

G7 finance ministers' meet amid discord over yen

AFP, Germany

World finance chiefs were to convene here on Friday to take stock of the global economy, but tempers looked likely to fray over the contentious issue of the weakening Japanese yen.

Finance ministers and central bankers from the Group of Seven – Britain, Canada, France, Germany, Italy, Japan and the United States – were heading to this western German city to discuss a dauntingly wide range of issues in just two days.

In addition to currency matters, the ministers are expected to assess worldwide economic prospects, global warming, financial governance in Africa, stalled multi-lateral trade talks and the opera-

tion of global hedge fund markets.

But it is the Japanese yen that is threatening to drive a wedge between the eurozone on the one hand and Japan and the United States on the other on what steps – if any – to take to stem a slide in the currency.

The yen has fallen 9.0 percent against the euro since last April, prompting fears in Europe that eurozone exports will become less competitive, thereby imperiling a nascent economic recovery.

But Japanese officials seem unwilling to take any action.

A Bank of Japan policy board member, Hidehiko Haru, told reporters on Thursday: "Overall, (yen weakness) will have a positive effect."

And Japanese Finance Minister

Koji Omi, before heading off to Essen, also showed little appetite for action, saying only that the currency's value should reflect the health of the economy.

"Foreign exchange rates should reflect (economic) fundamentals," he said in comments that echoed the last G7 statement issued in Singapore in September when European ministers similarly failed to muster sufficient support for joint action on the yen.

German Finance Minister Peer Steinbrueck, who is hosting the talks in the palatial Villa Huegel mansion in the south of Essen, was nevertheless adamant that the issue be discussed again this time round.

In the view of Washington and Tokyo, the Japanese currency is

fairly valued by competitive markets.

And Japanese officials have said the yen would not be high on the agenda.

"I heard that we are going to have wide-ranging discussions on the domestic and overseas economies, as well as monetary and foreign exchange issues. I want to explain the current situation of the Japanese economy and how a steady recovery is taking place," Omi said.

With inflation still very tame, the Japanese government has been pressing the Bank of Japan not to rush to raise its super-low interest rates yet from 0.25 percent, a move which would tend to drive up the value of the yen.



PHOTO: JAMUNA BANK

The '1st Branch Managers' Conference 2007' of Jamuna Bank Ltd was held recently in Dhaka. Directors and senior officials of the bank were present at the meeting.

China trade surplus to go on growing in '07

AFP, Beijing

China will continue to see high growth in its trade surplus this year, and could experience inflationary pressures, the central bank said Friday.

"Our country's future trade surplus growth is expected to slow but will remain a relatively high level," the People's Bank of China said in its fourth quarter monetary policy report.

The central bank said that export growth will likely be slower than last year due to a world economic slowdown and a series of domestic policy adjustments.

But it added in its report posted on its website that, given the domestic economic environment as well as the increasing strength of China's industries in the export market, it will be difficult to expand imports.

China's trade surplus rose 74 percent last year to 177.47 billion dollars and bringing its rapid growth under control has become the focus of the government's work this year.

The central bank also said that the availability of capital and domestic price reform of resources are stoking inflationary pressures.

It noted that a fourth quarter household survey issued at the end of last year showed consumer inflation expectations at their highest level in the survey's eight-year history.

"The risk of rising prices is increasing and price stability faces potential pressure," it said.

Noting that the foundation for slowing credit and investment growth is not solid, the bank said it will "effectively adjust liquidity ... to achieve reasonable money and credit growth as well as stable money market rates."

It said that it will use a combination of open market operations and commercial bank reserve requirement increases to tackle liquidity levels in the banking system.

The central bank also warned that corporate profit growth is sustaining investment demand and said that "investment faces pressure to rebound."

The bank said it will "strictly control the excessively fast growth of foreign debt and enhance management of capital inflows and trade credit."



