

IMF warns of growing deflation menace

AFP, Washington

Deflationary pressures are growing in some areas, with Asia at most risk, but fears of a damaging global price slide are unwarranted, the International Monetary Fund said.

"The risk of an onset of deflation in a number of economies is seen to be relatively high and has drifted upward over the past several years," the IMF said.

"The risk occurs against a background of postwar low inflation rates, large output gaps, bursting of the equity price bubble, rising banking sector stresses in some economies and declining credit growth."

Deflation, or falling prices, deals a double blow to economies by encouraging people to postpone

buying until prices fall further, and by raising real interest rates.

It is also very difficult to reverse, as Japan has learned.

The IMF's index of deflation vulnerability, drawn up by an IMF task force and approved by the fund's chief economist, Kenneth Rogoff, found pockets of higher deflation risk.

But the report, released at the weekend, also played down the global threat.

"The task force did not find evidence to support concerns of generalized global deflation," it said.

"It also did not see any compelling evidence of widespread international transmission of deflation. However, the high correlation of business cycles across countries

creates a non-zero but still low probability of a simultaneous decline in prices."

Asian economies -- Japan in particular but also Hong Kong and Taiwan -- were at risk of worsening deflation, the fund said.

"Deflationary expectations appear to be entrenched and in Hong Kong, policy is constrained. In China, the strong pace of activity and policy stimulus already in the pipeline are likely to contain deflation."

The IMF has repeatedly prodded Japan to take sweeping action to reverse four years of deflation.

"In the euro area, inflation has been slow to decelerate and, except for Germany, risk of deflation remains low in the major countries," the IMF report said.

"Germany suffers from a weak macroeconomic environment, large and increasing output gap, high unemployment and banking-sector strains with limited policy options."

In the United States, the risk of deflation was low despite the collapse of the late 1990s technology-driven stock market bubble, partly because of the recent slide in the dollar, the IMF said."

US Federal Reserve policymakers, who for decades have tried to squeeze out inflation, warned after a May 7 meeting that the deflation threat, though "minor", now outweighed the risk of inflation.



PHOTO: IEEE

Prof A B M Siddique Hossain of the Institute of Electrical and Electronic Engineering (IEEE) Department of Bangladesh University of Engineering and Technology (BUET) distributes certificates among the participants of a workshop on 'Telecommunication Engineering' organised by IEEE Bangladesh section at BUET in Dhaka on Friday.

CURRENCY

Following is yesterday's forex trading statement by Standard Chartered Bank					
Selling		Currency	Buying		
TT/OD	BC		TT Clean	OD Sight Doc	OD Transfer
58.8300	58.8800	USD	57.9000	57.7299	57.6608
69.3017	69.3606	EUR	66.7877	66.5915	66.5118
96.7695	96.8517	GBP	93.8212	93.5456	93.4336
39.1808	39.2141	AUD	37.3745	37.2647	37.2201
0.5076	0.5080	JPY	0.4913	0.4899	0.4893
45.7074	45.7463	CHF	44.3135	44.1833	44.1304
7.5010	7.5073	SEK	7.3608	7.3392	7.3304
43.7398	43.7770	CAD	42.4331	42.3085	42.2578
7.5510	7.5574	HKD	7.4165	7.3947	7.3859
34.1638	34.1928	SGD	33.3333	33.2354	33.1956

Exchange Rates of some currencies against US dollar

Indian rupee	Pak rupee	Lankan rupee	Thai baht	Nor kroner	NZ dollar	Malaysian ringit
46.995	57.785	97.225	42.095	6.8524	0.6342	3.80

Local Interbank FX Trading:

The local interbank foreign exchange market was active Tuesday. US dollar continued to become weaker against Bangladeshi taka as demand for the US currency fell on lower imports ahead of national budget.

