

## US economy grows at 3.1pc pace in third quarter

AFP, Washington

US economic growth, powered by hot demand for cars, accelerated to a 3.1 per cent annual pace in the July-September quarter, the government said Thursday.

Growth picked up sharply from the second-quarter figure of 1.3 per cent, the preliminary Commerce Department report showed, but was below most analysts' expectations.

Speculation mounted that the Federal Reserve may decide next week to cut interest rates -- already at a 40-year low -- but experts said it was a close call.

"It suggests the economy performed okay in the third quarter, largely on the back of the durable consumer demand," said Sal Guatieri, Chicago-based economist with Bank of Montreal.

"Unfortunately, because a lot of the growth was concentrated in sales of autos in the quarter, we will likely see a pullback in spending in

the fourth quarter and therefore a sharp slowdown in economic activity," he added.

Guatieri tipped growth of 1.8 per cent in the fourth quarter.

The policymaking Federal Open Market Committee meets Wednesday, a day after congressional elections, to decide whether to lower the federal funds target rate, already at a 40-year low of 1.75 per cent.

Any sign of weakness in October unemployment figures scheduled for release Friday is expected to nudge policymakers towards cutting interest rates. The unemployment rate was 5.6 per cent in September.

"The onus is probably on the data to come in stronger than expected to keep the Fed on the sidelines next week," said Guatieri.

Consumer spending sparked growth in the third quarter, with personal consumption expenditure surging 4.2 per cent as people snapped up new cars, lured by zero-

interest financing offers.

But the outlook was considered to be fragile.

A survey of consumer sentiment plunged this month to the lowest level in nine years, the Conference Board said Tuesday, as people fretted about jobs, the threat of war in Iraq and slumping stock markets.

The latest figures showed purchases of durable goods such as cars and washing machines shot up 22.7 per cent in the third quarter. Spending on other goods rose a milder 1.3 per cent. Services spending expanded 2.3 per cent.

Also boosting third-quarter growth:

-- Exports advanced 2.1 per cent.

-- Federal government spending and gross investment rose 2.9 per cent, with a 5.1 per cent surge in defense spending. State and local government expenditure climbed 1.2 per cent.

-- Spending on equipment and

software rose 6.5 per cent.

-- Final sales grew 3.2 per cent.

-- Fixed business investment rose 0.6 per cent.

US economic growth in the third quarter was curtailed, however, by a 16.0 per cent slide in investment in non-residential structures. Imports, which erode growth, increased 2.5 per cent.

Mark Vitner, vice president of Wachovia Securities, said the jobs figures out Friday would be critical to the Federal Reserve's reaction.

Broad weakness in employment data and a key manufacturing survey would probably push the Federal Reserve to pare interest rates, Vitner said. But without that trigger, it would likely hold steady.

"I think the odds are slightly better than 50 per cent that they cut rates on Wednesday but I don't think it is a slam dunk by any means."



Md Nurun Newaz, chairman of Central Insurance Company Ltd, presides over a branch managers' conference of the company as chief guest held at a city hotel on Wednesday. MR Ali, director and ex-chairman, Showkat Alam and Tulu Kalimullah, directors, Azizul Hoque Chowdhury, chief adviser, and MA Ali Bhuiyan, managing director of the company, are also seen in the picture.

## Central Ins managers' confce held

A conference of branch managers of the Central Insurance Company Ltd. was held at a city hotel on Wednesday, says a press release.

Md. Nurun Newaz, chairman of the company, presided over the conference, as chief guest.

Chief Adviser Azizul Hoque Chowdhury, Director & Ex. Chairman MR Ali and Director Showkat Alam also addressed the conference.

The conference dwelt on the activities of the company with a focus on the future business policies and growth.

The chairman in his speech admired the effort of the branch managers as well as the development personnel in procuring business for the company despite unfavourable market situation.

The managing director of the company MA Ali Bhuiyan, gave a vivid account of the performance of the company in different areas.

