

US jobless claims surge

AFP, Washington

The queue of people filing new claims for US unemployment benefits surged 19,000 to a seasonally adjusted 426,000 last week, the government said Thursday.

The number of claims in the week ended September 7 was the highest since April, far exceeding Wall Street economists' consensus expectations for a figure of about 400,000.

A spokesman for the Labour Department said the figures may have been skewed by the Labour Day holiday, as the shorter work-week made it harder to smooth out seasonal fluctuations in the data.

A four-week moving average of initial jobless claims rose 8,750 to 409,500, the second consecutive week in which the moving average has pierced the 400,000 mark.

In raw figures, claims increased 2,804 to 313,474 for the week ended September 7. There were 309,567 claims in the comparable week last year.

ECB holds rates steady

AFP, Frankfurt

The euro-zone economy is set for modest growth this year and next, the European Central Bank said Thursday as it held its key interest rates steady, but warned of the threat of war on Iraq.

The "refi" refinancing rate was held at 3.25 per cent, the level at which it has remained since November last year, after the ECB's first regular policy meeting since its month-long summer recess.

Analysts had not expected a change, and in London the euro barely moved at 0.9745 dollars.

ECB chief Wim Duisenberg indicated that he saw little chance of an imminent movement on rates, saying its current monetary policy was "completely neutral" between concerns over inflation and worries about growth prospects.

He said fear of a US strike on Iraq was helping to fuel "uncertainties" in the world economy.

"Of course it adds greatly to the uncertainties which we are confronted with," he told a press conference.

US current account deficit hits record \$129.96b

AFP, Washington

The US current account deficit -- the broadest measure of trade and capital flows -- bulged to a record 129.96 billion dollars in the second quarter, the government said Thursday.

The deficit in the current account -- measuring trade in goods and services, investment income and monetary transfers -- expanded from 112.5 billion dollars in the first quarter.

The current account figure is key to the level of the US dollar, because it reflects the need for capital inflows to support US purchases and

investments. Some analysts fear a dropoff in US investment could cause a precipitous fall in the dollar that could hurt the US economy.

The deficit has now hit a record for two straight quarters.

The deficit was bigger than expected. The consensus forecast of Wall Street economists had been for the current account deficit to widen to 125 billion dollars. The current account deficit in the first quarter was unrevised from the initial estimate.

The widening of the deficit in the second quarter reflected a larger deficit for goods, and an increase in

the deficit on income flows, the department said.

The deficit on goods widened to a record 122.64 billion dollars in the second quarter, up from 106.42 billion in the previous quarter.

In the goods and services category, the deficit increased to a record 110.61 billion from 95.49 billion in the first quarter.

The deficit on income jumped to a record 6.29 billion dollars in the second quarter from 946 million in the first quarter. The deficit on net unilateral transfers fell to 13.06 billion dollars in the second quarter from 16.02 billion in the previous

quarter.

Foreign private purchases of US securities other than Treasury securities were 103.77 billion dollars, up from 71.10 billion in the first quarter.

Net foreign purchases of stocks were 11.4 billion dollars, down from 25.0 billion in the first quarter. Foreign net purchases of US corporate and other bonds were a record 92.3 billion dollars, up from 46.1 billion in the first quarter.

Net foreign private purchases of US Treasury securities totalled 1.39 billion dollars in the second quarter, compared with net sales of 7.28 billion in the first quarter.



Manzoor-Ul-Karim, chairman of Prime Islami Life Insurance Limited, presides over the 2nd annual general meeting of the company in the city on Tuesday. Directors M A Khaleque, M A Wahab, K M Khaled, Nazma Haque, Nargis Akhter Adel, Z M Kaiser and AK M Nurul Islam are also seen in the picture.

Dispute over export tax breaks EU publishes hit-list of \$4b US products

AFP, Brussels

The EU Commission published Friday a list of US products on which it is threatening to impose levies of over 4.0 billion dollars annually in a trans-Atlantic row over taxes.

A spokeswoman said the value of the list amounted to two or three times the 4.0 billion dollars per year authorized by the World Trade Organization (WTO), since it is assumed many products will be removed during negotiations on the trade row.

