

IMF to revise economic forecasts amid 'global boom'

AFP, Washington

The International Monetary Fund is revising its economic growth forecasts amid a "global boom," the IMF chief economist said Thursday, suggesting a bump up in official estimates.

"We were criticized for being optimistic at the time of our spring forecast," Simon Johnson told reporters, referring to an IMF April forecast of world growth at 4.9 percent this year and in 2008.

"Let me just say we are quite pleased that we were optimistic," he told reporters, without giving precise figures. The Washington-based IMF will release an update of its closely watched World Economic Outlook on Wednesday.

In a wide-ranging briefing, the top economist at the 185-nation financial institution said rising food prices were an unexpected development feeding inflation, except notably in Japan, and defended China's monetary policy.

"The global picture, broadly speaking, is the US continuing to show weakness, as we expected, but the rest of the world economy has done very well," he said citing

Germany, China and India.

"This is a global boom," he said.

The United States, the world's biggest economy, is poised for a lift after limping along at a 0.7 percent growth pace in the first quarter.

"We think it's going to turn around, though, quite quickly as the dollar already depreciated -- that's going to help exports, but also because we think that business investment is going to pick up," he said, adding, "consumption looks very solid."

Rising demand for food, observed since the IMF and World Bank's annual meetings in April, "puts pressure on food prices at the same time that you have an ethanol shock coming in the United States," he said. "Nobody expected the size of this impact this year."

Food prices in the US have shot higher as farmers turn more acreage into corn production to make ethanol, a lucrative, alternative energy fuel.

But inflation is a scarce commodity in Japan, the world's second-biggest economy.

"That makes us feel a little puzzled," he added.

On Chinese currency policies,

he said: "The direction has been good for a while."

The subject of China's yuan currency has been a sore point between the United States and China, with some US lawmakers saying the Chinese government keeps the yuan undervalued to unfairly gain a trade advantage.

"China is being excessively used by politicians" to defend protectionist views aimed at wooing voters, Johnson said.

"We should recognize that China has done very well for itself," he said. "Bashing them is not a good idea."

In January, IMF managing director Rodrigo Rato called for China to be "more flexible" in setting its exchange rates, renewing a demand frequently made by Western nations. After China loosened its peg to the dollar, Rato stated that Chinese authorities should move "more vigorously" to implement the change.

As for the euro, the IMF is "comfortable" with its current strength near record highs, he said. On Thursday the single European currency shared by 13 European Union countries climbed to 1.3831

dollars, a hair shy of its all-time peak of 1.3833.

Johnson dismissed concerns of an overvalued euro against the dollar. French President Nicolas Sarkozy's call for a brake on euro appreciation has raised a furor in Europe, pushing the German chancellor, Angela Merkel, to a robust defense of the independence of the European Central Bank (ECB).

"There has been some exaggeration or misperception" about the euro, the IMF economist said. "We are comfortable with where the euro is."

RATO TO VISIT ASIA

Another report adds: IMF managing director Rodrigo Rato travels to Thailand, the Philippines and Cambodia next week, where he will address a regional central bank conference, the Fund said Thursday.

Rato is to visit Thailand for two days, beginning July 28, and will give a keynote address at the South East Asian Central Banks Governors Conference in Bangkok, the Washington-based financial institution said in a statement.



PHOTO: DBBL
Md Yeasin Ali (L), managing director of Dutch-Bangla Bank Ltd (DBBL), speaks at a workshop styled 'Customer Service: A Customer Care' in Dhaka recently. Md Shams Uddin Ahmed, senior vice president and head of Training Wing, also spoke at the workshop organised for the executives of divisions concerned of the bank's head office and branches.



PHOTO: BANGLADESH COMMERCE BANK
The half-yearly branch managers' conference-2007 of Bangladesh Commerce Bank Ltd was held recently in Dhaka. Chairman of the bank Ziaul Hasan Siddique, Director FRM Hafizul Islam and Managing Director Mohammad Farhad Hossain, among others, were present at the meeting.

Quake halts Japan auto production

AP, Tokyo

The mammoth earthquake that ravaged northern Japan last week did more than take lives and trigger radioactive leaks. It nailed some of the most important industries undergirding growth in the world's second-biggest economy.

Details of the economic fallout were still emerging days after Monday's 6.8-magnitude earthquake shook the Sea of Japan coast. But early repercussions stretched from Japan's top automakers to the country's biggest power company.

As of Thursday, Toyota, Nissan, Honda, Mitsubishi, Mazda and Fuji Heavy Industries, the maker of Subaru vehicles, halted production at some factories because a key parts supplier, Riken Corp., was damaged by the temblor.

