Soaring oil prices pose new menace to US economy

AFP, *Washington*

Tearaway world oil prices, toppling records and straining wallets, present a new economic menace barely three months before the US presidential elections, analysts say.

Just as the economy shows signs of emerging from a summer soft spot, the oil price -- approaching the feared 50-dollar-a-barrel mark in New York -- threatens to engulf activity.

"Suddenly, the US economy looks exceedingly vulnerable," said Morgan Stanley economist Stephen Roach, a renowned bear.

"High oil prices are taking a toll on the US growth dynamic at precisely the point when a Fed tightening cycle has begun -- a risky combination by any standards."

US Federal Reserve chairman Alan Greenspan and his colleagues raised the key federal funds target rate to 1.5 percent from 1.25 percent on August 10, the second step in an effort to stave off inflation by ending an era of the lowest rates in nearly half a century.

The policymakers recognised oil prices were dampening activity but said the economy was poised for a rebound.

In the three days after that statement, New York's benchmark light sweet crude contract for September delivery has soared another 2.09 dollars to a record close Friday of 46.58 dollars a barrel.

Most economists expect the economy to rebound, but any signs of persistent sluggishness could be damaging to President George W. Bush in the November 2 election battle against Democratic challenger John Kerry.

A panel of 55 economists regularly polled by The Wall Street Journal cut their economic growth forecasts to an annual pace of 3.8 percent from 4.4 percent previously for the third quarter and 4.1 percent from 4.2 percent for the fourth quarter.

"The revisions represented the sharpest downdraft in economic growth expectations since just before the Iraq war," the daily said Friday, adding that analysts worried oil prices would curb consumer spending.

In the second quarter, consumer spending rose by an anaemic 1.0 percent, but the July figures showed a retail spending gain of 0.7 percent, inspiring only muted optimism.

"Already high energy prices, coupled with lingering sluggishness in hourly earnings, have resulted in negative real earnings growth for the first time in years," said Lehman Brothers economist Joseph Abate.

The government faces a delicate task because it has little ammunition left to fire up activity: The budget deficit all but precludes big new tax cuts, and interest rates are now on the way up, not down.

The stock market, too, is struggling, providing little hope of a wealth effect.

The oil price "continues to hold hostage the stock market and the economy," said SW Bach market analyst Peter Cardillo.

For businesses, the soaring oil price weighs on their books, giving them two options: either pass on the costs to customers, feeding inflation, or absorb the costs, squeezing profits and constraining investment and hiring.

In July, employers hired a net 32,000 workers. Analysts had expected a gain of more than 240,000.

The searing oil price deals an equally damaging blow to the trade balance, boosting the cost of energy imports and possibly crimping world activity and demand for US-made goods. In June, the US trade gap exploded to a record 55.8 billion dollars, the sharpest deterioration in more than five years.

PHOTO: MTCL

Mamoon Mahmood Shah, manager, Personal Financial Services of the Hongkong and Shanghai Banking Corporation (HSBC) Limited in Bangladesh, and Tafsir M Awal of Multimode Transport Consultants Limited (MTCL), exchange documents after signing a memorandum of understanding yesterday in Dhaka. Under the deal, customers of MTCL will get car loans from HSBC at a preferential rate of 13 percent to buy Proton cars. Abdul Awal Mintoo, CEO of Multimode Group, is also seen in the picture.

Opec chief suggests rise of output by non-members

REUTERS, *Jakarta*

Non-Opec oil exporters should consider increasing output to cool record crude prices, Opec President Purnomo Yusgiantoro said on Sunday.

The Organization of the Petroleum Exporting Countries is already pumping at a 25-year high of 30 million bpd, casting aside the restraint of official quotas.

But non-members, who accounted for the rest of the 83.5 million bpd of crude pumped worldwide in June, should do their bit, Purnomo said.

"We call to those in non-Opec who have capacity in production to prepare to produce more," he told reporters.

