

US bankruptcy bill dies in House

REUTERS, Washington

Legislation that would make it harder for debtors to walk away from their debts through bankruptcy died in the House of Representatives Thursday, as a group of Republican lawmakers upset with how the law would apply to abortion protesters led a bipartisan revolt against the measure.

The bill, which was strongly supported by US banks, retailers, credit card companies and auto lenders, was defeated in an 172-243 vote, with 87 Republicans and 125 Democrats against the bankruptcy changes.

A Democratic aide said GOP leaders mistakenly thought more Democrats would support the bill. But lawmakers hesitated to back such a measure in a struggling economy.

"It was a massive miscalculation on the part of the Republicans," said Rep. Harold Ford, a Tennessee Democrat who supported the measure.

Indonesia seen missing growth target for 2002

AFP, Jakarta

Indonesia's economy grew 3.92 per cent in the third quarter from a year earlier, official figures released Friday showed, as analysts warned the government is unlikely to meet its full year target of four per cent growth.

The government is sticking with its forecast of four per cent despite the October 12 Bali bombing which weakened the economic outlook because of a sharp fall in tourist numbers and investment.

More than 190 people, many of them foreign tourists, died in the attack.

The Central Bureau of Statistics said the July-September growth of 3.92 per cent marked an increase from the revised 3.82 per cent growth in the second quarter as domestic consumption continued to expand.

Economists said consumer demand remains the driving force behind the economy despite slowing growth as a drop in real income weakens purchasing power.

US seeks trade deals across Southeast Asia

REUTERS, Canberra

The United States will seek bilateral trade deals across Southeast Asia in a move to link emerging democracies, vulnerable to extremism, to the world's largest economy, US Trade Representative Robert Zoellick said.

Zoellick, in an interview with the Australian Financial Review published on Friday, said a free trade agreement with a country such as Indonesia, the world's most populous Muslim nation, would help cement democracy by providing growth, opportunity and hope.

"While terrorism isn't caused by poverty ... there's no doubt failed states, broken societies, extreme poverty, create the fertile ground in which the seeds of terrorism can grow," Zoellick told the newspaper.

"Therefore we have a very strong interest in having a pro-growth and opportunity economic policy that

complements our security agenda."

Zoellick, in Australia for a meeting of world trade ministers in Sydney, announced on Thursday that President George W Bush had given the green light to start formal talks for a free trade pact with Australia, which has lobbied for this for years.

At the weekend he travels to Singapore where officials are hoping to sign a bilateral free trade deal - the first between Washington and an Asian country - then to the Philippines to meet trade ministers from the 10 members of the Association of South East Asian Nations (ASEAN).

The US-Singapore Free Trade Agreement is expected to be a model for other potential US pacts in the region.

Washington recently dangled the prospect of free trade deals with other Southeast Asian nations that embark on serious economic

reforms with Thailand, the Philippines and Malaysia widely expected to be first in line.

Zoellick said the Bush administration wanted to combine bilateral efforts with ASEAN-wide initiatives.

He said plans by China to start talks with ASEAN next year to create the world's largest free trade agreement would be possible if consistent with the World Trade Organisation's drive to open up markets and enhance trade.

But he made it clear that agreements with the United States were also an option, with Washington always wary of China gaining too much influence in the region.

"It will ... be a reality that the ASEAN countries will want to have options - and those options can be with Australia, the US, Japan, and others, both through the global system and bilaterally and regionally," Zoellick said.

US shoppers keep economic recovery hopes alive

AFP, Washington

US shoppers packed the malls in October in a scramble for winter clothes, government figures showed Thursday, sparking new hope for the recovery.

Retail sales, which had been expected to tumble as automobile manufacturers reported a slump in car sales, held steady in the month as the clothes-buying spree began.

"Don't count the consumer out yet," said Naroff Economic Advisors chief economist Joel Naroff. "There still seems to be a little bounce in the mall walk."

Fiat retail sales in October were not the real story, he said, since the drop in vehicle sales had already been expected.