All managers of 27 branches and executives of the head office of the company attended the conference.

For best performance for the year 2002 and highest collection of premium Md. Zahid Anowar Khan, Sr. Executive Vice President has been unanimously declared "Man of the year 2002" and awarded prizes.

Besides the successful branches were awarded for their business performances.

## Japanese markets react to banking reform package

### Measures may do more harm than good: Analysts

AFP, Tokyo

Disappointment clouded Japanese markets Thursday after the government released a plan to reform the banking sector to fight deflation, with analysts saying the new measures could do more harm than good.

Prime Minister Junichiro Koizumi said there was no link between the release of the package and a subsequent drop in Japanese share prices Thursday.

"(Stock movements) reflect the world situation," he told reporters.

But dealers disagreed, saying a 1.3 per cent slump in the Nikkei-225 index showed investors were giving up on Koizumi's reformist rhetoric.

"The market wanted more drastic measures on revitalisation of securities markets and real estate markets and measures to help the economy in general," said Katsuhiko Kodama, head of equities at Toyo Securities.

International ratings agency Standard and Poor's joined in the chorus of disapproval.

"The Japanese government has

a long track record in shying away from politically unpopular reforms," said Nana Otsuki, a director at S and P Tokyo, in a statement.

"Therefore, S and P will maintain its negative outlooks on the banks until concrete action is taken and results can be assessed," she said.

Investors had been uncertain what to expect from the package compiled by Japan's financial tsar Heizo Takenaka, who had been holding 11th hour talks with bankers and ruling party figures who fiercely opposed aggressive reforms.

Some observers felt his chief backer Koizumi, whose popularity rebounded after making a historic trip to North Korea last month, had been in a strong position to make some headway with a reform drive he has promised since taking office 18 months ago.

But it now appeared the premier and his reform-minded banking chief would fail to produce any radical changes to end Japan's 12-year economic malaise, said analysts.

Chief Cabinet Secretary Yasuo Fukuda, however, insisted the

measures unveiled Wednesday were not all Tokyo had up its sleeve.

"We will take action in accordance with economic developments," he said.

Takenaka's banking plan aims to halve the ratio of bad loans at banks by March 2005 by toughening loan assessments and creating a new body to help ailing companies restructure.

"If they do this while prices are still falling it will only increase deflationary pressures... (and generate) more bad loans," warned Kenji Yumoto, chief senior economist at Japan Research Institute.

To help offset the impact of accelerated bad loan disposals, the government said it would cut taxes by one trillion yen (8.1 billion dollars) and strengthen the social safety net.

But all measures lacked concrete details on key issues including a deadline for introducing a stricter assessment of banks' core capital by reducing the amount of deferred tax assets allowed to be included, analysts said.

## Epique launches French home appliances

Epique Home Appliances Limited, distributor of SEB and Electro Brandt Group of France, has launched world-renowned home appliances of Tefal, Brandt and Krups brands at a city restaurant, says a press release.

Michel Lummaux, ambassador of France in Bangladesh, inaugurated the launching ceremony recently.

MA Kalam, managing director of Excelsior Group, MSI Dastagir, managing director of Epique Home Appliances Ltd, and representatives of France Trade Commission and guests were present on the occasion.

The company has been successfully marketing Moulinex brand home appliances for the last three years. Moulinex, Tefal, Brandt, Krups and Sebec are the world leaders in their respective fields and have impressive range of products that include microwave oven, electric oven, toaster, coffee maker, iron vacuum cleaner, non-stick cookware, and washing machine.



Michael Lummaux, ambassador of France to Bangladesh, inaugurates the launching of different home appliances from France by Epique Home Appliances Limited at a ceremony held at a city restaurant recently. Photo shows Managing Director of Epique Home Appliances Ltd M SI Dastagir, Managing Director of Excelsior Group MA Kalam, and Ambassador of France Michael Lummaux at the function.

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