

Japan's economy shrinks, adding to global concerns

AFP, Tokyo

Japan's economy contracted in the second quarter of 2007 as firms cut spending on new factories and equipment, the government said Monday, adding to jitters over the global economic climate.

The setback to Japan's economic recovery, which comes just as the US economy shows signs of faltering, further reduced expectations of the Bank of Japan raising its super-low interest rates again any time soon.

Japan's gross domestic product (GDP) shrank by 0.3 percent in the three months to June from the previous quarter and by 1.2 percent on an annualised basis, the Cabinet Office said.

The figures were worse than an initial estimate of positive quarter-on-quarter growth of 0.1 percent for an annualised rate of 0.5 percent.

It was the first contraction in three quarters for Japan, which has been slowly recovering after falling into the economic doldrums in the early 1990s, but analysts were hopeful that the country can avoid another prolonged slump.

"We do not think the Japanese economy is on the brink of a fresh recession," Morgan Stanley economist Takehiro Sato wrote in a note to clients.

He said the fall in output followed

two strong quarters and could also be partly due to data sampling problems with a capital spending survey.

Even so, sluggish personal consumption in July meant that the Japanese economy was unlikely rebound strongly in the quarter to September, he added.

Corporate capital spending, which had been the key growth driver of the world's second-largest economy in recent years, marked its second straight quarterly decline in the three months to June, the GDP figures showed.

But the government said Japan's economic recovery remained intact.

"I expect the trend of a sustained economic recovery to continue," said Finance Minister Fukushima Nukaga, pointing to a gradual recovery in consumer demand and improved corporate profits.

Even so the weak report was seen as further cutting the chances of the Bank of Japan raising interest rates again in the near future.

"This contraction, combined with the worse-than-expected US jobs data, means that there's no possibility of the Bank of Japan raising interest rates this month or next month," said BNP Paribas economist Yoshimasa Maruyama.

"There will probably be no rate hikes during this year or by the end

of the fiscal year to March, given the condition of the US economy," Maruyama said.

BoJ governor Toshihiko Fukui has warned of the risk of keeping interest rates very low for too long, but the government argues it is too early to hike rates again with deflation lingering and financial markets in a fragile state.

Japanese share prices slumped 2.2 percent as the weak GDP figures added to concerns about the fallout from the US housing slump after Friday's news of a surprise drop in US employment, the first in four years.

The fear is that if the US economy hits the skids, Japanese exports will be affected, putting the brakes on Asia's largest economy.

The economy should return to positive growth in the third quarter of 2007 but the pace may be sluggish due to the weakness of the US economy, said Taro Saito, a senior economist at NLI Research Institute said.

"An export-led recovery may be difficult in the latter half of the year," he said.

Past GDP estimates were also revised, showing the economy shrank by 0.1 percent in the third quarter of 2006, despite the government's official view that Japan is having its longest sustained economic recovery in post-war times.

Asian stocks wobble

AFP, Tokyo

Asian stock markets ended mostly weaker Monday, hit by heavy losses on Wall Street after a surprise drop in US payrolls sparked fears the world's largest economy may be heading for recession, dealers said.

But the region's bourses finished well off their lows for the day, while some, such as Shanghai and Hong Kong, managed to end in positive territory.

Investors are now pinning their hopes on a Federal Reserve interest rate cut to shield the economy from the fallout from the US housing slump, dealers said.

"All eyes remain on the US where the market has already priced in a rate cut -- the question is just how much," said Macquarie Private Wealth Management private client adviser Joseph Youssef in Sydney.

Hope of a US rate cut helped the main European bourses to eke out modest gains at the start of the week after steep falls on Friday.

But many Asian stocks suffered losses after US and European markets were rattled Friday by news that the US economy lost 4,000 payroll jobs in August, the first decline in four years and far below market expectations.

"US employment has been growing for the past four years so the fall was pretty scary," said Hirokazu Fujiki, equity strategist at Okasan Securities.