Local Money Market:

Liquidity condition eased slightly in the market. Demand for call money was moderate. Call money rates remained almost unchanged and ranged between 11.00 and 13.00 per cent compared with 10.00- 14.00 per cent previously.

International Market:

US dollar steadied above multi-year

lows on the euro and yen on Tuesday and the market waited to see if Japan would use yen-selling intervention to push it higher after suspected action in the previous session. The greenback tumbled to bear two-year low near 115 yen on Monday, only to be rescued by aggressive Bank of Japan Intervention on behalf on the Ministry of Finance. The dollar stood near \$ 1.1630 per euro, almost a cent above Monday's low near the euro/USD launch rate of \$ 1.1747. Euro was holding close to Monday's record high around 136.80 yen.

At 1500 hours on Tuesday, euro was at 1.1610/14, GBP at 1.6315/19 and yen at 117.26/31 against the dollar.

This memorandum is issued by Standard Chartered Bank and is based on or derived from information generally available to the public from sources believed to be reliable. While all reasonable care has been taken in its preparation no responsibility or liability is accepted for errors of fact or any opinion expressed herein.

BoJ eases monetary policy on SARS, market concerns

AFP, Tokyo

The Bank of Japan eased monetary policy on Tuesday in a bid to support the economy and steady stock and currency markets hit by concerns about SARS and a government bailout of Resona Bank.

Separately, the finance minister said Tokyo may consider extra spending to boost economic growth, and pledged to scrutinise foreign exchange moves amid speculation Japan intervened in the market the previous day to weaken the yen.

The government fears a strong yen will hurt the competitiveness of Japanese exports, which have been a key engine keeping the moribund economy afloat.

Analysts described the BoJ's move to raise liquidity as more of the same and ineffective because it was not backed up by the purchase of riskier assets from commercial banks to help them erase their bad loans.

At the end of a two-day meeting, policy board members voted by

majority to raise the target balance of current accounts held at the central bank to about 27-30 trillion yen (231-256 billion dollars) from 22-27 trillion yen.

The BoJ wanted to show its resolve to help stabilise financial markets given the outbreak of Severe Acute Respiratory Syndrome (SARS) and uncertainty about an economic recovery in the United States and Europe, said governor Toshihiko Fukui.

"(Board members) reached consensus that the scope of uncertainty over Japanese economic conditions is increasing," he told a news conference.

The BoJ also referred to a government decision at the weekend to pump public funds, estimated at 2.0 trillion yen, into troubled Resona Bank after the lender admitted its capital adequacy ratio had fallen below the required level.

But Fukui dismissed fears that problems similar to those at the country's fifth largest bank would emerge at other banks and so

trigger a financial crisis.

At the same time he warned: "Time is scarce for banks to create business models that lead to enhanced profitability even if the extent of the erosion of their capital base is not so severe as at Resona."

Lenders must raise funds to strengthen their capital, while promoting disposals of bad loans, Fukui added.

There was little reaction in the financial markets to the announcement.

The dollar traded at 117.32-35 yen at 5:00 pm (0800 GMT) against 117.10-20 yen in New York on Monday afternoon and well up from the 115 levels seen here Monday after what many in the markets believe was BoJ intervention.

"Lifting the liquidity target is the BoJ's worn-out policy and it was hardly a surprise for investors," said Akihiko Sebe, a currency dealer at Mizuho Bank.

Workshop on telecom engineering

The Institute of Electrical and Electronic Engineering Inc (IEEE) Bangladesh Section held a workshop on 'Telecommunication Engineering' at Bangladesh University of Engineering and Technology in Dhaka on Friday, says a press release.

Prof Shahidul Islam Khan, dean of the Faculty of Electrical and Electronic Engineering and chairman, PES Chapter, IEEE Bangladesh Section, inaugurated the workshop.

A total of 56 IEEE student members of BUET and BIT of Khulna participated in the workshop.

Dr M Nazrul Islam, chairman of IEEE Bangladesh Section, was the organiser.

