

# Chinese inflation may infect world economy

AFP, Paris

A recent spurt in Chinese consumer prices has sparked concern that the trend could trigger a worldwide inflationary surge at a time of rising oil and food costs and upward wage pressures.

Driven by the food sector, Chinese inflation surpassed the preferred 3.0 percent annual threshold over the past few months and came to 4.4 percent in June.

But according to Nicolas Bouzou of the French research group Astères, the actual inflation level in the flourishing Chinese economy could be higher.

"With growth of about 11-12 percent a year and a very much under-valued currency, I have a hard time believing that Chinese inflation is only 4.0 percent," he said.

At the Societe Generale bank, economist Veronique Riche-Flores noted that "while weak inflation in China in the past had acted as a brake on global inflation," the recent rise in prices there could exacerbate inflationary tendencies elsewhere.

Oil prices for the past several months have climbed steadily higher and are approaching record

peaks reached a year ago, while prices for such staples as meat, milk, wheat and corn are also on the rise in response to demand in emerging market countries and in the biofuel sector.

With the world economy now in its fifth year of expansion, factories are fully utilized and unemployment is at its lowest point in years, particularly in the eurozone where upward wage pressures have emerged.

Addressing Congress last Wednesday, US Federal Reserve Chairman Ben Bernanke said the risk of higher inflation remained the "predominant" policy concern of the central bank.

He said hefty rises in food and energy prices had pushed up overall inflation and thereby eroded Americans' incomes, which he called "unwelcome developments."

But at the same time, he said, readings on "core" inflation excluding volatile food and energy costs and seen as a better indication of future price trends, have been "favorable."

Most economists do not see Chinese inflation, which largely reflects rising food prices, as a direct threat elsewhere, since the United States and the

European Union import mostly manufactured goods from China. But there remains the possibility of a "second round" impact.

"If, in a dynamic economy that is creating jobs, you have a decline in purchasing power, there could be increased upward pressure on wages" that would then impact the prices of Chinese manufacturing exports, said Societe Generale's Riche-Flores.

But she added that such a trend would take six months to a year to be felt.

Bouzou of Astères said the impact on world inflation would likely be limited to several tenths of a point.

But that prospect nonetheless is worrisome to investors, who fear that additional inflationary risks will cause a spike in long-term bond rates on which certain mortgage rates are based.

Long-bond rates in Europe are currently around 4.5 percent, up from 3.5 percent a year ago, and recently exceeded 5.0 percent in the United States.

As a result the real estate markets in the United States, Ireland, Spain and Britain, which had sustained economic growth, are now coming under strain.

## US to raise minimum wage tomorrow

AP, Washington

Fast-food waitress Fawn Townsend of Raleigh, N.C., knows exactly what she is going to do if her salary goes up with Tuesday's increase in the federal minimum wage: start saving for a car so she can find a second job to make ends meet.

"My goal personally is to get a vehicle so I can independently go back and forth to work and maybe pick up extra work so I can have that extra income, because minimum wage is not cutting it," said Townsend, who is 24 and single.

"Being a single person, you can't pay all your bills with one minimum wage job."

Many lawmakers, along with advocates for low-wage workers, are celebrating the first increase in the federal minimum wage in a decade. Yet many acknowledge that raising it from \$5.15 an hour to \$5.85 will provide only meager help for some of the lowest paid workers.

About 1.7 million people made \$5.15 or less in 2006, according to the Labor Department's Bureau of Labor Statistics.

"The reality for a minimum wage worker is that every penny makes a difference because low-wage workers make the choice between putting food on the table and paying for electricity or buying clothes for their children," said Beth Shulman, former vice president of the United Food and Commercial Workers Union.

"Saying that, it's clear going up to \$5.85 is not enough to really make sure that people really can afford the things that all families need," said Shulman, author of "The Betrayal of Work: How Low-Wage Jobs Fail 30 Million Americans."

Minimum wage workers will get an additional 70-cent boost each summer for the next two years, ending in 2009 at \$7.25 an hour. That comes to just above \$15,000 yearly before taxes for a 52-week work year.

Now, someone in such a job and earning \$5.85 an hour would bring home \$12,168 a year before taxes. The federal poverty level for singles is \$10,210, couples is \$13,690 and \$17,170 for families of three.



PHOTO: DBBL

Dutch-Bangla Bank Ltd (DBBL) on Thursday donated Tk 5 lakh to Nurture, a volunteer organisation working for the physically challenged people in Chittagong. DBBL Managing Director Md Yeasin Ali hands over the cheque to Nurture President Nasreen Baqui. Former director of the bank Nizamuddin Mahmood Selim was also present.



PHOTO: BASIC BANK

Bangladesh Small Industries and Commerce (BASIC) Bank Ltd recently organised a four-day branch management course for its second officers and departmental heads. Managing Director of the bank AH Ekbal Hossain, among others, was present at the concluding session of the course.

