruction efforts in Afghanistan are just getting started, but already it is having an impact on demand for our products," he said.

There are mounting fears in Pakistan that already shaky foreign investment will suffer further if foreign investors see the country as a conduit for terrorism.

Aziz said, however, that a return to normalcy in Afghanistan would give Pakistan's economy a boost in coming months as goods were shipped across the border for Afghanistan's recovery effort.

In addition, Pakistan's police force was being given greater training in everything from forensics to communication which would improve the security situation, he said.

Aziz added foreign investment could grow as a result of Pakistan's proximity to the Middle East and Central Asia, but conceded that fraught relations with India were taking their toll.

"In the 21st century issues are resolved through dialogue and discussion not by moving forces to the border. Unfortunately in South Asia that is the case at present," he said.

Aziz told delegates the cross-border dispute over Kashmir was costing both India and Pakistan a heavy price but stressed "all things can be solved by dialogue, and the ADB is committed to a peaceful solution."

Pakistan was drawing foreign investment into the fields of energy, oil and gas, mining, agribusiness and IT, where call centers were growing, Aziz added.

He pointed to Pakistan's large English-speaking workforce and the numbers of trained accountants, bankers and lawyers, saying the government was committed to reducing bureaucracy in a bid to boost foreign investment.

"We want a hassle-free business environment and to reduce red-tapism and corruption," he said.

Although September 11 cost Pakistan three months growth in real terms, Aziz said the economy was rebounding and was expected to reach 3.5 growth by the end of the financial year in July, compared with 2.6 growth a year earlier.

Unemployment in Germany set to rise further

AFP, *Frankfurt*

Unemployment in Germany, the biggest euro-zone economy, is set to rise again this summer and will only begin to come down again in the third quarter of the year, Federal Labour Office President Florian Gerster said on Friday.

The German jobless total is currently around four million and the jobless rate stood at 9.7 in April, according to the latest data published earlier this week.

However, the situation on the German labour market would deteriorate further before it gradually started to get better.

And no substantial shortening of the job queues would be seen before the general elections on September 22, Gerster told a gathering of the German roofers' association ZDVH at a building trade fair here.

ECB optimistic about growth outlook

AFP, *Frankfurt*

The European Central Bank sounded a relatively optimistic note in its latest monthly bulletin on Thursday regarding the growth outlook for the euro-area economy, but did not appear quite so happy about the prospects for inflation.

The ECB said in its May monthly report, published on Thursday, that its expectations for a rebound in real gross domestic product (GDP) growth in the euro area this year had been confirmed by the latest forecasts by international organisations.

And while the recovery would initially be only gradual, it would pick up later in the year "and solid growth rates should be attainable in 2003," the report said.

The ECB's regular quarterly survey of professional economic forecasters (SPF) showed that euro-area experts had indeed revised upwards, albeit marginally, their growth forecasts for both this year and next year.

The forecasters now expected euro-zone GDP to expand by 1.4 this year, fractionally faster than the forecast of 1.3 contained in the previous survey.

Growth would then gather momentum later in the year, accelerating to an annual rate of 2.3 in the fourth quarter of 2002, the poll showed.

And it would then average 2.6 for the whole next year, slightly faster than the forecast of 2.5 published in the previous survey.

"Business confidence has considerably improved in the euro area over the past few months and the conditions for a sustained upswing in domestic demand, including favourable financing conditions, continue to be in place," the ECB said.

The more positive international environment should stimulate euro-area exports and "sound fundamentals and the absence of major imbalances support the positive outlook for the euro area economy," it continued.

But it was not all sunshine and blue skies and a number of uncertainties prevailed, the ECB cautioned.

These included the future development of oil prices and "existing imbalances elsewhere in the world economy."

Iraq returns to oil market, discusses $40 billion deals with Russia

AFP, *Cairo*

Iraq starred this week's Middle East business news, with a decision to resume oil exports and its reported intention to sign deals worth tens of billions of dollars with Russia.

Shipments of Iraqi oil resumed Thursday, following Baghdad's decision to stop them on April 8 in retaliation for Israel's onslaught in the West Bank and US support for the Jewish state, the official Iraqi news agency said.

The Iraqi cabinet decided during a weekly cabinet meeting Sunday, chaired by President Saddam Hussein, to start exports again, because of the failure of other Arab oil producers to join the embargo which limited its impact.

Iraq exports around two million barrels of oil a day under a UN-supervised oil-for-food program introduced to alleviate the suffering of the population from crippling sanctions slapped on Baghdad for invading Kuwait in 1990.

Meanwhile, the authoritative Middle East Economic Survey newsletter (MEES) on Monday said Iraq and Russia are still negotiating deals worth some 40 billion dollars for 67 projects to be implemented under a 10-year programme, including 17 covering oil and gas, and 14 in transport and communications.

The report came as Moscow has proposed easing sanctions against Baghdad and backs the UN dialogue underway to try to convince Saddam to allow the return of UN weapons inspectors rather than risk a military strike by Washington.

