Bush appoints Friedman his top economic adviser

AFP, *Washington*

President George W. Bush Thursday appointed former Goldman Sachs executive Stephen Friedman as the top White House economic adviser, completing an overhaul of his team before launching a massive new tax-cutting package.

"I will work with Steve and others on a growth and jobs package that we will present to the new Congress," which begins in January, Bush announced at the White House, with the 64-year-old Friedman at his side.

"In order to continue our economic recovery, we will propose further steps to add new jobs, reduce the burden on our taxpayers, and to strengthen investor confidence," Bush said.

"Our economy is strong and we are going to make it even stronger."

Friedman is considered a smoother operator than his more abrupt predecessor, Lawrence Lindsey, who was forced out six days ago amid concerns the sluggish economy might haunt Bush at elections in two years.

OPEC agrees to cut oil output, prices rise

REUTERS, *Vienna*

OPEC producers Thursday agreed a heavy cut in oil supplies to support prices already buoyed by the threat of war in the Middle East.

The Organisation of Petroleum Exporting Countries also tried to restore flagging market confidence in its discredited system of quota limits by raising official output targets.

We've agreed to increase quotas by 1.3 million and the general agreement is to reduce overall production to the level of the new quotas and to keep prices between $22 and $28," said Algerian Oil Minister Chakib Khelil.

Ministers said the pact, for the first quarter 2003, meant they were aiming for a 1.7 million bpd, seven per cent, cut in actual production.

"All of them said very strongly they will comply and they will dot it," said Qatar's Oil Minister Abdullah al-Attiyah.

OPEC admits chronic quota-busting had pushed recent output three million barrels a day over its old supply target. It raised that target from 21.7 million barrels a day to 23 million bpd.

Oil prices shot up after the deal. Brent blend crude rose 50 cents in London late afternoon trade to $26.75 a barrel and US light crude jumped 57 cents to $27.98 a barrel.

"The mathematics make sense," said energy analyst Michael Rothman of Merrill Lynch. "They need to deal with the reduced call on their oil after winter. They all clearly realise they sink or swim together.

Prices already were finding support from the threat of a US assault on Iraq and from a general strike in Venezuela that has stalled oil exports from OPEC's number three supplier.

The deal could mean trouble for world economies struggling to reignite economic growth.

The world economy is bumping along the bottom and OPEC is looking at its own domestic finances," said Raad Alkadiri of Washington's Petroleum Finance Corp.

Saudi Arabia's Oil Minister Ali al-Naimi said Riyadh, which initiated the new policy, would immediately inform customers of lower crude sales volumes for January.

Still, the decision met with some scepticism because observers wonder how far producers will go to turn down the taps, and abide by new quotas.

Saudi is the architect of this deal and clearly will cut but will they get the others to comply?" said consultant Gary Ross of New York's PIRA Energy. "That's probably going to be difficult until Venezuela comes back and by then the rest may have forgotten their obligations.

The jury is still out on the key question of reducing actual output. The big question is whether OPEC will respect quotas," said Nauman Barakat of Fimat International Banque.

OPEC has used output curbs to maintain average oil prices over the past three years in its $22-$28 target range. Saudi was worried that rising supplies from rival non-OPEC nations and another year of modest demand growth could cause a downward price spiral. OPEC is particularly vulnerable to a price fall during the second quarter when world demand eases.

Forecasts from the Paris-based International Energy Agency appeared to back the Saudi outlook. It estimates that if OPEC keeps pumping unchecked it will overwhelm world demand next year by 1.8 million barrels a day on the 77 million bpd world market, causing a huge stockbuild.

Unemployment hits 4.8pc in Singapore

AFP, *Singapore*

Singapore's jobless rate is escalating, and the number of long-term unemployed has hit a record high, the government said Friday as continuing economic weakness saw the labour market shrink for a fifth consecutive quarter.

Unemployment had jumped to 4.8 percent by the end of September, up from 4.1 percent in July, and "is expected to remain high" to the end of the year, the manpower ministry said in its third-quarter labour market report.

"Without sustained momentum of economic recovery," hopes for an improvement on the job front have faded, it said.

An Economic Development Board survey of the manufacturing sector, which contributes about a quarter of the export-reliant nation's gross domestic product, was equally pessimistic.

Business confidence rises in Japan:Tankan survey

AFP, *Tokyo*

Business confidence at Japan Inc. rose for the third straight quarter in December, but the overall picture remained troubled as exports faltered and production slumped, a key survey showed Friday.

The Bank of Japan (BoJ) said its latest Tankan survey of corporate sentiment showed the large manufacturers' index surged to minus nine from minus 14 in September, far higher than the market consensus of unchanged.

The yen jumped against the dollar and euro, as the report indicated the state of Japanese firms was not as dire as expected, dealers said.

Despite rising for the third consecutive quarter however, the index remained in negative territory for the eighth straight three month period, the central bank said.

A minus figure means a majority of firms believe conditions are unfavorable.

In contrast, the index of large non-manufacturers' confidence in the October-December survey fell to minus 16 from minus 13, the central bank said.

"The manufacturers are still benefiting from an export pick-up so that was better than expected, but the non-manufacturers were down so it is a mixed picture overall," said Peter Morgan, senior economist at HSBC.

Looking ahead, there was little to be optimistic about, he noted.

"Things have pretty much stopped improving because exports and production are weakening," he said.

We are in a process of peaking out, it is unclear whether we are there yet but the fact that all the industries remain in negative territory means the recovery we had was a rather weak one."

As a detailed study of Japanese businesses and their plans for the months ahead, the quarterly Tankan survey is the BoJ's key source of data for planning.

The indices measure the difference between firms saying economic conditions are favorable and those saying they are unfavorable.