He said Opec nations currently had about 2 million bpd in spare capacity and what to do about this spare capacity would be discussed at a meeting of the cartel on September 15.

"We expect in Vienna, we will have a solution -- the best solution on this issue," he said.

Sri Lanka eyes trouble from pricey subsidies

AFP, *Colombo*

With Sri Lanka's peace process stalled and foreign donors growing fed up, financial analysts are worried the left-wing government's expensive subsidies could play havoc with the economy.

The Tamil Tiger rebels have warned that the country could slip back into the war that has claimed over 60,000 lives since 1972, amid a spate of killings linked to a rift in guerrilla ranks.

"We still believe, even in the worst case scenario, that a return to war is remote," said head of research at HNB Stock Brokers, Hasitha Premaratne. "What we are more concerned about is the subsidies and their impact on the budget."

The Central Bank in a statement at the weekend warned the government to adjust prices to reflect the true market value or face the consequences of lower growth, high inflation and higher interest rates.

PHOTO: BIMAN BANGLADESH AIRLINES

State Minister for Civil Aviation and Tourism Mir Mohammad Nasiruddin (centre) speaks at a meeting with the high officials of Biman Bangladesh Airlines on Saturday in Dhaka. Among others, Civil Aviation and Tourism Secretary Akhtar Husain Khan, Managing Director of Biman M Mahmoodur Rahman, Joint Secretary to the ministry Md Sahab Ullah, executive directors of Biman and senior officials of the ministry were present.

CURRENCY

Following is Sunday's (August 15, 2004) forex trading statement by **Standard Chartered Bank**

Sell		Currency	Buy		
TT/OD	BC		TT Clean	OD Sight Doc	OD Transfer
59.6500	59.7000	USD	58.5050	58.3332	58.2633
74.8071	74.8698	EUR	71.4990	71.2889	71.2036
110.9848	111.0778	GBP	106.9822	106.6680	106.5403
43.7891	43.8258	AUD	41.0764	40.9557	40.9067
0.5454	0.5459	JPY	0.5239	0.5224	0.5217
48.5551	48.5958	CHF	46.7853	46.6479	46.5920
7.9855	7.9922	SEK	7.4106	7.3888	7.3800]
45.9235	45.9620	CAD	44.2918	44.1617	44.1088
7.6578	7.6643	HKD	7.4921	7.4701	7.4611
34.9853	35.0147	SGD	33.9553	33.8556	33.8151
16.3725	16.3862	AED	15.7998	15.7534	15.7345
16.0328	16.0462	SAR	15.4771	15.4316	15.4132
10.3503	10.3590	DKK	9.3457	9.3182	9.3071
203.0915	203.2617	KWD	190.7502	190.1899	189.9623

Exchange rates of some currencies against US dollar

Indian rupee	Pak rupee	Lankan rupee	Thai bath	Nor kroner	NZ dollar	Malaysian ringgit
46.22	58.72	102.925	41.565	6.6886	0.7161	3.80

Local Interbank FX Trading

Local interbank market was subdued. US dollar was mostly steady against Bangladeshi taka in a thin trading day.

Local Money Market

Money market was active. Call money rate was steady and ranged between 3.00 and 3.5 percent.

International Market

International market was closed due to weekend. The dollar tumbled broadly on Friday after data showing a record US trade deficit in June cast fresh doubts on the economy's recovery and its ability to draw foreign capital to fund the growing gap.

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SHIPPING

Chittagong port

Berthing position and performance of vessels as on 15/8/2004.