PHOTO: HOLCIM

Niaz Uddin Mahmood, general manager of Holcim (Bangladesh) Ltd, a cement manufacturing company, and SC Ghosh, director of Associated Builders Corporation Ltd, a real estate company, exchange documents after signing an agreement recently. Under the deal, the real estate company will use Holcim brand cement to construct Grameenphone's corporate headquarters building in Bashundhara residential area in Dhaka. Senior officials from both the sides are also seen.

Unilever sees net profits surge

AFP, Rotterdam

Anglo-Dutch food giant Unilever reported a 26 percent net profit rise in 2006 compared with 2005, attributable to divestments, but said sales stagnated in the fourth quarter.

The company said net earnings last year rose to 5.015 billion euros (6.526 billion dollars).

The results surpassed analysts' expectations. Questioned by financial news agency AFX they said they were counting on net profit between 4.25 and 4.5 billion euros.

A little before noon Unilever share prices at the Amsterdam stock exchange were down 2.49 percent to 20.35 euros.

Weekly Currency Roundup

February 04-February 08, 2007

Local FX Market
US dollar remained stable against the Bangladeshi Taka last week on back of comfortable supply.

Money Market
Overnight money market was steady throughout the week. The call money rate remained unchanged throughout the week and ranged between 6.25 and 6.75 percent.

International FX Market
The dollar rose on Friday after US payrolls data showed moderately healthy job growth, but did not make the case for a near-term change in interest rates. Though the US economy added fewer jobs than expected in January, sharp upward revisions to the government's estimates of November and December employment growth painted a rosier picture of US economic strength. The week began as the yen hit a 1-1/2 week high against the euro and rose versus the dollar on Monday as investors scaled back their bets against the Japanese currency before a weekend meeting of Group of Seven financial chiefs. The G7 meeting in Essen, Germany on Feb 9-10 is in the spotlight as European officials have been pushing for discussion of the yen's weakness, although their Japanese and US counterparts have played down the issue. The yen rose against the euro before trimming its gains, still up 0.4 percent on the day. The Japanese currency was also up 0.3 percent at against the dollar. The euro was down 0.1 percent at against the dollar.

In the middle of the week, the yen hit three-week highs against the dollar and the euro on Tuesday, with investors worried that the Japanese currency's broad weakness may be scrutinised at a weekend meeting of the Group of Seven. Japanese and US officials have been playing down the issue, leading some to conclude that the Feb 9-10 summit in Essen, Germany, will not present a united front on the weak yen. The dollar was steady against the dollar, above an earlier three-week low according to Reuters data, but nearly 2 yen below 4-year peaks hit last week. The yen retreated versus the euro and the dollar on Wednesday as investors grew more confident that this weekend's Group of Seven meeting would not yield a joint statement on the Japanese currency's weakness. The dollar was up 0.45 percent on the day against the yen. The euro gained 0.6 percent against the yen, rebounding from a three-week low hit on Tuesday. The single currency was a touch firmer against the dollar. Japan has the lowest interest rates among industrialised countries, at just 0.25 percent, well below 5.25 percent in the United States and 3.5 percent in the euro zone.

At the end of the week, the yen retreated on Thursday on doubts that the Group of Seven will take a united front against the Japanese currency's weakness when it meets this weekend, whilst the euro eased against the dollar ahead of a euro zone rate decision. The European Central Bank is widely expected to hold rates at 3.50 percent, shifting the focus to the tone of the post-decision news conference by president Jean-Claude Trichet. The dollar was up 0.5 percent on the day and recovering from a slide earlier in the week, its lowest since early January. But it was still around 1 yen below a 4-year high hit last week. The euro rose against the yen, recovering from Tuesday's 3-week low according to Reuters data and within range of a record high above 158.60 yen hit last month. With investors becoming more comfortable about carry trades again, the Swiss franc – the second lowest yielding currency in the industrialised world after the yen – also weakened versus the euro and the dollar.

- Standard Chartered Bank

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