Taiwan indicators down in Nov

AFP, *Taipei*

Taiwan's index of leading economic indicators fell slightly in November from a month earlier, reflecting few changes are expected in the local economic climate in the short term, official data showed Friday.

The November index of leading indicators for the next three to six months stood at 102.9 points, down from a revised 103.2 points recorded in October, the Council for Economic Planning and Development (CEPD) said.

Out of the seven leading indicators, the year-on-year increase in export value improved over October, while the November growths in export orders, M1B money supply, stock prices, average monthly working hours in the manufacturing sector and housing start applications were down from the previous month.

Wholesale prices in November were up from six months ago, based on the CEPD calculation model.

The CEPD said the November composite indicator stood at 26 points, compared with a revised 23 points in October.

US jobless claims down

AFP, *Washington*

Initial claims for regular state unemployment benefits fell 60,000 to a seasonally adjusted 378,000 for the week ended December 21 from a week earlier, the Labor Department said Thursday.

The decline, much larger than had been forecast, represents the biggest weekly drop since the week ending July 21, 1993.

A consensus forecast of Wall Street economists had called for claims to fall by 26,000 to 407,000.

And jobless claims for the week ending December 14 fell a revised 6,000 to 438,000, compared with the initial estimate of a 11,000 drop to 433,000.

Continuing jobless claims -- including workers who have already filed an initial jobless claim, and are now drawing unemployment benefits -- for that week fell 12,000 to 3.46 million.

Japanese output plunges, recession risk rises

REUTERS, *Tokyo*

Output from Japan's factories and refineries fell more than expected in November, adding to evidence that a short-lived economic recovery has slipped a gear and raising the risk of a return to recession.

Even a surprise fall in the unemployment rate from a post-war high was more the result of discouraged workers leaving the job market than a sign of better times to come, economists said.

Despite recent signs of resilience in exports, industrial output fell a preliminary 2.2 per cent in November from the previous month, the government said on Friday, much worse than a Reuters poll forecast of a 0.4 per cent drop.

It was the third straight monthly drop in output, and by far the heaviest since and export-led recovery began to fade in the second half of this year.

"The fall was much bigger than expected. This shows that domestic demand is falling very rapidly," said Takeshi Minami, senior economist at UFJ Tsubasa Securities.

The big fall in output pushed the Tokyo stock market's Nikkei average down 0.20 per cent to 8,682.59 in late morning trade, and helped drag the yen back below 120 to the dollar after it rose to 119.92 in late US trade.

The grim output news followed figures showing an unexpected fall in the unemployment rate to 5.3 per cent in November from 5.5 per cent in October. Other data showed that households continued to cut spending even as prices kept falling.

Of 16 economists polled by Reuters, seven had expected a new high for unemployment of 5.6 per cent, while nine saw it staying at 5.5 per cent.

Rather than brighter job conditions, however, the fall in the jobless rate reflected a contraction in the workforce as more workers gave up their search for jobs or retired.

Belying the fall in the jobless rate, the number of those in work fell by 840,000 from a year earlier to 63.46 million. The number of unemployed fell by 120,000 to 3.38 million.

The job participation rate, which shows the percentage of people in the workforce in jobs or actively seeking work, fell to 61.1 per cent from 61.3 per cent.

"The drop in the unemployment rate is due in part to seasonal factors and a fall in the labour participation rate. A rise in the jobs-to-applicants ration better illustrates the slight improvement in the labour market," said Michio Ichinohe, senior market economist at Mitsubishi Securities.

The jobsto applicants ratio rose to 0.57 from 0.56, meaning there were 57 jobs available for every 100 job seekers. "But jobs data are lagging indicators. So if output keeps falling the labour market could deteriorate again," Ichinohe said.

Jobs are disappearing as Japanese companies restructure.

Shortly after the unemployment data came out, debt-ridden trading house Tomen Corp said it would slash its 9,186-strong workforce by 4,000 by March 2006 as part of a revival plan.

Prime Minister Junichiro Koizumi is also pushing a reform agenda that includes a drive to force banks to get tough on banks' 50 trilling yen ($417 billion) or more in bad loans.

Members of the ruling coalition and opposition parties have repeatedly expressed concern that this could force many companies into bankruptcy and push up the unemployment rate.

The decline in output casts doubt on the strength of Japan's exporters, who have fared better than some companies because of strong demand for electronics and cars in Asia.

Exports were stronger than expected in November, data this week showed, but falling output plus fears of a war in Iraq have raised concerns that even this positive sign may disappear.

The Ministry of Economy, Trade and Industry forecast that manufacturers' output -- a key component and close proxy of industrial production -- would rise 0.3 per cent in December, month-on-month, and 1.2 per cent in January.

But economists said weaker exports could ruin such targets.

"Christmas sales in the US have been poor overall and with the threat of a war in Iraq early next year looming, exports may begin to stall," said Norihiro Fujito, senior investment strategist at Mitsubishi Securities.

With domestic demand stagnant as Japanese feel the pinch from falling wages and rising job insecurity, exports are one of the few sources of hope that the shallow recovery can be sustained.

Indian task force for less duty, more tax exemption

AFP, *New Delhi*

An Indian taskforce Friday recommended doubling the exemption limit on personal taxes and slashing customs duties on imports, particularly oil.