## CURRENCY

Following is Sunday's (July 22, 2007) forex trading statement by Standard Chartered Bank

Major currency exchange rates	BC Sell		TT Buy		USD forward rate against BDT	Buy	Sell	Per USD	BDT per Currency				
	US dollar	Euro	Pound	Australian dollar	Japanese yen	Swiss franc	Canadian dollar	Hong Kong dollar	Singapore dollar				
US dollar	68.80	67.80	142.88	137.69	58.61	55.90	66.24	8.81	46.00	44.62	1M	67.89	68.90
Euro	96.78	92.26	142.88	137.69	58.61	55.90	66.24	8.81	46.00	44.62	2M	68.02	69.11
Pound	142.88	137.69	142.88	137.69	58.61	55.90	66.24	8.81	46.00	44.62	3M	68.16	69.33
Australian dollar	61.68	58.61	142.88	137.69	111.78	103.05	63.93	7.00	236.45	234.63	6M	68.35	70.05
Japanese yen	0.58	0.55	0.58	0.55	0.55	0.55	0.55	0.55	0.58	0.55			
Swiss franc	57.77	55.90	57.77	55.90	55.90	55.90	63.93	8.81	18.89	18.31	1M	67.89	68.90
Swedish kroner	10.35	9.59	10.35	9.59	10.35	10.35	12.05	12.05	18.49	17.94	2M	68.02	69.11
Canadian dollar	66.24	63.93	66.24	63.93	66.24	66.24	72.00	72.00	236.45	234.63	3M	68.16	69.33
Hong Kong dollar	8.81	8.66	8.81	8.66	8.81	8.81	10.00	10.00	236.45	234.63	6M	68.35	70.05
Singapore dollar	46.00	44.62	46.00	44.62	46.00	46.00	52.00	52.00	18.89	18.31	1M	67.89	68.90

\*All currencies are quoted against BDT.

\* Rates may vary based on nature of transaction.

\*The forward rates are indicative only and fixed dated.

### Local Market FX

Local inter-bank FX market was subdued on Sunday as the international market was closed for the weekend. The demand for USD was stable and there was ample liquidity in the market. The USD remained unchanged

against the Bangladeshi Taka. The volume of cross currency transactions was limited.

### Money Market

Money market was active on Sunday. Call money rate was stable and most of the deals ranged between 6.50-6.60 percent.

## STOCK



PHOTO: PHOENIX INSURANCE  
Pirjada Saifullah Chowdhury, managing director of Phoenix Insurance Company Ltd, and Muzaffar Ahmed, president & CEO of Credit Rating Information & Services Ltd (CRRISL), exchange documents after signing an agreement recently. Under the deal, CRRISL will conduct credit rating for the insurance company. Senior officials from both the sides are seen.

## SHIPPING

### Chittagong Port

Berthing position and performance of vessels as on 22/7/2007

Berth	Name of vessels	cargo	L. port call	Local agent	Dt of arrival	Leaving	Import disch
J2	Liban Car	Vehi	Sing	Nyk	19/7	22/7	704
J3	Bangler Moni	Gi(log)	Yang	Pml	19/7	20/7	--
J4	Bangler Mookh	Wheat(g)	--	Benam	R/a	25/7	806
J5	Inter Noble	Gi(st.c)	Sing	Oil	18/7	24/7	1052
J6	Fraternity Wishdom	Gi(st.c)	P.kel	Everett	19/7	24/7	2910
J7	Qing Jiang	Gi	Hanj	Cosco	8/7	24/7	1261
J8	Banga Lanka	Gi/cont	Col	Bandhi	13/7	25/7	480
J10	Moi Kanina	Cont	P.kel	Seacon	19/7	--	10
J12	Apl Lilac	Cont	Sing	Apl	20/7	23/7	--
J13	Express Manaslu	Cont	Col	Everest	19/7	24/7	223
JCT1+2	Eagle Pioneer	Cont	Sing	Qcls	18/7	22/7	--
JCT2	Yong Yue-8	Cont	Col				

### Vessels due at outer anchorage

Name of vessels	Date of arrival	L. Port call	Local agent	Type of cargo	Loading ports
Lady Fatima	26/7	Col	Seacon	Cont	Col
Kota Ratna	22/7	Sing	Pil(bd)	Cont	Sing
Csav California	25/7	--	Pssl	Cont	Col
Martha Russ	23/7	Pkl	Qssl	Cont	Sing
Viendong-2	24/7	Busan	Oil	Gi	6 Pkags
An Tao Jiang (liner)	28/7	Para	Cosco	Gi	
Banga Bonik	24/7	--	Bandhi	Cont	Col
OEL Singapore	23/7	Pssl		Cont	Sing
Bangler Shikha	21/7	Sing	Bsc	Cont	Sing
Lampeta (liner)	24/7	--	Nyk	Vehi	--
Merkur Bridge	24/7	--	Apl	Cont	Sing
Banga Bodor	26/7	--	Bandhi	Cont	P.Kel
OEL Freedom	26/7	--	Pssl	Cont	Sing
Josco View	24/7	--	Rsl	Cont	Sing
Seijo-18	25/7	Yang	H&sl	Gi(st.c)	--
Cape Henry	25/7	--	Apl	Cont	Sing
Banga Borat	28/7	Sing	Bdship	Cont	Col</td