At the end of last month the

World Trade Organization (WTO) authorized the EU to impose over 4.0 billion dollars in retaliatory sanctions against the US in the dispute over US export tax breaks.

A spokesman for the commission, the EU's executive arm, commenting on the published list, said Brussels hopes that Washington will change its laws to avoid the EU levies.

Immediately after the WTO ruling, US Trade Representative Robert Zoellick said the United States would change the tax system to comply with global trading regula-

tions. "What is important for us is that the legislation in the US is finally changed," she told reporters.

She said Brussels would be watching legislative developments in the US Congress carefully. But she declined to set an ultimatum to Washington. "We have not presented a deadline."

"If we see that work is progressing we will have patience. If we do not see progress in work we will not have patience," the Commission spokeswoman said.

Fed for restoring budget discipline

AFP, Washington

US Federal Reserve chairman Alan Greenspan said Thursday the economy is still feeling the pain of a share market slump, investment slide and the terror attacks.

He pressed lawmakers to tighten their grip on the budget, which has slid from a big surplus into a steep deficit in a dramatic sign of the longer-term impact.

"The US economy has confronted very significant challenges over the past year -- major declines

in equity markets, a sharp retrenchment in investment spending and the tragic terrorist attacks of last September," he told the House of Representatives budget committee.

"To date, the economy appears to have withstood the set of blows well, although the depressing effects still linger and continue to influence, in particular, the federal budget outlook."

Restoring fiscal discipline must be a high priority, the powerful 76-year-old Federal Reserve chief said. "Returning to a fiscal climate of

continuous large deficits would risk returning to an era of high interest rates, low levels of investment and slower growth of productivity," Greenspan warned.

The US budget is forecast by the Congressional Budget Office to hit a deficit of 157 billion dollars this fiscal year to September 30 and a deficit of 145 billion dollars the following year.

A surplus is not forecast until fiscal 2006.

Last year, the budget was in a surplus of 127 billion dollars.

Interest rates were low now and

the budget situation was better than it had been a decade ago, Greenspan said.

"But history suggests that an abandonment of fiscal discipline will eventually push up interest rates, crowd out capital spending, lower productivity growth and force harder choices upon us in the future."

The economic downturn had pushed up government spending while slicing revenues, Greenspan said. Plunging share prices further eroded government income.

"The recent surge in discretionary spending, necessitated only in part by the war on terrorism and the need for enhanced homeland security, has also made the budget picture less sanguine."

Greenspan called on lawmakers to adopt a stricter accounting system for the budget -- the so-called accrual system.

Under the accrual system, the government's books would have to show the cost of future retirement benefits as they are earned by workers, not just the amount of benefits being paid out now.

The accrual system of accounting is the norm in the private sector, Greenspan noted. It would reflect the trillions of dollars of liabilities in retirement and medical benefits.



PHOTO: STAR

Telecommunication and Information Technology Division of Siemens Bangladesh Limited signed agreements with some dealers in the city recently. Photo shows Dr Peter E Albrich, managing director & CEO of Siemens Bangladesh Limited, and Mujibur Rahman, executive director of Infinity Telecommunications and Automations Services, exchanging documents of a deal.

US to push for open WTO dispute settling system

REUTERS, Geneva

The United States said Thursday it would push ahead with a bid to have the World Trade Organisation's system for settling disputes opened to the public despite strong opposition from developing countries.

"We will continue to discuss our proposals with our trading partners," a US trade official told reporters.

"We knew this was not going to be greeted with a standing ovation.

It's something we'll have to continue to work on."

In discussions over the past three days on improving the system of resolving trade rows between the WTO's currently 144 member countries, the US proposal has found full support only from the European Union.

African, Asian and Latin American states have said it would just benefit the richer powers while helping them mollify non-

governmental organisations (NGOs) -- about whose motives developing countries are highly suspicious.

NGOs based in the North campaigning on environmental and what they say are developmental issues assert that the inter-governmental WTO is a secretive body serving big business and trampling down the interests of poor states.

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