

Asia wants more of its forex reserve to stay in the region

REUTERS, Istanbul

Asia should plough more of its massive savings and foreign exchange reserves into regional rather than Western capital markets to guard against another 1990s-style financial crisis, Asian finance ministers say.

Asian economies, which control more than two-thirds of world's foreign exchange reserves and have an average savings rate of over 30 percent, invest heavily in dollar-denominated assets, a key source of financing for the US current account deficit.

While some of the money finds its way back into Asia by way of investment, policymakers believe that inflow is fickle and can be too hot to handle in times of financial

crisis like that in 1997/98.

"It is ironic that while Asian countries have the necessary financial resources to be tapped upon to underwrite costs for the region's development, Asian savings are often intermediated outside Asia," said Malaysia's second Finance Minister Nor Mohamed Yakcop.

"Principally invested in US and European markets, these savings have been known to subsequently flow back into the region in the form of portfolio investments. This raises the possibility of a recurrence of the dual mismatches of maturity and currency, resulting in a repeat of the 1997/98 Asian financial crisis," he said.

Asian finance ministers and central bank governors have gathered in Turkey's biggest city

for the three-day annual meeting of the Asian Development Bank (ADB) which kicked off on Wednesday.

On Wednesday, they agreed to double the size of a regional forex swap pact for fighting attacks on currencies and vowed to develop local bond markets to avoid financial turmoil.

Haunted by memories of the Asian financial crisis and the pain of subsequent economic reforms, the region has tried to set aside political differences and to build financial cooperation. "We do have ample funds and savings available and this needs to be recycled within the region," Japanese Finance Minister Sadakazu Tanigaki told reporters in Istanbul.

US, Chinese financial officials to meet next week

AFP, Washington

US and Chinese financial officials will meet in Washington next week for a regular dialogue focussed on currency rates among other issues, a US Treasury official said Thursday.

The meeting Monday between representatives of the US finance ministry and the People's Bank of China will discuss "economic and financial issues, including foreign exchange," the Treasury spokesman said.

The United States wants Beijing to relax its currency peg, which links the yuan to the dollar at a rate that foreign critics say gives Chinese goods an unfair advantage on world markets.

US Treasury Secretary John Snow said Monday that China had taken sufficient steps to reform its currency system to enable the yuan to strengthen against the dollar.

"We think they're ready and we think now is the time for them to move," he said.

Unilever Q1 profit up 8pc

AFP, London

The Anglo-Dutch consumer group Unilever reported an eight percent rise in first quarter operating profit Friday, after stabilizing market shares, but warned conditions remained tough in key European outlets.

The maker of Ben and Jerry's ice cream, Lipton ice tea and Dove soap said operating profit rose to 1.416 billion euros (1.8 billion dollars) in the first three months of the year from 1.316 billion euros in first quarter 2004.

Net profit jumped 22 percent from a year earlier to 981 million euros.

Sales rose two pct to 9.266 billion euros, aided by an extra five days in the quarter and as the company, which is trying to win back market share from rivals such as US giant Procter and Gamble, spent more on marketing and promoting its products.



PHOTO: GRAMEENPHONE

AMM Yahya, director, Fiber Optics Network of GrameenPhone, and AR Saber, chief executive officer of private fixed-phone operator Onetel Communications Ltd, shake hands after signing an agreement recently. Under the deal, GP will provide transmission facility for Onetel through its fiber optics network.



PHOTO: UCBL

Niaz Habib, deputy managing director of United Commercial Bank Ltd (UCBL), speaks at the inaugural session of a two-day training course on 'Foreign Trade and Foreign Exchange' organised by the bank's training institute recently in Dhaka. Other senior officials are also seen in the picture.

Experts at ADB confce see robust growth for Asia

AFP, Istanbul

Asian nations will enjoy robust growth in the near future, business experts, academics and multilateral institutions agreed at the Asian Development Bank (ADB) annual conference here Thursday.

However some analysts warned certain risks remained and that growth in some countries would slow down.

The ADB, which is holding its annual meeting in Istanbul, said in its own study that Asia had remained resilient despite the killer tsunami that hit several regional countries in late December.

ADB chief economist Ifzal Ali said "developing Asia will stay on a high growth path in 2005-2007" largely because of domestic

demand.

