War on Iraq impacting on US businesses

AFP, *New York*

With employees glued to the television, public morale down and sales on the wane, the war on Iraq is making itself felt in the world of American business.

"We speak about it all day," says Mike Mancuso, a web designer for the company Hylotek.

The war has become the center of discussions in most companies -- though many leave their own opinions behind as they cross the threshold.

"In the United States we're not supposed to give political opinions at work. But everybody wants it to be over as soon as possible," says Jeff Mirman, Internet commercial director for Leading Hotels.

Whenever people walk past a television "they stop," says Matthew Burris, financial director for the clothing chain Liz Clairborne.

From the moment the first bombs began to fall on Baghdad, staff at many companies have been spending sizeable chunks of their work day riveted, whenever possible, to television screens.

Their quest for information is affecting the work atmosphere.

"For many people, this is a deja-vu from what it felt in the aftermath of 9/11," says John Challenger, an independent economic consultant. "People feel again this fatigue from an overdose of oppressive and omnipresent news."

"I listen to the radio when I wake up in the morning, and what I hear is going to affect the rest of my day," says Andrew Blechman, owner of a small restoration business.

"People are somber," says Mirman. "It's a bit weird to go to work every day when your country is at war."

And Challenger adds: "The companies that have family or friends in the army or those which employ reservists are particularly affected.

Companies in New York and Washington especially have heightened security dramatically, which has increased the stress linked to fears of a potential new terrorist attack in the United States, Challenger notes.

Since the terrorist alert was raised to its second-highest level on March 17, "we have some guards looking around all day long and everybody must wear their ID all the time," said Burris.

"But nobody complains about that."

Companies have also moved to limit staff travel and meetings. "Certain meetings are canceled. We have been asked to take trains rather than airplanes," one marketing consultant in New York said.

"We have also been told that if travel makes us uncomfortable we shouldn't feel we have to," she adds.

Everyone agrees that business has slowed up somewhat. Even if they don't know whether they should attribute it to the war alone, or to the flagging US economy.

"Our potential clients are delaying jobs and watching the money," says Mancuso.

"The time leading to the war has been very detrimental," says Mirman, who estimates that turnover is down by at least 20 per cent at his company.

"Our sales dropped sharply on Saturday -- after the bombings started -- but less than after the snowstorm on Presidents' Day," acknowledges Burris, who also forecasts that, "There will be more impact if the war lasts long."

Some companies, however, can see the light at the end of the tunnel.

For Blair Cowan, a financial sector headhunter, "There's a slight surge in activity.

"Banks are calling us to see resumes," Cowan says. "Before the war, they would almost hang up on us."

PHOTO: SOUTHEAST BANK

Officials of Southeast Bank Limited and Bangladesh Institute of Bank Management and participants of a course on commercial banking pose for a photograph at the certificate-awarding ceremony of the course in Dhaka recently.

Fears of long, bloody Iraq war rattle world markets

AFP, *New York*

Mounting fear of a long war in Iraq rattled world financial markets Thursday as oil prices bolted higher, stocks recoiled and the dollar ducked for cover.

One week into the US-led campaign, concerns were escalating that the military action might drag on for months, jeopardising a recovery in the sluggish global economy.

"While markets may have priced in a short and decisive war, any departure from this scenario could weaken confidence further," the IMF warned in its twice-yearly Global Financial Stability Report.

"Moreover, markets may not have yet focussed on the possibility that uncertainty could persist for some time."

US share prices slipped.

The Dow Jones industrials average of 30 top stocks fell 28.43 points or 0.35 per cent to 8,201.45. The wider Standard and Poor's 500 index eased 1.44 points or 0.16 per cent to 868.52.

The technology-laden Nasdaq index drifted 3.20 points or 0.23 per cent lower to 1,384.25.

"After eagerly anticipating a swift victory in the desert, tenacious Iraqi defense continues to sop up the froth from the pre-war rally," Prudential Securities analyst Bryan Piskorowski said.

On European stock markets, the British FTSE 100 index lost 1.7 per cent to 3,727.2 points, and the French CAC 40 index fell 2.3 per cent to 2,722.1 points. Germany's DAX 30 index rose 0.18 per cent to 2,584.05.

Oil prices surged as concerns rose over the progress of the war and civil strife in African producer Nigeria.

New York's benchmark light sweet crude contract for May delivery leapt 1.74 dollars to 30.37 dollars a barrel, breaking above 30 dollars for the first time in nine days.

In London, Brent North Sea crude oil for May delivery gushed 1.53 dollars higher to 26.82 dollars a barrel.

"From the outset this morning that story indicating the war may be prolonged has been certainly very central to crude oil," said Refco market analyst Marshall Steeves.

In London, traders fretted over the civil unrest in major oil producer Nigeria.

"Oil prices remain supported by the loss of almost 40 per cent of OPEC member Nigeria's two million barrels per day oil output because of civil unrest," wrote analysts at commodities brokerage Sucden UK.