People deserted car showrooms, which had been packed for months as automobile manufacturers offered zero-per cent interest financing to move cars out of their lots.

Auto sales dropped 1.9 per cent after slumping 5.0 per cent in

September.

Excluding auto sales, however, retail sales climbed 0.7 per cent in October, the steepest rise in six months.

Sales in clothing stores shot up 4.0 per cent in October, the sharpest climb this year, as cold weather spurred buying. Gasoline sales rose 1.5 per cent. Department stores reported a 1.1-per cent gain in sales.

"The strength in ex-autos was quite broadly based and suggests that the American consumer is alive and well," said Sal Guatieri, Chicago-based economist at Bank of Montreal.

"There was some fear given the plunge in October auto sales that the American consumer was collapsing under the weight of rising debt loads and weak jobs growth," he said.

"This report goes some ways to alleviating our concerns about the health of the consumer," he added.

Wall Street advanced as investors greeted the figures.

The Dow Jones industrials

average of 30 top stocks rose 143.64 points, or 1.71 per cent, close at 8,542.13.

The retail sales data indicated slow but still-growing personal consumption in the October-December quarter, Guatieri said, anchoring his forecast for annual economic growth of about 1.5 per cent in the same period.

Latest jobs data also kept hopes alive.

The number of people making new claims for US unemployment benefits dropped 8,000 to a seasonally adjusted 388,000 last week, the Labor Department said.

Wall Street economists had been expecting a small increase in unemployment claims.

"The improvement in jobless claims as well helped alleviate concerns about the health of the American consumer," Guatieri said.

"We definitely need to see a pick-up in jobs growth to sustain consumer spending at health rates and this report at least moves in that direction," he said.

Argentina defaults on WB loan repayments

AFP, Washington

Argentina defaulted on loan repayments to the World Bank Thursday, triggering an immediate halt to new loans from the bank and plunging the country deeper into economic crisis.

Argentine Economy Minister Roberto Lavagna, here to negotiate a desperately-needed loan from the International Monetary Fund, refused to pay the World Bank until he had an IMF deal.

Buenos Aires "will delay payments on the capital until we close an agreement with the fund," he said after leaving a 45-minute meeting with the World Bank's Latin America chief David de Ferranti.

Argentina paid just 79.2 million dollars in interest, 30 days late on a scheduled 805-million-dollar payment to the World Bank, both Lavagna and the World Bank confirmed.

Lavagna met earlier with the IMF. IMF first deputy managing direc-

tor Anne Krueger said progress was made in talks with Lavagna on banking and insolvency issues.

She said the fund's management would recommend accepting an Argentine request for a delay on a November 22 IMF loan repayment of 140 million dollars.

But Argentina ran into trouble on its tardy World Bank loan repayment.

In an immediate sanction, the World Bank halted consideration of new loans, as stipulated by its policies, and excluded the country from interest rate concessions.

In another 30 days, the bank said it would also stop payments on existing programs with Argentina.

"The World Bank welcomes statements by government officials that Argentina remains committed to rectifying the situation as soon as possible. In the meantime, however, the bank's policies regarding late payments will apply," the bank said in a statement.

S'pore govt concedes economy weakening

AFP, Singapore

The Singapore government conceded Friday the economy is continuing to deteriorate and unemployment is rising, delivering a further body blow to a workforce desperate for positive signals.

The negative outlook came as the government justified a delay in restoring levels of employers contributions to a compulsory pension scheme which were slashed in 1999 to cushion the impact of the Asian economic crisis.

"Given the uncertain economic outlook, there is a need to hold down wage costs to help companies remain cost-competitive and save jobs," the manpower ministry said in a statement.

The outlook "remains uncertain for the remaining part of this year and 2003," and growth for this year is unlikely to achieve the 3-4 per cent government forecast, it said.

The grim message, delivered a day after Prime Minister Goh Chok Tong had attempted to quell disillusionment with the tiny republic's

falling economic fortunes, was coupled with fresh data showing a further slump in retail sales.