Berth No.	Name of vessels	Cargo	L. Port call	Local agent	Dt of arrival	Leaving	Import disch.
J/2	Amar	Sugar(P)	Bang	Total	1/8	17/8	883
J/3	Sinhai	C.Clink	Indo	NWSL	1/8	18/8	1860
J/4	Al Mohammed	Sugar(P)	Bang	CLA	4/8	16/8	935
J/5	Defiant-T	Wheat(P)	Kiki	Pacific	3/8	18/8	665
J/6	Proliv Viktoria	Sugar(P)	Sing	OTL	31/7	15/8	595
J/9	Feng Kang Shan	GI	Sing	Bdship	6/8	16/8	2139
CCT/2	Me Linh	Cont	Sing	BSC	13/8	17/8	187
CCT/3	Qc Dignity	Cont	P. Kel	QCSL	11/8	15/8	--
GSJ:	Blida	C. Clink	Indo	Litmond	12/8	16/8	
TSP:	Sapanca	R. Phos	Chen	Beeline	12/8	21/8	
RM/4	Andhika Ashura	Cpol	P. Kel	USL	12/8	15/8	
RM/6	Jag Preeti	Hsd	Chenn	SSLL	11/8	15/8	
DOJ:	Mount Rainer	Naptha	Sing	GPSL	12/8	--	
DD:	Banglar Robi	Repair	Mumb	BSC	15/6	16/8	

Vessels due at outer anchorage

Name of vessels	Date of arrival	L. Port call	Local agent	Type of cargo	Loading ports
Banga Bodor	15/8	P. Kel	Bdship	Cont	Sing
Banga Bonik	16/8	Col	Baridhi	Cont	Col
Van Xuan	16/8	Sing	PSSL	Cont	Sing
Banglar Moni	16/8	Sing	BSC	Cont	Sing
Kota Cahaya	16/8	Sing	Pil (Bd)	Cont	Mong
Kota Tampan	16/8	Sing	Pil (Bd)	Cont	Sing
Rio Negro	17/8	P. Kel	QCSL	Cont	Sing
Jin Cheng (Liner)	17/8	--	Bdship	GI	--
Banga Borti	19/8	Sin	Bdship	Cont	Sing
New Blessing	17/8	--	Everbest	Cont	Sing
Eastern Fortis(Liner)	17/8	--	Prog	GI	--
Timaru Star	17/8	Hald	Everett	Urea K/U	
Xpress Manaslu	17/8	P. Kel	RSL	Cont	Sing
Kota Berjaya	17/8	Sing	Pil(Bd)	Cont	Sing
Bianco Pescadores	18/8	P. Linhons	Rainbow	Wt/R.Seeds	--
Orient Excellence	18/8	P. Kel	PSSL	Cont	Sing
F.V. Srinakhon-23	20/8	--	Oil	Fishing Trawler	
Xpress Resolve	20/8	--	Everbest	Cont	Col
Mardios	20/8	P. Kel	RSL	Cont	Sing
Orient Wisdom	20/8	--	PSSL	Cont	Col

Tanker due

Scottish Bard	15/8	Sing	MSTPL	HSD/Ms
Al Deerah	18/8	Kuwa	MSTPL	HSD/Sko

Vessels at Kutubdia

Name of vessels	Cargo	Last port call	Local agent	Date of arrival
Outside Port Limit:				
Dea Captain	--	--	IBSA	R/A (14/8)
Vessels at outer anchorage				
Vessels ready:				
Jaami	Cont	Col	Everbest	14/8
Micronesian Heritage	Cont	--	Everbest	R/A
Vessels not ready:				
Guo Shun	Tsp(P)	Zhan	Litmond	10/8
Namemcha	Sugar (P)	P. Link	Rainbow	4/8
Carina-Ii	Sugar(P)	Darb	Mutual	12/8
Feng Shun Shan	Fert(TSP)	Sing	Bdship	13/8
Xiang Ruimen	Tsp(P)	Fang	Unique	14/8
Al Muztuba	Wheat (P)	Kaki	Cla	14/8
Banglar Jyoti	C. Oil	K. Dia	BSC	R/A
Vessels awaiting employment /instruction:				
Banga Biraj	--	--	Bdship	R/A (29/12)
Continent-4	Ballast	Col	Cla	13/8

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

STOCK