"At the same time what is supporting stocks is expectations for a cut to the Fed funds rate on September 18. Investors are waiting ahead of developments in the United States. That's why there wasn't a shock selloff," he added.

The US payrolls report stoked fears of a US recession, despite assurances from the Fed that the economy was holding to a modest growth rate and that the slump in housing had been contained, dealers said.

"The US employment data reinforced investor uncertainties about the future course of the US economy on top of ongoing worries about subprime loans," said Katsuhiko Hiroshige, a market analyst at Traders Co.

Investors hope that the US can avert a recession if the Fed acts swiftly and aggressively to lower borrowing costs, which could help ease the housing crisis and the credit squeeze. The federal funds rate now stands at 5.25 percent.



PHOTO: SUVASTU DEVELOPMENT LTD

Rezaul Hoque Sirajee, chairman of real estate company Suvastu Development Ltd, inaugurates the Suvastu Aroma Centre shopping mall on Elephant Road in Dhaka yesterday.

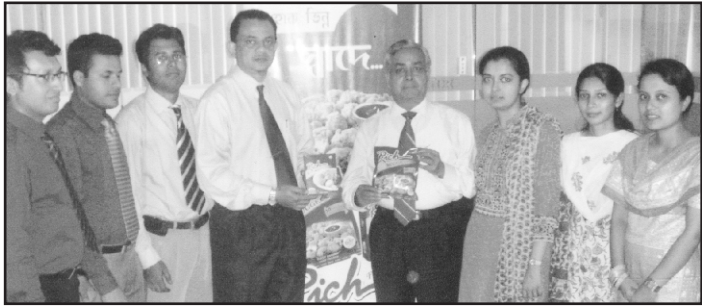


PHOTO: HARVEST RICH AGRO IND

M A Bari, managing director of Harvest Rich Agro Industries Ltd, is seen at the launching ceremony of the company's new 'Rich' brand chicken nuggets and Kiev's (made with chicken and cheese) in Dhaka recently. The nuggets and Kiev's have been priced at Tk 85 (30 pieces) and Tk 80 (15 pieces) respectively.

Russia to introduce tax on grain exports

AFP, Moscow

Russia is set to introduce taxes of up to 25 percent on grain exports, the Kommersant daily reported Monday quoting an official, but experts warned such a move would undermine struggling farmers.

"The order to complete all necessary documentation for product intervention and introducing export taxes was received by the ministry two weeks ago," the daily's source said, adding that "streamlining the strategy of grain market intervention and starting on it is due this week."

"All necessary preparations are complete, the tax is set at 10 to 25 percent depending on the type of grain," the source said.

The ministry's press service confirmed that the issue is due to

be decided on Monday, Kommersant wrote.

Last week Economic Development and Trade Minister German Gref said that "conducting interventions will be one of the measures to rein in inflation this year," the daily noted.

However, experts quoted by the daily warned that Russian farmers would be hard hit if the tax is introduced before the harvest is over, as grain prices, which peaked in July, sank considerably.

"Leaders of over 50 grain-producing farms wrote to the Kremlin asking not to limit grain exports until after the harvest, with almost every letter saying that limiting exports would lead to a collapse of grain prices on the internal market," the daily wrote.



SHIPPING

Chittagong Port

Berthing position and performance of vessels as on 10/09/2007

Berth No.	Name of vessels	Cargo	L. Port call	Local agent	Dt of arrival	Leaving	Import Disch
J/2	Asrar-A-Mostafa	Rice(G)	Khaki	Cla	1/9	13/9	884
J/3	Tay Bac-18	Rice(G)	Kaki	HSA	3/9	12/9	757
J/5	Sunvazs	Urea(Bcic)	Sing	Seacom	2/9	14/9	553
J/7	Hunjiang	Gl	Thai	Cosco	5/9	14/9	1238
J/8	Viendong-2	Gl	Sing	Prog	8/9	12/9	1260
J/10	Dali	Cont	Col	Seacon	7/9	11/9	224
J/11	Ataraxia	Gl(Hr.Stc)	Chenn	ASA	9/9	11/9	1473
J/13	Oel Freedom	Cont	Sing	PSSL	6/9	10/9	--
CCT/3	Apl Lilac	Cont	Sing	APL	7/9	10/9	--
CCJ:	Bulet	Urea(Bcic)	Sing	MHSL	3/9	15/9	--
GSJ:	Banglar Robi	Feldspar/Gl	Viza	Royal	19/8	11/9	--