Goh acknowledged "the future looks bleak", but added: "There is no cause for pessimism. The difficulties we are facing are temporary... our medium term prospects are bright."

His statement followed a slew of economic data in recent months showing Singapore's recovery from a year-long recession was slowing.

Trade and Industry Minister George Yeo warned earlier in the week that the trade-dependent island may fall into recession again.

"There may be a double dip. If it's a double dip, then we have got to do something," he said.

With the country anxiously waiting for Monday's release of third-quarter gross domestic product (GDP) figures and October export numbers, the government announced Friday that September retail sales were down 0.8 per cent on the same month last year when the country was in its worst recession.

Japan to unveil extra budget plan next week

AFP, Tokyo

Japanese Prime Minister Junichiro Koizumi will announce plans for an extra budget for the year to March next week. Finance Minister Masajuro Shiokawa said Friday.

But details about the size and contents of the pump-priming package - which could force Koizumi to break a key pledge to cap new government bond issues - would not be revealed until next month, according to a senior lawmaker.

Shiokawa said Koizumi told him at a meeting Thursday that a supplementary budget should include parts of a recent package to fight

deflation.

Last month, the government unveiled a plan to halve the ratio of bad loans held by major banks by March 2005. It also pledged to cut taxes and provide support to struggling firms to offset the negative effects of accelerated bad loan write-offs.

Koizumi will formally announce the extra budget plan on November 22, after which the government and ruling parties will negotiate over its contents.

"The supplementary budget will be submitted at the start of the ordinary parliament session, scheduled to begin in January," Shiokawa said.

Weekly Currency Roundup

November 9-November 14, 2002

Local FX Market

Dollar lost ground against Taka (BDT) throughout the week. Increased supply of US dollar eased the crisis of the dollar. Inward remittances by expatriate Bangladeshi workers increased ahead of Eid. Major public banks were the main suppliers of the greenback in the market. Most of the banks lowered their rates to the customer to adjust with the market changes. BDT ended the week at 58.95/59.00 against USD compared with 59.50/60.75 from last week.

Money Market: Bangladesh Bank borrowed BDT 2,341.7 million by the Treasury bill auction held on Sunday. Weighted average yield of T-bills increased to some extent from the last week. Weighted average yield of 28-D T-bills increased by 18 bps to 7.28 per cent.

The call money market remained range bound in this week. The call money rate ranged between 6.75 and 7.25 per cent in the beginning of the week. The rate dropped slightly to 6.00-7.00 per cent, but ended the week at 6.70-7.00 per cent.

International FX Market:

In spite of a rate cut of "beyond-expected 50 basis point" by Federal Reserve, which was perceived as positive for dollar, a fall in the stock market put the USD under pressure at the end of last week. The dollar slid further to a two-month low against the yen on Monday, weighed down by simmering worries about the US economy and chances of military action by the United States against Iraq. The dollar's fall prompted Japanese officials to step up warnings about intervention, as a stronger yen puts pressure on a frail Japanese recovery heavily reliant on export.

The dollar steadied against major currencies on Tuesday after tumbling to fresh lows the previous day, as wariness about Japanese intervention and talk of soft German business outlook data gave investors cause for thought. Squaring of position also pushed the dollar up.

The dollar was pushed further away from multi-month lows hit earlier this week after the news that Iraq accepted a UN resolution on weapons inspections. It posted gains against Euro and the safe heaven Swiss franc. The dollar also benefited from pressure facing the yen after media reports prompted talk that some Japanese banks could be nationalised should the government proceed with its plan to clear up their massive bad debts. But the sentiment for dollar remained poor due to uncertainty over the US economy, with the latest remarks by Fed Chairman Alan Greenspan failing to dispel concern. October retail sales and industrial production as well as the University of Michigan consumer confidence index for November of US is due this week.

At 1445 hours on Thursday, Euro was traded at 1.0060/64, GBP at 1.5842/47 and Yen at 120.46/49 against the dollar.

--- Standard Chartered Bank

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