

## Asian states subsidising fuel

AFP, Kuala Lumpur

Higher oil prices are creating major problems for Asian countries which subsidize fuel costs, threatening economic growth if the subsidies are kept in place and consumer outrage if they are not.

Malaysia raised the price of fuel between seven percent and 23 percent last week in a bid to cut the soaring cost of government subsidies, but analysts warned the country could face a "double whammy" in the form of a slowdown in the growth rate and a hike in inflation.

Subsidies for petroleum cost the government 4.8 billion ringgit (1.2 billion dollars) last year and would reach 8.9 billion this year if prices were not increased to help cope with rising international oil costs, the government said.

A diesel shortage crippled

Malaysia's transport industry last month after the government introduced a quota system in an attempt to curb smuggling of the heavily-subsidized fuel to neighbouring Thailand.

Thailand began subsidizing fuel in January 2004, but the scheme quickly became a budget-buster as world oil prices kept rising.

Petrol subsidies were scrapped after nine months, and the government in March reduced its diesel subsidy, sending prices at the pump jumping by 20 percent.

Thailand has spent 84.7 billion baht (2.1 billion dollars) on both petrol and diesel subsidies.

In India, the government has been trying to keep a cap on inflation in the face of rising global oil prices.

Fuel cost rises can be political dynamite in a country where around one quarter of the population of

more than one billion live on less than a dollar a day, but oil subsidies weigh heavily on the Indian budget and attempts to contain a soaring budget deficit.

The government resorts to "off-budget" subsidies for specific products like diesel, kerosene and liquefied petroleum gas (LPG).

It subsidizes the cost of LPG and kerosene, used largely by India's rural poor, by charging more for gasoline used by more affluent car and vehicle owners.

But that hasn't managed to cover costs as demand for the cheaper fuel grows as companies and consumers mix it with gasoline.

The government estimated the cost of the subsidy at three billion dollars in the fiscal year ended March 31.

In Indonesia, despite strong opposition from the public and in

parliament, the government increased fuel prices by between 22 and 47 percent to help cut costly subsidies as of March 1.

The price of kerosene, mainly used by low-income families for cooking and so a very sensitive commodity, was not raised.

Top economy minister Abu Rizal Bakrie said after the announcement that the cash-strapped government was forced to act after having to spend some 61 trillion rupiah (6.4 billion dollars) on subsidies in 2004.

The 2005 target for the subsidies was set at 39 trillion rupiah (4.2 billion dollars).

Last year's fuel subsidy spending exceeded the initial budget amount by more than four times because of higher than expected world oil prices.

## Asia's low-cost airlines now facing challenges

AFP, Singapore

Asia's low-cost carriers are facing big challenges despite a tremendous year of growth as their established premium rivals sharply lower their fares in response to the competition, industry analysts said.

Budget airlines will find it increasingly difficult to rely on just cheap tickets to entice travellers now that full-service carriers have also slashed fares on the same routes without compromising in-flight service, they said.

"It's never been a better time to travel," said Andrew Herdman, director-general of the Association of Asia Pacific Airlines in Kuala Lumpur.

"Established carriers have been driving up their cost efficiencies, improving their performance and the cost differentials between the established carriers and the new entrants are narrowing."

Andrew Drysdale, the regional

vice president of the International Air Transport Association, agreed that the low-cost airlines were coming under sustained pressure.

"They are coming up against some of the best airlines in the world and profitable airlines so it will be tough for them," he said.

Consumers in Asia, home to some of the world's most profitable carriers such as Singapore Airlines (SIA) and Hong Kong's Cathay Pacific, have seen fares tumble dramatically over the past year.

For example, recent advertisements placed by SIA in the local papers here show the carrier charging promotional fares to some of the region's popular destinations that are comparable to its budget rivals.

An economy class two-way ticket to Jakarta on SIA, with the condition that there must be a minimum of two passengers, now costs 128 Singapore dollars. The same trip in March 2004 would have set one back by more than 500 dollars.



PHOTO: JCI BANGLADESH

JCI Bangladesh National President Safina Rahman speaks at a daylong training session on "Cost Management in the Hotel Industry" hosted by JCI Bangladesh Dhaka West in association with Top One Trading Pvt Ltd. Among others, trainer of the session Sven Michel, was present.



PHOTO: FIRST SECURITY BANK

The Quarterly Review Conference-2005 of First Security Bank Ltd was held yesterday in Dhaka. Directors of the bank Md Eskander Ali Khan and Md Sharif Hussain attended the conference, which was presided over by Managing Director Mohiuddin Ahmed.

## GM, Ford face bumpy road

AFP, Washington

Auto giants General Motors and Ford face a bumpy road to recovery with their credit rating slashed to "junk bond" status, a sign of the growing woes facing the Detroit giants.

The two automotive icons suffered a blow to their prestige but also to their ability to raise cash when Standard and Poor's downgraded their credit ratings to "junk bond" status for the first time in either company's history.

Despite their proud history, the Detroit giants are now struggling financially with sales down and tougher competition, especially from Japanese rivals.

The downgrade means many portfolio managers may be forced by their investment guidelines to dump billions of dollars of GM and Ford bonds. It also means higher borrowing costs if the companies issue new bonds.

Analysts note the move comes at a time as GM and Ford are losing market share at home to Asian automakers, while sales of their most profitable vehicles -- big sport utility vehicles -- are sliding in the face of soaring gasoline prices.