The dollar swapped hands at 122.35-40 at 9:13 (0013 GMT) down from 122.63 yen before the Tankan was announced.

Japan approves $120b economic programme

AFP, *Tokyo*

Japan approved a 14.8 trillion yen (120 billion dollars) economic programme Thursday to serve as the basis for an extra budget aimed at jump-starting its struggling economy.

The program includes 1.5 trillion yen in state spending on public works which is estimated to push up Japan's gross domestic product by 0.7 percent in real terms and create about 90,000 new jobs in one year.

The program, adopted by Prime Minister Junichiro Koizumi's cabinet, is to be examined for final approval by his council of economic and fiscal advisers on Friday, government officials said.

The government plans to submit a supplementary budget, based on the program, for the year to next March 2003, they said.

Further market plunge may hit global growth: IMF

AFP, *Washington*

Further plunges in shaky financial markets may undermine global economic growth, the International Monetary Fund warned in a report Thursday.

"While a global recovery has been under way, concerns about its pace and sustainability have risen significantly," said the IMF quarterly Global Financial Stability report.

"There is a risk that further substantial market declines could undermine growth prospects."

By November 22, Wall Street's Standard and Poor's 500 index had slumped 39.1 percent since its March 2000 peak, the Fund said, although it was up 3.0 percent from August 12 this year.

"It is important to note that the world's equity markets have stalled after a sustained rally in October and November," said the IMF's director of the international capital markets department, Gerd Haeusler.

"Since recent economic data portrayed a very mixed economic outlook, there is the risk that expectations of a strong and sustained earnings recovery may again be disappointed," he told a news conference in New York.

The IMF stressed the need to maintain the financial resilience of the US household sector and the European financial sector.

India's car sales grow 7.64pc

REUTERS, *New Delhi*

India's domestic passenger car sales rose 7.64 per cent in November, slowing after three months of double-digit growth as buyers postponed year-end purchases to the next year to boost resale values, analysts said.

Data released by the Society of Indian Automobile Manufacturers (SIAM) on Friday showed car sales in November rose to 41,140 units from 38,220 in the same month last year.

Sales in April-November, the first eight months of this financial year ending in March 2003, rose 7.65 per cent to 344,924 units from 320,403 units in the year-ago period.

Analysts said car sales typically weaken towards the end of the year in November and December as buyers postpone purchases to the new year in a bid to boost resale value of their vehicles.

Resale value is a crucial input in car-buying decisions in India and the year of purchase is a key influence on the resale value.

"You don't expect big car volumes in November and December anyway because resale values could drop eight to 10 per cent if they are bought at the year-end instead of January," Avinash Goarkshakar, an analyst at Emkay Share and Stock Brokers, said.

"But January, February and March should be good and we should finish the year with 10 per cent plus growth."

India's new car sales inched up a mere 0.48 per cent in the past year to March to 570,473 units as slowing industry growth, flat exports and fears of war with neighbour Pakistan hit consumer sentiment.

Weekly Currency Roundup

December 8-December 12, 2002

Local FX Market

US dollar ended weaker against taka (BDT) in this week. USD started the week at 59.20/25 against taka. Then became stronger in the middle of the week due to high import demand. Then the demand-supply gap eased and the greenback ended the week weaker in the range of 58.95/59.20.

Money Market:

Bangladesh Bank borrowed BDT 21,805 million by the Treasury bill auction held on Sunday. Weighted average yield of T-bills remained almost unchanged from the last week. Weighted average yield of 28-D T-bill was 7.63 per cent while for 5-yr bills the yield was 11.00 per cent.

The call money rate was volatile this week. The rate remained high in the beginning of the week at 13:00-15.00 per cent. But the demand for taka eased gradually and came down to 11.5-12.00 per cent at the end of the week.

International FX Market:

The dollar fell in Asia on Monday on reports that CSX Corp. Chairman John Snow would become the US Treasury Secretary. Markets viewed the nomination as negative for the currency as Snow comes outside from the financial market. Market is trying to figure out exactly what the new appointment would mean for the currency, but many dealers felt that his appointment could mean the United States was softening its strong dollar policy. The dollar hit a session lows at 122.55/60 yen, down from 123.56 in New York on Friday. Euro was moderately up from 1.0098. Sterling was steady in early London trade at 1.5765 dollars, having tested a two-week high of just below 1.58 dollar in Asia. The threat of a US military attack on Iraq also kept the dollar on defensive Monday.

The dollar edged higher versus the yen in Asia in the middle of the week but kept to a tight range, held back by uncertainty over currency policy in the United States and recent bearish signals in the US economy. The greenback rose slightly overnight against the euro but failed to maintain the gains in the absence of any direction from John Snow ahead of a US Federal Reserve monetary policy meeting later in the session. No change in either foreign exchange or monetary policy was expected, but those factors were expected to keep the market subdued ahead of Germany's NEW business sentiment data where the market was expecting a modest deterioration. US stocks sagged on Monday after computer maker International Business Machines Corp was dealt a rate cut and as United Airlines filed for the largest bankruptcy ever in the global airline industry.

The dollar traded in a narrow range on Wednesday. Euro dipped slightly after Standard & Poor's warned that Germany's top-notch triple-A rating could be at risk. On Thursday, dollar had fallen to a one-month low against the euro and lost around one-third of a per cent against the yen, ahead of key US consumer and labor data and also data from Japan. US retail sales and weekly jobless claim data is due later in the day and Japan's "tankan" business sentiment survey set for Friday.

At 1545 hours on Thursday, euro was quoted at 1.0140/43, GBP at 1.5792/97 and yen at 122.93/96 against the dollar.

-- Standard Chartered Bank