"Oil multinationals said they see no quick return to production in the region," they added.

Most share markets in Asia traded in a narrow range on thin volumes with investors adopting a wait-and-see stance.

The Tokyo Stock Exchange's Nikkei 225 index ended the morning lower before closing the day up 0.20 per cent at 8,368.67 points as investors kept a careful eye on developments on Iraq's battlefields.

Japan plans record bond issues, initial spending

Parliament approves budget

AFP, *Tokyo*

The Japanese parliament on Friday approved a budget for the year to March 2004 including record planned bond issues and the first rise in initial spending estimates for three years.

The bill was enacted after it cleared the final legislative hurdle in the upper chamber of parliament where the ruling coalition enjoys a majority. The more powerful lower house approved it earlier this month.

The 81.8 trillion yen (693 billion dollar) package is up 0.7 per cent from the amount targeted for the current financial year, excluding a supplementary budget.

New bond issues worth 36.45 trillion yen will cover 44.6 per cent of the total spending as the government struggles to plug a gap created by falling tax revenue.

The record planned bond issues followed Japanese Prime Minister Junichiro Koizumi's decision to abandon his pledge to limit new bond issues to 30 trillion yen a year to rein in Japan's ballooning public debt.

Despite the extra bond issues, Japan's outstanding debt held by central and municipal governments is expected to fall to 137 per cent of gross domestic product (GDP) or 685 trillion yen by March 2004, the finance ministry said in December.

The figure is down from a record high seen at the end of the current year when national debt is forecast to hit 705 trillion yen, equivalent to 141 per cent of nominal GDP -- the highest of all industrialised nations.

Fears over the public debt have prompted major rating agencies to cut Japan's sovereign debt rating, with Moody's downgrading the local currency rating to A2 last May -- the same level as countries such as Greece and Latvia.

According to recent estimates, Japan's central government owes 3.53 million yen to each citizen in the form of debt securities, which would take some 11 years to repay using every yen of tax revenue.

Japan's annual interest bill on its debt is seen at 9.1 trillion yen, or 11.1 per cent of the total budget in the year to March 2004, the same percentage as this year.

PHOTO: UCBL

Deputy Managing Director of United Commercial Bank Ltd (UCBL) Bakhtear Hussain Chowdhury speaks at a course on "Money Laundering and Prevention" organised by the bank's Training Institute on Monday. Chandan Gupta, vice-president, was present.

Weekly Currency Roundup

March 22 - March 27, 2003

Local FX Market

US Dollar was more or less steady against Bangladeshi Taka in this week. Matched demand supply of the greenback kept the market at balance. Though at the end of the week dollar became slightly stronger as demand for the dollar rose due to repatriation of profits by foreign companies.

Money Market:

Bangladesh Bank borrowed BDT 14,326 million by the Treasury bill auction held on Sunday, which was much higher than the previous week. Weighted average yield of 28-D bill was down by 3 bps to 7.84 per cent and 5-yr bill by 2 bps to 11.48 per cent.

The call money rate was low at 6.50-7.50 per cent in the beginning of the week. But call money rate increased due to liquidity shortfall after the T-bill auction. Call rate jumped to 8.00-9.00 per cent at the middle of the week and remained high till the end.

International FX Market

The dollar was knocked back from Friday's two-month highs against both the Euro and the safe-haven Swiss franc as well as three-month peaks versus the yen. Optimism over a quick war in Iraq took a hit during a weekend of casualties and setbacks for coalition led by the United States. After three days of minimal setbacks, US and British troops endured their heaviest combat casualties on Sunday --unnerving markets worried about whether Washington can bear the costs of protracted conflict. Any signs of a long war play on the market's biggest dollar fears. A long conflict means more costs, more doubt about other US policies and perhaps more conflicts between the US and its allies.

US Dollar continued to fall at the middle of the week as the markets were rattled by slower than expected progress by US led forces. The greenback slid nearly 1 per cent against the yen, below 120 yen as market was disappointed that BOJ took no radical steps to tackle deflation and weaken the Japanese currency. The dollar was down significantly against the Euro and the Swiss franc. It was down to 119.65 yen and also gave a third of a per cent to the British Pound.

The dollar weakened against major currencies on Thursday towards its lowest levels since US-led attacks against Iraq began eight days ago, as investors became less convinced that the war would be over soon. The US is calling for more troops, which suggests things are going to be tough. The dollar was down against yen. Some Japanese investors also rushed to buy the yen in Tokyo trade, as trade on Thursday will be settled on March 31, the last day of Japan's financial year. The market was careful about driving the dollar down heavily against the yen amid wariness about Bank of Japan intervention. The dollar's downside was indirectly supported by investors building long positions in cross-yen trade. Oil price also jumped two per cent.

At 1540 hours on Thursday, Euro was at 1.0732/34, GBP at 1.5762/67 and yen at 119.74/79 against the dollar.

--Standard Chartered

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