## CURRENCY

Following is Saturday's (May 8, 2005) forex trading statement by Standard Chartered Bank

Sell		Buy			
TT/OD	BC	Currency	TT Clean	OD Sight Doc	OD Transfer
64.0700	64.1000	USD	63.1250	63.1040	63.0619
83.2205	83.2595	EUR	79.9731	79.9464	79.8931
122.2135	122.2708	GBP	118.3909	118.3515	118.2725
50.7755	50.7993	AUD	48.0966	47.9906	47.9586
0.6180	0.6183	JPY	0.5957	0.5955	0.5951
53.5434	53.5684	CHF	51.8012	51.7840	51.7494
8.9425	8.9466	SEK	8.3172	8.3144	8.3089
52.0344	52.0588	CAD	50.3670	50.3502	50.3167
8.2346	8.2384	HKD	8.0914	8.0887	8.0833
39.4666	39.4850	SGD	38.3180	38.3052	38.2796
17.5857	17.5939	AED	17.0479	17.0422	17.0309
17.2213	17.2293	SAR	16.6989	16.6933	16.6822
11.5286	11.5340	DKK	10.4261	10.4227	10.4157

Exchange rates of some currencies against US dollar

Indian rupee	Pak rupee	Lankan rupee	Thai baht	Nor kroner	NZ dollar	Malaysian ringgit
43.455	59.53	99.875	39.450	6.3360	0.7821	3.80

Local Interbank FX Trading  
Local interbank FX market was sub-due on Sunday. Dollar ended almost unchanged against Bangladeshi taka.  
Local Money Market  
Money market was active on Saturday. Call money rate was almost unchanged and most of the deals ranged between 10.00 and 20.00 percent.  
International Market  
International markets were closed on Sunday. On Friday, dollar rallied against euro and GBP backed by better than expected job report for April. The creation of 274,000 new jobs in April, well above market expectations and coupled with upward revisions to the previous two-months' numbers suggests the US economic "soft-patch" might not be as soft as originally thought. This in turn could stoke expectations of more Federal Reserve interest rate hikes, which are broadly dollar supportive, as rising yields attract foreign investors.

## SHIPPING

### Chittagong Port

Berthing position and performance of vessels as on 8/5/2005

Berth No.	Name of vessels	Cargo	L. Port call	Local agent	Dt of arrival	Leaving	Import Disch
J/1	Pavonis	GI	Yang	PML	7/5	15/5	913
J/2	Kamnik	GI(loco)	Sing	ANCL	3/5	9/5	1455
J/3	Power	Slag	Viza	Move	28/4	8/5	2165
J/4	Caraka Jaya Niaga	GI(St. C)	Visa	Kaptai	5/5	10/5	--
J/5	Safinaz	GI(S.ash)	P.Guda	PML	21/4	--	797
J/6	Island Gem	GI(St.scrap)	Cardif	BRSL	26/4	11/5	1015
J/7	Jin Cheng	GI	Inch	Cosco	5/5	11/5	2414
J/10	Banga Borti	Cont	Sing	Bdship	5/5	8/5	--
J/13	Banglar-Shikha	Cont	P.Kel	BSC	6/5	9/5	343

Vessels due at outer anchorage

Name of vessels	Date of arrival	L. port call	Local agent	Type of cargo	Loading ports
Kota Tampan	8/5	Sing	Pil(Bd)	Cont	Sing
Banga Borat	8/5	P.kel	Bdship	Cont	PKI/sing
Brae Royal	9/5	Krabi	BRSL	Clink	Royal
Mardios	8/5	Hald	Everbest	Cont	Sing
Kota Cahaya	8/5	Sing	Pil(Bd)	Cont	Sing
Tug Tropical Ocean	9/5	Lumut	OTL	Towing Barge	Tropical Jaya
Barge Tropical Jaya	9/5	Lumut	OTL	ICP Piles	
Orient Victory	9/5	Hald	PSSL	Cont	Col
Ducky Shiny	9/5	Sing	ASA	Vehi	Bus
Sondos	9/5	Ukra	Bdship	Def. Cargo	
Ocean Pride	11/5	Krabi	PSAL	Clink	Dia
Banga Bonik	9/5	Cbo	Baridhi	Cont	Col

Tanker due

Al Sabiyah	8/5	Kuwa	Mstpl	HSD/IP-1
Salamat-3	8/5	Hald	Nishat	Bitumen(RM/3)
Tabtim	9/5	Bela	Pol	Cpo(RM/3)

Vessels at Kutubdia

Name of vessels	Cargo	Last port call	Local agent	Date of arrival

Outside port limit

Dea Captain	--	--	IBSA	R/A (4/5)
Thistle	Crude Oil	Jebel	OWSL	6/5
Banglar Jyoti	C. Oil	--	BSC	R/A

Vessels at outer anchorage

Vessels ready

Van Xuan	Cont	Tanj	PSSL	7/5
Banga Borak	Cont	P. Kel	Bdship	7/5
Eastern Star	Cont	Sing	BSC	7/5

Vessels not ready

Despina	Sugar	Darb	Rainbow	28/4
Kardaran Star	Sugar	Sing	Rainbow	30/4
Dae Gak Bong	Sugar	Bang	Rainbow	4/5
Banglar Gourab	Wheat	--	BSC	R/A (30/4)
Chip Sam	Sugar	Durb	OTL	7/5
Amar	Sugar	Bang	Unicorn	7/5
C-Harmony	Clink	Sing	MBL	8/5
Eleonora	Sugar	Sant	Rainbow	8/5
Banglar Kakoli	Sugar	Santo	Mutual	8/5

Vessels awaiting employment/ instruction

Bumi Jaya	--	Visa	Unicorn	10/11
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Vessels not entering

F. Jahan	Clink	Thai	BRSL	18/4
Banglar Urmu	Salt	Kaki	PSAL	21/4
Noora	Salt	Kand	Rainbow	20/4

## STOCK