Vessels due at outer anchorage

Name of vessels	Date of arrival	L. Port call	Local agent	Type of cargo	Loading ports
Banglar Shikha	10/9	P.Kel	BSC	Cont	L/Ptp
Yong Jiang	10/9	Inchon	Cosco	Gl	--
Energy Falcon	10/9	Indo	Litmond	C. Clink	--
Cape Bonavista	11/9	P.Kel	Bdship	Cont	P. Kel
Hansa London	11/9	P.Kel	PSSL	Cont	Col
Yong Yue-8	11/9	Col	QCSL	Cont	Col
Pac Aquila	11/9	Sing	Seacon	Cont	Sing
Sumida	11/9	Col	Seacon	Cont	Col
Kota Ratna	11/9	Sing	Pil(Bd)	Cont	Sing
Kota Tegap	12/9	Sing	Pil(Bd)	Cont	Sing
Eagle Prestige	12/9	Sing	QCSL	Cont	L/Ptp
Banga Borak	12/9	Sin	Baridhi	Cont	P. Kel
Martha Russ	12/9	Ptp	QCSL	Cont	Sing
Phu Tan	12/9	Sing	BSC	Cont	Sing

Vessels at Kutubdia

Name of vessels	Cargo	Last Port agent	Local	Date of arrival
-----------------	-------	-----------------	-------	-----------------

Outside Port Limit

Onozo	Crude Oil	Jebel	Uniglobal	23/8
Maritime Newanda	Wheat	Cana	Rainbow	3/9
Wira Keris	--	--	IBSA	R/A (8/9)

Vessels at outer anchorage

Vessels ready

Kota Rukun	Cont	Sing	Pil(Bd)	8/9
Banga Biraj	Cont	Col	Baridhi	9/9
Pacific Sound	CPO	Lumut	Seacom	10/9
Xuan Cheng	Gl	Xang	Cosco	10/9

Vessels not ready

Santa Suria	C. Clink	Krabai	ASLL	3/9
Golden Wish	Wheat(G)	Sing	SSST	6/9
Sunny Falcon	Urea(Bcic)	Sing	Litmond	7/9
Brave Royal	C. Clink	Krabai	BRSL	8/9
Cielodi Salerno	CDSO	P. Luis	USL	8/9
Eid-A-Mostafa	Rice(G)	Kaki	Cla	9/9
Santa Suria-Ii	Gypsum	Krabai	Sunmoon	9/9
Champion Star	CDSO	Braz	USL	9/9

Vessels awaiting employment / instruction

Borak	--	--	FSA	R/A (4/8)
-------	----	----	-----	-----------

Vessels not entering

Sea Crown	C. Clink	Sing	Saraf	22/8
Ataduru	Wheat(P)	Novo	Angelic	23/8
Pan Express	C. Clink	Kohsi	ASLL	26/8
Sarim	C. Clink	Krabai	Litmond	28/8
Krymchakhlar	Wheat(P)	Tuap	Unique	29/8
Pacific Trader	Y.PeWt	Vanc	Rainbow	29/8

The above are the shipping position and performance of vessels of Chittagong Port as per berthing sheet of CPA supplied by Family, Dhaka.



PHOTO: TELETALK BANGLADESH LTD

Post & Telecommunications Secretary and Teletalk Bangladesh Ltd Chairman Shaikh Khurshid Alam inaugurates the state-owned cellphone operator's flexible electronic bill payment system, TeleCharge, in Dhaka recently.

STOCK