The special panel headed by Vijay Kelkar submitted its report to Finance Minister Jaswant Singh for further study.

Critics say the task force could have called for radical change to bring in needed revenue but instead settled on rehashing many already-floated proposals for fear of alienating Prime Minister Atal Behari Vajpayee's middle-class support base.

The 200-page Kelkar committee proposed exempting taxes on households earning up to 100,000 rupees (2,100 dollars) a month, double the current limit.

Those earning between 100,000 and 400,000 rupees a month would have to pay 20 per cent in tax. Those over that bar would pay 60,000 rupees (1,250 rupees) in tax plus 30 per cent of their income.

The report also suggested dismantling the dividend tax on businesses.

Kelkar told reporters import duties on crude oil should go down from 15 per cent to eight per cent in the 2003-2004 fiscal year, and down again to five per cent in 2004-2005.

India has been aggressively seeking new sources of oil abroad to ensure a stable supply, as it imports more than 70 per cent of its current oil requirements.

The report recommended a standard rate of 14 per cent for imports. Vital personal items such as basic food and life-saving drugs would be exempt from tax, while luxury goods such as motor vehicles and air conditioners would have 20 per cent duty.

Even before the report was released, it was widely derided in the Indian media, which accused the commission of backing down on imposing a tax on agricultural income or the withdrawal of certain tax benefits to bring in needed revenue.

India's budget deficit ballooned to 5.9 per cent of gross domestic product last year, way above the targetted 5.1 per cent.

Kelkar in his report urged increased use of computers and the opening of more tax offices to help revenue collection.

PHOTO: AIBL

Md. Yousuf Ali Howlader, managing director of Al-Arafat Islami Bank Limited (AIBL), speaks as chief guest at the opening ceremony of an anti-money laundering workshop. GM of Bangladesh Bank Harunur Rashid Chowdhury, Executive-Vice President of AIBL Qazi Abdur Razzaque and principal of AIBL Training Academy AHM Jahangir Alam Chowdhury were also present.

Al-Arafah Bank holds anti-money laundering workshop

An anti-money laundering workshop for the executives and officers on deferent categories of Al-Arafah Islami Bank Ltd was held at the training academy of the bank on Tuesday, says a press release.

Md Yousuf Ali Howlader, managing director of the bank, formally inaugurated the workshop as chief guest while General Manager of Anti-money Laundering Department of Bangladesh Bank Harunur Rashid Chowdhury was present as guest of honour.

Deputy Managing Director of the bank MA Samad Sheikh and Executive Vice President Nazrul Islam Khan participated in the discussion on money laundering.

They function was presided over by Qazi Abdur Razzaque, executive vice-president of the bank.

German jobless total shoots up

AFP, *Frankfurt*

The number of people out of work in Germany, the biggest euro-zone economy, shot up to 4.22 million in December, 190,000 more than in November and 260,000 more than in December 2001, German newspapers reported on Friday.

Weekly Currency Roundup

December 21-December 26, 2002

Local FX Market

US dollar ended weaker against taka (BDT) in this week. USD started the week at 58.95/59.15 against taka. Increased remittances from abroad and lower import weakened the greenback and pushed it lower against taka. At the end of the week, taka ranged between 58.75/58.85 against USD.

Money Market:

Bangladesh Bank borrowed BDT 5,960 million by the treasury bill auction held on Sunday. Weighted average yield of T-bills increased from the last week. Weighted average yield of 28-D T-bill increased by 21 bps to 7.97 per cent while for yield of 5-yr T-bills increased by 12 bps to 11.07 per cent.

International FX Market:

The dollar fell to its lowest almost four years against the Swiss francs and also hit a 2-1/2 year low against sterling falling below $1.6056 in a holiday thinned market in the beginning of the week. Euro also rose above $1.03 level against the US dollar. Against the yen, the dollar fell more than a third of a per cent to 119.85, raising wariness that Japanese authorities may intervene to check the export-damaging rise in the currency. Market got nervous of possible conflict of US with Iraq. US personal income and spending figures for November are due ahead of the University of Michigan consumer sentiment survey. But dealers said economic releases were likely to play second fiddle to developments on the political front.

In the middle of the week, dollar took back all its losses and then gained a little against the British pound on news of a surprising drop in UK consumer confidence, which dropped to 4 in December from +2 in November. But the dollar was traded in narrow ranges in holiday-thinned Asian trade on Tuesday and held close to recent multi-year lows against other major currencies. Market was increasingly concerned about a conflict with Iraq. Market showed little reaction to Japan's appointment of Zembei Mizoguchi as top financial diplomat from next year as the market viewed no major shift in policy.

Dollar slipped to a new 3-year lows against the Euro and a four-year low against the Swiss franc at the end of the week in holiday thinned trade as worries over military conflict with Iraq continued to pressure the greenback. The sentiment remained bearish for US dollar as speculation is growing that the US will attack Iraq shortly after January 27 -- the deadline for United Nations arms inspectors to give their report to Security Council. The euro firmed as high as $1.0344, its best since November 1999, before falling down. The greenback also edged down to 120.12 yen against the Japanese currency. But intervention fear kept the dollar from falling further.

At 1515 hours on Thursday, euro was quoted at 1.0355/59, GBP at 1.5980/85 and yen at 120.04/12 against the dollar.

-- Standard Chartered Bank

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