The Manila-based multilateral institution forecast that developing Asian nations would enjoy aggregate gross domestic product (GDP) growth of 6.5 percent this year, 6.6 percent in 2006 and 6.9 percent in 2007.

But he warned the region faced global imbalances including a potentially volatile US dollar, higher inflation in the United States, a tight oil market that was unlikely to ease in the near term as well as moderate export growth and rising imports.

A study by the Institute of International Finance, a global association of finance institutions, forecast 9.5-percent GDP growth for China and 8.0-percent for India this year.

Malaysia '04 auto sector investment rises 67pc

AFP, Kuala Lumpur

Total investment in Malaysia's automotive sector plunged 66.7 percent to 1.1 billion ringgit (290 million dollars) in 2004, International Trade and Industry Minister Rafidah Aziz said Friday.

Rafidah did not give a reason for the steep fall, adding that her ministry approved eight projects worth 71.1 million ringgit in the first two months of this year.

Of the eight, four were new projects while the others were largely for the expansion of existing operations, she said.

Earlier this year the government suspended the implementation of a new tax and tariff regime pending a review of its auto policy on concerns that foreign car companies may

shelve fresh investments or even relocate operations.

Malaysia, which lobbied successfully for more time to comply with a regional trade liberalization agreement, has promised to cut tariffs on cars made by members of the Association of Southeast Asian Nations (ASEAN) to 20 percent this year and to five percent by 2008.

The government, however, raised excise taxes on cars and parts sold in Malaysia to 40-250 percent from 30-100 percent last December, effectively nullifying any advantage from the tariff cut for local consumers and foreign rivals of national car manufacturer Proton Holdings, which receives rebates.

The government had said it will announce a fresh auto policy in June.



PHOTO: DHAKA BANK

Khondker Fazle Rashid, acting Managing Director of Dhaka Bank Ltd, and Md Obaidullah, managing director of Teletalk Bangladesh Ltd, exchange documents after signing an agreement on Tuesday in Dhaka. Under the deal, Dhaka Bank will collect bill and earnings of pre-paid card sales for Teletalk. Other senior officials were present at the signing ceremony.



PHOTO: NCC BANK

The deputy managers' conference of National Credit and Commerce Bank Ltd was held recently in Dhaka. Chairman of the bank M Wazhiullah Bhuiyan inaugurated the conference, which was presided over by Managing Director Md Nurul Amin.

Weekly Currency Roundup

Apr 30-May 05, 2005

Local FX Market

US dollar was mostly steady against Bangladeshi taka in the week.

Money Market

In the Treasury bill auction held on Sunday, bid for BDT 3,712.00 million was accepted, compared with BDT 6,154.00 million in the previous week's bid. Weighted average yield of 28-D T-bill increased to 6.49 from 6.35 percent.

Call money rate was on upward trend this week. In the beginning of the week, the rate ranged between 3.00 and 5.50 percent. It rose by the end of the week and most of the deals ranged between 10.00 and 20.00 percent.

International FX Market

In the beginning of the week, the dollar recovered by nearly one percent from last week's six-week low versus the yen on Monday as a yen rally on speculation of near-term revaluation of China's currency ran out of steam. The yen was also hurt by reports that North Korea may have test-fired a missile into the Sea of Japan. Other majors were range-bound against USD.

The dollar fell from a two-week high against the euro and kept close to a recent six-week low versus the yen in the middle of the week after the Federal Reserve raised interest rates but did not sound new alarm bells in inflation. The US central bank on Tuesday raised its key interest rate to 3.0 percent, the eighth quarter-point rise in eight meetings since last June, but said long-term US inflation remained contained. Without any new impetus from the Fed to buy the dollar, investors sold some of their recent holdings of the US currency. Other major currencies, including the British pound, Australian dollar and the Swiss franc also gained against the greenback.

By the end of the week, the yen paused after a month-long rally on Thursday on comments from China's finance minister, which dampened speculation that the country was about to revalue its currency. Euro got a little stronger against dollar on Thursday. US Central Bank raised rates for an eighth consecutive time, bringing the US funds rate to 3.0 percent. However, dollar's bullish sentiment was dampened after the Federal Reserve issued a revised statement saying long-term inflation expectation remained contained.

- Standard Chartered Bank

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