

# US economic clouds darken

**AFP, Washington**

The US economy weakened dramatically in the first quarter to its worst growth pace in four years, expanding at a clip of just 1.3 percent, new government figures showed Friday.

A housing slump dragged the world's biggest economy down sharply from its annualized 2.5-percent pace in the prior quarter.

And although economists expect growth to rebound this year, they caution that a turnaround will largely depend on whether the housing market can get back on its feet.

The first snapshot of 2007 growth, which is likely to be revised in coming months, dashed the hopes of most analysts who had chalked up growth projections of at least 1.8 percent.

The euro leapt to a record high against the greenback of 1.3682 dollars in the immediate aftermath of the report's release as fears mounted about America's economic health.

Wall Street seemed to shake off the fears, however, as the Dow Jones Industrial Average closed at a record high amid soaring corporate profits.

Economists generally do not expect US growth to worsen, however. Lehman Brothers sees growth accelerating to around 2.5 percent later this year, as do other analysts.

"We believe that, during the first quarter, the economy hit the low point of this cycle. We expect that in the second half economic growth will gradually accelerate to a rate of 2.5 to 3.0 percent," said Nariman Behravesh, a chief economist at

Global Insight.

"We see neither a pronounced period of weakness nor an explosive rebound over the remainder of the year," said Joseph Liro, an economist at Stone McCarthy Research Associates.

Analysts said the bulging US trade deficit, which is especially pronounced with fast-growing China, and the housing market downturn conspired to hobble growth.

But there are economic bright spots, corporate profits have swelled and the job market is tight.

GDP growth hit the brakes in the January-March period as exports fell 1.2 percent while imports rose 2.3 percent. Growth stumbled to its weakest quarterly rate since the first quarter of 2003 when America launched a war to topple former

Iraqi leader Saddam Hussein.

Rising demand for imported goods can dent domestic growth, especially if Americans buy more foreign-made Toyotas and Hondas than Detroit-made autos.

Housing investment was a major drag on growth, falling for a sixth straight quarter, by 17 percent compared with a year earlier.

Liro said growth will not be resuscitated until the glut of homes for sale is depleted.

And despite worries about consumer spending, which accounts for the lion's share of economic growth, consumers appear to be happily splurging.

Consumer spending rose 3.8 percent in the quarter, although spending slowed from a 4.2 percent pace in the previous quarter.

## IIDFC to arrange Tk 40cr for GMG to procure plane

Industrial & Infrastructure Development Finance Company (IIDFC) Ltd will act as the lead arranger to provide a syndicated facility of Tk 40 crore for GMG Airlines Ltd for procurement of an aircraft for the private airline of the country.

A memorandum of understanding (MoU) to this effect was signed between the two sides on Thursday, says a press release.

Mahmod Malik, managing director of IIDFC Ltd, and Shahab Sattar, managing director of GMG Airlines Ltd, signed the MoU.

Kh. Shafiqur Rahman, vice president and head of Structured Finance of IIDFC, and Mueenuddin Ahmed, director (Administration) and Mizanur Rahman Siddique, director (Finance & Accounts) of GMG Airlines, among others, were present at the signing ceremony.



Industrial & Infrastructure Development Finance Company (IIDFC) Ltd and GMG Airlines Ltd signed a memorandum of understanding (MoU) on Thursday. Under the MoU, IIDFC will act as the lead arranger to provide a syndicated facility of Tk 40 crore for GMG Airlines for procurement of an aircraft. Mahmmod Malik, managing director of IIDFC Ltd, and Shahab Sattar, managing director of GMG Airlines Ltd, signed the MoU on behalf of their sides.

# Strong euro a drag on exporters, a boon to consumers

**AFP, Paris**

The surge in the euro to a record high against the dollar should be a boon to eurozone consumers, who are likely to see their purchasing power enhanced, and a burden to exporters trying to compete on the world stage.

The single European currency surged to 1.3682 dollars in mid-afternoon trading in London Friday, beating its previous high, 1.3666 dollars, reached on December 30, 2004.

A strong euro tends to hold down the price of imported goods, notably of oil and gas imports denominated in dollars, but also of consumer items such as Chinese T-shirts and Asian electronic goods.

Eurozone businesses benefit from lower prices for essential

materials bought outside the zone. A company such as French group Vivarte, for example, which imports textile products from South America and Asia for sale in Europe, would look favorably on a rising euro.

A strong currency, by making imports cheaper, also helps tame inflation and -- in principle -- should hold down interest rates.

While the European Central Bank is expected to raise eurozone borrowing costs a quarter of a point to 4.0 percent in June, their level would still be well below the 5.25 percent benchmark rate in the United States.

But on the other hand a rapidly appreciating euro would make eurozone products more expensive and less competitive on overseas markets and as such could threaten the eurzone's nascent economic

rebound.

At the same time, within the 13-nation zone itself, local products would appear "comparatively more expensive than imported goods," thus weakening the performance of some companies on their home territory, according to economist Marc Touati.

"When the euro increases in value by 10 percent a year, it shaves 0.5 percentage points off growth (in the eurozone) and 0.6 in France," he said.

Some analysts have pointed out that despite a more than 10-percent rise in the euro in the past year, Germany has remained a leading exporting nation while Belgium, Ireland and the Netherlands are all enjoying trade surpluses.



PHOTO: LEMON COMMUNICATION

M Shefaqe Ahmed, managing director of Pragati Life Insurance Ltd, and Tanvir Ibrahim, head of Corporate Sales of mobile phone operator Banglalink, shake hands after signing a corporate agreement recently. As per the deal, the insurance company will enjoy special tariff and value added services under Banglalink's 'Enterprise' package. Rashid Khan, chief executive officer of Banglalink, and Syed M Altaf Hussain, chairman of Pragati Life Insurance, among others, were present at the signing ceremony.



PHOTO: RFL

Deputy Managing Director of Pran-RFL Group Ahsan Khan Chowdhury and Executive Director of Rangpur Foundry Ltd (RFL) RN Paul, among others, pose for photographs at the Annual Dealers' Conference-2007 of RFL held recently in Dhaka.

# India's mangoes head to US as ban withdrawn

**AFP, New Delhi**

The United States is set to receive its first consignment of prized Indian mangoes in 18 years after lifting a ban, officials said Thursday.

Commerce ministry officials here said 150 boxes of the famed King Alphonso and Kesar varieties would depart by air for New York later on Thursday from the western Indian city of Mumbai.

"This weekend Indian mangoes could be on the breakfast tables of Americans who fancy the 'king of the fruits,'" a ministry official told AFP, as Indian customs said it would clear the consignment for export.

India has been pushing for years to export its mangoes to the United States since they were banned in 1989 over problems with pests such as fruit flies and weevils.

But US President George W. Bush and Prime Minister Manmohan Singh signed a deal in New Delhi in March

2006 to promote trade in agriculture that paved the way for the mango exports.

The mango is native to India, which grows more than half the world's output but whose exports amount to just seven percent of the world mango trade.

Indian export officials say the mangoes are being irradiated in India to ensure there is no risk of introduction of plant diseases and pests.

"Bringing Indian mangoes to the United States is just one step in increasing agricultural trade between the two countries," said US Ambassador to India David Mulford.

The shipment marked the fulfilment of a pledge by Bush "to open the American market to India mangoes, an important national symbol in India," he said in a statement.

Demand for mangoes in the United States is strong, with a market size estimated at about 250,000 tonnes a year, experts say.