Telecommunication experts from BTTB, North South University and BUET conducted the workshop.

Prof A B M Siddique Hossain of Electrical and Electronic Engineering Department of BUET distributed certificates among the participants.

STOCK

SHIPPING

Chittagong port

Berthing position and performance of vessels as on 20/5/2003

Berth No	Name of vessels	Cargo	L Port call	Local agent	Date of arrival	Leaving	Import disch
J/1	Ambika	Rice	Kaki	Abahoni	1/5	20/5	
J/2	Pearl	Rice	Kaki	Mutual	2/5	29/5	2121
J/3	Dae Gak Bong	Wheat	Tuti	Uniship	29/4	20/5	
J/4	Pavonis	Gl	Yang	Royal	10/5	23/5	743
J/5	Wddel Sea	C Clink (Royal)	Kohsi	Move	2/5	22/5	997
J/6	Mu Du Bong	Rice	Kand	Able	6/5	25/5	1198
J/7	Taraman Bibi	Rice	Kaki	QWSL	24/5	22/5	1754

Vessels due at outer anchorage

Name of vessels	Date of arrival	L Port call	Local agent	Cargo	Loading port
Banga Birol	20/5	Hald	Baridhi	Cont	Col
Pho Thae	20/5	Kaki	Able	Rice	
Pyong Yang-813	20/5	Kand	Able	Sug+Rice	
Ocean Pride	25/5	Yang	PSAL	Gl	-
Blue Fortune	21/5	Sin	PSAL	Clink	
Handy Success	21/5	Tanj	BSL	Clink	
Eco Vision	21/5	Sing	USL	R. Seed+3300	Wheat
New Sea Star	22/5	P Kel	QC SL	Cont	Sing
Kota Cahaya	22/5	Sing	Pil (BD)	Cont	Sing
QC Teal	22/5	P Kel	QC SL	Cont	Sing
Ali	23/5	Phil	OTBL	For Demolition	
Ruhunupura	25/5	-	PS SL	Cont	Yang
Banga Bodor	23/5	-	Bdship	Cont	Sing

Tanker due

Ocean Manta	21/5	Sing	MSTPL	MS/HSD(RM/ 6)
Andhika Anyandhi	20/5	Pasi	Phinter	Cpo(RM/ 4)

Vessels at Kutubdia

Name of vessels	Cargo	Last Port call	Local agent	Date of arrival
Outside Port Limit				
Barge: S-657	P Cargo	Kol	Sakhi	21/2
Dea Captain	--	--	Arafeen	R/A(12/5)

Vessels at outer anchorage

Vessels ready				
Al Monsoor	Rice	Kaki	Total	8/5
Eltanin	Rice	Kand	Total	8/5
Jat Na Mu	Wheat	Viza	Uniship	5/5
Banga Bonik	Cont	P Kel	Bdship	17/5
Mardios	Cont	P Kel	RSL	17/5
Eagle Strength	Cont	Sing	Nol	18/5
Kota Naga	Cont	Sing	Pil (BD)	18/5

Vessels not ready

Banga Borat	Cont	--	Bdship	R/A(28/3)
Bosowa Delapan	C Clink	Kaki	PSAL	16/5
Al Deerah	HSD	Shuy	MSTPL	18/5

VEssels Awaiting Employment/Instruction

Banglar Shourabh	-	-	BSC	R/A(18/5)
------------------	---	---	-----	-----------

Vessels Not Entering

Tae Dong Gang	Rice/Wheat	Viza	Uniship	1/5
Trader	C Clink	Cebu	ANCL	7/5
Eastern Glory	C Clink	Sing	Litmond	17/5
Amalfi	C Clink	Kant	Uniship	15/5
Tuking	Gypsum	Krabi	Move	17/5

The above is shipping position and performance of vessels of Chittagong Port as per berthing sheet of CPA supplied by HRC Family, Dhaka.