The Nikkei business newspaper

reported that about 70 percent of Japan's domestic auto production had been interrupted because of the hitch.

Meanwhile, fears of an electricity shortage in the nation's capital swelled after the world's biggest nuclear power plant was shut down indefinitely because of safety concerns. Tokyo Electric Power Co., Japan's largest utility, was scrambling to ramp up conventional power output after closing the quake-damaged Kashiwazaka-Karima facility in Niigata prefecture, in north-central Japan.

"We will work to the utmost to avoid damage to the economy," Chief Cabinet Secretary Yasuhiro Shiozaki said Thursday. "For the factories that suspended operations, the related ministries are striving hard for their early resumption."

FOOD SAFETY SCARES China bans firms from exporting goods

AP, Beijing

China said Friday it had shut down several firms at the heart of food and drug safety scares, its latest move to clean up those industries and salvage its reputation as a reliable exporter.

Li Changjiang, head of the General Administration for Quality Supervision, Inspection and Quarantine, said officials were focusing on stricter market access requirements for companies, conducting random checks and beefing up product testing.

But he stressed that China was not the only one with problems, citing comments by World Health Organization Director-General Margaret Chan this week that the

agency receives about 200 reports of food safety problems every month from its 193 member states.

"This shows that food safety is not an issue of a particular country or region," Li said at a news conference.

In a statement released Friday, Li's administration said it had pulled the business license of Taixing Glycerin Factory, which has been accused of exporting diethylene glycol a thickening agent used in antifreeze and fraudulently passing it off as 99.5 percent pure glycerin.

The "TD glycerin" mix of 15 percent diethylene glycol, or DEG, and other substances eventually ended up in Panamanian medicines that killed at least 51 people.

Weekly Currency Roundup

July 15-July 19, 2007

Local FX Market

The US dollar/BDT market was liquid and USD became steady against the BDT in the week. The dollar showed little movement against the Bangladeshi Taka.

Money Market

Overnight money market was flat this week. The call money rate was range bound and most of the deals ranged between 6.50 and 6.75 percent throughout the week.

International FX Market

This week has been a turbulent one for the US dollar. This week saw the euro hit a fresh record high against the dollar because of worries that distress in the US high-risk mortgage sector could lead to a wider deterioration in credit markets. The euro also hovered near a record high against the yen. The Sterling again hit 26 year high against the US dollar.

US dollar

The dollar slid to multi-year lows against its major rivals as Federal Reserve Chairman Ben Bernanke said the US housing market slowdown could last longer than expected and act as a drag on spending and growth in coming quarters. While many in the market expect the Fed to hold interest rates steady this year, analysts expect the Bank of England and the European Central Bank to raise rates in September. These factors have also hurt the dollar in recent months.

Euro

The euro hit a fresh record high of \$1.3833 on Wednesday, after concerns were raised regarding the health of the US economy. The euro was also supported by the fact that the European Central Bank will raise its benchmark interest rate from its current 4.0 percent as early as September.

Sterling

The Sterling again hit a new 26 year high of \$2.0548 hit on Wednesday against US dollar, after data showed that UK retail sales for June grew 0.2 percent on the month and 3.4 percent on the year. However the growth was slower than the previous month's rate of increase and below analysts' expectations. Nevertheless the data strengthened expectation of a rate hike by the Bank of England soon.

Yen

The yen remained steady against the US dollar, moving marginally during the week.

- Standard Chartered Bank



PHOTO: BFIC

The lottery for allotment of shares against IPO (initial public offering) of Bangladesh Finance and Investment Company (BFIC) Ltd was held in Dhaka on Monday. Chairman of the company Anwar Hossain, among others, was present. BFIC offered seven lakh shares of Tk 100 each through IPO earmarked for Tk 5.6 crore for general public, Tk 70 lakh for non-resident Bangladeshis and Tk 70 lakh for ICB Mutual Fund.

Dollar pulls away from record euro low

AFP, London

The dollar pulled further away from a record low against the euro on Friday as rising US share prices provided some respite, while the yen was dented by political worries, dealers said.

They added that trading was somewhat subdued ahead of the weekend, given the lack of any key data releases.

The euro fell to 1.3788 dollars in morning European trade, from 1.3802 in New York late on Thursday. The dollar advanced to 122.32 yen, from 121.99 yen on Thursday.

The European single currency had struck an all-time high of 1.3833 dollars on Wednesday.

STOCK