The Cyprus-based weekly MEES said the Russians have sought to develop several oilfields, including gushers already committed to other oil firms, but not formally awarded yet.

"It is understood that the Iraqi political leadership has instructed the oil authorities to negotiate such deals with the Russians despite the reluctance of these authorities to award further contracts, especially major ones, to Russian firms who have hardly carried out any of their obligations so far (even those under oil-for-food programme)," said the newsletter.

Other energy-related news in the region included an announcement by the United Arab Emirates that US company Occidental Petroleum has acquired 24.5 of Dolphin Energy Ltd. (DEL) and its multi-billion-dollar gas project.

The Dolphin project aims to create a regional grid exporting gas from Qatar to Abu Dhabi, Dubai, Oman and eventually Pakistan, at an overall cost of up to 10 billion dollars.

The United Arab Emirates' Offsets Group (UOG) will retain 51 in DEL, with France's TotalFinaElf holding the remaining 24.5 .

Meanwhile, the groundwork has been completed on a double pipeline project to carry oil from Libya to Egypt, and natural gas from Egypt to Libya, Egyptian Oil Minister Sameh Fahmy said Monday.

On the economic front, Iran on Monday ended the state monopoly on sugar production and sales, both national and international. Iran, the world's seventh largest producer of sugar beet, produced 920,000 tons of sugar in 2000.

Saudi Arabia's Consultative Council on Sunday provisionally approved draft legislation requiring foreigners earning more than 3,000 riyals (800 dollars) to pay income tax, which could be set at 10 .

If the 10 figure is approved by the government, the tax bill would net around 1.6 billion dollars for state coffers.

In corporate news, Gulf Air on Wednesday expressed hope that Oman and Qatar will reconsider their stances and help bail out the cash-strapped airline when its directors meet in Abu Dhabi later this month.

Qatar and Oman, equal partners in Gulf Air with the governments of Abu Dhabi and Bahrain, have initially refused to stump up more capital.

US producer prices down

AFP, *Washington*

US producer prices, a measure of inflation at the wholesale level, fell 0.2 in April, while the core rate, excluding food and energy prices, rose 0.1 , the Labor Department said Friday.

The fall in the main producer price index (PPI) was the first drop since December and was unexpected. The slight increase in the core rate was less than expected.

Wall Street economists expected the headline PPI to rise by 0.3 and the core rate to increase by 0.2 .

In March, the PPI was up 1.0 and the core rate was up 0.1 .

German trade surplus widens

AFP, *Wiesbaden, Germany*

Germany's trade surplus widened in February, even as both imports and exports continued to be hit by the global economic downturn, data published by the Federal Statistics Office on Friday showed.

Germany posted a trade surplus of 12.4 billion euros (11.3 billion dollars) in March, wider than the surplus of 10.0 billion euros in February, and wider than the surplus of 9.5 billion euros in March 2001, the office said in a statement.

Both imports and exports fell, however.

On the export side, foreign demand for German-made goods fell by 2.2 year-on-year to 54.7 billion euros and imports were down 9.0 at 42.2 billion euros.

Taking into account trade in services and income, Germany's current account showed a surplus of 7.5 billion euros in March, wider than the surplus of 3.0 billion euros in February, and also bigger than the surplus of 3.5 billion euros in March 2001.

Weekly Currency Roundup

April 27-May 2, 2002

Trading in the local foreign exchange market was moderate. Demand for dollar was high.

In the weekly Treasury bill auction, Bangladesh Bank accepted treasury bills worth of BDT 5.115 billion. The government accepted BDT 4,595 million at 4.12 per cent for 28-day T-bills, BDT 30 million at 5.10 per cent for 91-day T-bills, BDT 30 million at 5.94 per cent for 364-day T-bills, BDT 40 million at 6.75 per for 2-year T-bills and BDT 420 million at 8.86 per cent for 5-year T-bills. Call money rate ranged between 20 and 25 per cent.

In the beginning of the week, dollar rose slightly from 2002 lows against the European currencies and also from two months lows against the yen. However, dollar still remained vulnerable after a recent string of poor data on the US economy.

In the middle of the week, dollar recovered some ground after falling to fresh lows against the yen and seven months lows against the euro. The slight recovery was due to dollar buying by model funds and investors. However, the broader picture still remains against the dollar after weak stocks further undermined faith in the prospects for a solid and sustained US economic recovery. The Dow Jones and the Nasdaq fell by two per cent and enticed similar fall in the Nikkei stock exchange.

Later in the week, dollar gained ground against yen and euro due to brighter outlook on Wall Street. Stock markets surged due to an upbeat earnings report from US high-tech giant Cisco Systems. In the meantime, Japanese monetary authorities kept up their verbal campaign to prevent the yen from soaring further and eroding export competitiveness for the country. Japan's leading economic indicator registered a 30 point rise in March, confirming the cyclical recovery theory.

At 1615 hrs on Thursday, euro traded at 0.9059/64 against dollar, pound sterling at 1.4574/78 and yen traded at 128.73/75 against US dollar.

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