

Skyrocketing oil prices set to complicate G8 summit

AFP, Saint Petersburg

Skyrocketing oil prices threatening the pace of global growth could complicate this weekend's G8 summit, deepening an already sharp disagreement on energy between host Russia and the West.

Oil prices jumped four dollars in the space of 48 hours, breaking through the 78-dollar-a-barrel threshold in New York and London amid Israel's military offensive in Lebanon.

Fears that violence in the Middle East could spiral out of control exacerbated tensions on global oil markets, already anxious about a stand-off between petroleum heavyweight Iran and the West over Tehran's nuclear program.

"It seems like hitting 80 dollars a

barrel is inevitable," warned Victor Shum, a Singapore-based analyst with energy consultancy Purvin and Gertz.

"We're in uncharted territory. It is a result of a confluence of a number of geo-political events in a tight market that shows healthy demand growth. The factors are getting together in a tight market and we haven't even got our first hurricane in this US hurricane season, so pricing is going to remain strong."

The latest price spurt poses two problems for the leaders of Britain, Canada, France, Germany, Italy, Japan, Russia and the United States, who open a three-day annual summit here on Saturday.

Escalating energy costs are

clouding the horizon of the global economy, upsetting hopes that the summit might draw satisfaction from sustained, healthy momentum. International Monetary Fund Managing Director Rodrigo Rato has just raised the IMF's growth forecast to 5.0 percent this year and next.

While higher oil rates fill the coffers of producers, they also penalize consumers and hamper economic activity elsewhere, notably in some of the poorest nations in Africa.

For Russia the current surge could prompt increased friction with G8 consumer nations, notably in the European Union.

Russian President Vladimir Putin has chosen energy security as the key theme at the summit

here, an event that crowns Russia's return to the most powerful of world stages.

But it is also a delicate matter that has prompted some biting exchanges between Russia and its partners.

A decision by Moscow to suspend the flow of gas to Ukraine, ultimately hitting Europe, in a price dispute led to suspicion in European capitals that Moscow was using its enormous energy resources as a means of pressuring its neighbors and clients.

Russia's natural gas reserves are currently the largest in the world.

"Energy must not become a political instrument," French President Jacques Chirac insisted this week.



PHOTO: SHAHJALAL ISLAMI BANK

M Kamaluddin Chowdhury, managing director of Shahjalal Islami Bank Ltd, and Abdur Rob, managing director of National Housing Finance & Investments Ltd, exchange documents after signing an agreement on Wednesday in Dhaka. Under the deal, the bank will extend Tk 10 crore investment facility to National Housing. Senior officials from both the sides were also present.

Nepal seeks to be labour source country for ROK

XINHUA, Kathmandu

A South Korean delegation has arrived in Nepal to conduct a feasibility study on appointing Nepal as one of the country's labour source countries, The Kathmandu Post reported Friday.

If Nepal is granted this status, it will put an end to the monopoly of a handful of manpower agencies in exporting manpower to South Korea.

According to the newspaper, this will also open doors for hundreds of Nepalis seeking job opportunities in South Korea to visit the country every year.

Besides, it will ensure that Nepali workers, who go to South Korea for employment purpose, get all benefits as per the country's labour laws.

At present, Nepali labourers are recruited in South Korean companies as trainee workers. As per South Korean law, trainee workers are not entitled to similar benefits as those received by full-fledged workers. If Nepal is appointed as one of the labour source countries, the basic salary of Nepali workers will go up to around 75,000 Nepali rupees (1,070 US dollars) per month, compared to around 40,000 rupees (571 dollars) they are receiving at present.

Minister of State for Labour and Transport Management Ramesh Lekhak was quoted by the newspaper as saying that South Korean delegation will select Nepal as one of its source countries on three criteria.

"It will first ensure whether the government is willing to take responsibility of sending workers. It will then scrutinise the number of Nepalis overstaying in South Korea, and seek feedback from South Korean employers on performance of Nepalis working in South Korea," he said.

If Nepal overcomes the acid test "hordes of Nepali workers would be able to go and work in the country from December this year," Lekhak added.

He, however, informed that Nepal is not the only country where the survey is being conducted.

According to the state minister, South Korean government is conducting similar feasibility studies in seven other countries, including Bangladesh, Myanmar, Iran and Kazakhstan, among others.

South Korea currently imports workers from 13 different countries. According to official statistics, around 6,000 Nepalis are currently employed there.



PHOTO: DHAKA BANK

Dhaka Bank Ltd celebrated its 11th founding anniversary in the capital recently. Senior officials of the bank were present at the function.



PHOTO: COMMERCIAL BANK OF CEYLON

S Renganathan, country manager of Commercial Bank of Ceylon Ltd, inaugurates an e-banking division of the bank at its Dhanmondi branch in Dhaka recently. Senior officials were also present.

Weekly Currency Roundup

July 09-July 13, 2006

Local FX Market

Demand for US dollar was stable in this week and USD rose slightly against Bangladeshi taka.

Money Market

In the Treasury bill auction held on Sunday, bid for BDT 11580.00 was accepted, compared with total of BDT 12,780.00 million in the previous week's bid.

Overnight money market was steady throughout the week. The call money rate remained unchanged throughout the week and ranged between 6.50 and 7.00 percent.

International FX Market

The week began as the dollar had plumbed one-month lows against the euro and the yen Friday after US job growth fell short of expectations in June and heightened concern that the US economy may be slowing. The yen struck a one-month peak against the dollar and a two-week high versus the euro on Monday as markets braced for the first Bank of Japan interest rate hike in nearly six years, which is expected later this week. The dollar held near Friday's one-month low versus the euro. The US jobs report figures highlighted concerns about a slowdown in the US economy, though dealers said a big gain in wages left inflation concerns intact, leaving a lot of market players still betting on another rate increase. The ECB last week held rates at 2.75 percent, as expected.

In the middle on the week, the yen remained firm near the previous day's highs on Tuesday ahead of the expected interest rate hike by the Bank of Japan this week, while the dollar consolidated ahead of this week's key US data. Many analysts believe the BOJ is set to press ahead and lift rates despite the government's objections, much as it did when scrapping the previous quantitative easing policy in March. The dollar was steady against the yen having hit a one-month low on Monday. Elsewhere, the Canadian dollar slipped against the US currency ahead of the Bank of Canada's interest rate decision due later. The yen fell against the euro and the dollar on Wednesday, weighed down by uncertainty over the size of a widely expected Japanese interest rate hike later in the week and the prospects for further moves thereafter. The dollar ticked up against the euro but stayed within striking distance of one-month lows ahead of data later in the day that could show a widening in the US trade deficit. The dollar was up 0.4 percent against the yen, while euro was down around 0.1 percent against the yen on the day.

At the end of the week, the dollar hit the day's lows against the Swiss franc and euro on Thursday, pressured by record-high oil prices and geopolitical tensions that prompted safe-haven currency flows. The greenback also fell against the yen as the Bank of Japan began a two-day policy meeting that was widely expected to result in a rise in Japanese interest rates for the first time in six years. The euro was up 0.17 percent against the dollar, while the dollar was also down 0.36 percent against the yen. Financial markets widely expect the BOJ to raise the overnight call rate to 0.25 percent on Friday after a two-day policy setting meeting, ending an era of zero rates aimed at fighting off deflation. At 6.25 percent, the US rate will continue to dwarf Japanese rates for a while.

- Standard Chartered Bank



PHOTO: COOL EXPOSURE

M Shamsur Rahman, vice chancellor of Kazi Nazrul University, inaugurates 'Career Development Centre' at Uttara in Dhaka recently.

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