

Income gap widening between rural, urban areas in China

AFP, Beijing

The income gap between rural and urban areas is widening in China, government data published Friday showed, despite years of efforts from the top echelons of government to bridge the divide.

Last year, the average Chinese city dweller earned 3.28 times as much as his fellow citizen in the countryside, up from 3.21 times in 2004, according to figures published on the agriculture ministry's website.

"Although farmers' income has been growing quite fast in recent years, the pace is still slower than the growth rate of urban residents' income," Vice Minister of Agriculture Ying Chengjie said in comments on the website.

"An effective long-term institution for the steady growth of farmers' income has not yet been established and the task of boosting farmers' income remains tough."

President Hu Jintao has also repeatedly identified the widening wealth gap as a key problem in his

long-term objective of building a "harmonious society."

Farmers are actually getting prosperous at a rate not seen since the mid-1980s, with average rural incomes increasing by six percent annually for three consecutive years.

The government has also scrapped agriculture-related taxes worth more than 120 billion yuan (16 billion dollars) annually as part of efforts to boost farmers' income, according to Ying.

"The cake is much bigger now. (The farmers) still get more than before in terms of revenues," Jean-Pierre Cabestan, a China expert at Hong Kong Baptist University, told AFP.

"Of course the gap is increasing. But it doesn't mean ...they are not richer than before."

But the rural and urban income gap is unlikely to narrow in the next decade as cities were still the powerhouse of China's economic growth, Qi Jingmei, a researcher at

the State Information Centre, a government think tank, said.

Meanwhile, costs are rising for people in the countryside, as evidenced by the surge in the price of pork -- the staple meat for most Chinese -- over the past year.

The fact that people in the cities are getting richer at a faster pace has fuelled fears that anger over economic injustices could erupt into open expressions of discontent.

"It is a battle we cannot afford to lose," the China Daily warned. "How this task is fulfilled is believed to bear an impact on the overall strength of the country."

The widening wealth gap has mixed in with endemic corruption throughout society, widespread loss of land for farmers and other injustices to form a potent mix of anger in the countryside.

As such, protests and other "mass incidents" have skyrocketed in recent years.



PHOTO: TRUST BANK
Iqbal U Ahmed, managing director of Trust Bank Limited, inaugurates Trust Bank SWIFT (Society for Worldwide Interbank Financial Telecommunications) services for its branches on Wednesday in Dhaka. Other officials were also present.



PHOTO: BANK ASIA
Bank Asia Ltd organised a workshop on 'Anti Money Laundering' at its Gulshan branch in Dhaka recently. Syed Anisul Huq, president and managing director of the bank, M Mahfuzur Rahman, general manager (Anti Money Laundering Department) of Bangladesh Bank, and other senior officials of Bank Asia are seen with the participants.

EU finance ministers to back banks to deal with credit crunch

AFP, London

European Union finance ministers will back the ability of banks and financial institutions across the 27-nation bloc to deal with the credit crunch in the financial markets on their own at a meeting over the weekend, the Financial Times reported on Friday.

Citing a copy of the draft statement it had obtained, the business daily reported that EU finance ministers will say: "Macroeconomic fundamentals in the EU are strong ... After several years of high profitability, our financial institutions are

sound and resilient and can weather the current episode of financial volatility."

They will also agree to "review how to further improve transparency of complex financial instruments, of institutions and vehicles, as well as how to improve risk management and liquidity stress testing, in particular of financial institutions."

The meeting in Portugal comes after a summer of volatility in the financial markets over concern prompted by a wave of foreclosures in the high-risk US housing market that threatened mortgage-backed securities elsewhere.

Weekly Currency Roundup

September 09-September 13, 2007

Local FX Market

The US dollar/BDT market was liquid and USD remained steady against the BDT in the week. The dollar showed slight upward 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 6.50-6.60 percent throughout the week.

In the Treasury bill auction held on Sunday, bid for BDT 7,000.00 was accepted. Weighted average yield remained unchanged for all other categories of T-bills.

The dollar slid to a 15-year low against a basket of currencies on Monday after data showing US employers cut jobs for the first time in four years stoked expectations for a hefty Federal Reserve rate cut this month. Friday's data showed companies cut 4,000 jobs last month, the first decline since August 2003, leading investors to see a bigger chance the Fed will cut rates by 50 basis points next week to protect the economy from the housing market crisis.

In the middle of the week, the dollar fell to a record low against the euro as an expected interest rate cut next week from the Federal Reserve continued to erode the US currency's appeal. The dollar also fell to a fresh 15-year low against a basket of six major currencies as continued problems in the credit market and weak jobs data led investors to anticipate a cut of 50 basis points in US rates.

The dollar hit a 15-year low against a basket of major currencies for the fifth consecutive day by the end of the week as investors braced for an expected Federal Reserve interest rate cut next week. The greenback -- which also set record lows versus the euro and three-decade troughs against the Canadian dollar -- has been under pressure since Friday, when an unexpectedly weak US jobs report fuelled speculation that the Fed may cut rates by as much as 50 basis points on Sept. 18 from the current 5.25 percent. The euro set a record high of against the dollar. One exception though was the yen, which lost ground broadly, including against the dollar. Analysts said the currency was suffering from political uncertainty after Prime Minister Shinzo Abe's shock announcement on Wednesday that he will step down. The Swiss franc was slightly up versus the euro ahead of an 1100 GMT Swiss National Bank rate decision. The high-yielding Australian and New Zealand dollars both slipped on Thursday, partly after data showed retail sales in New Zealand were flat in July from a month earlier compared with forecasts for a 0.2 percent gain.

-Standard Chartered Bank



PHOTO: TRIUNE
Kazi Wahidul Alam, editor of The Bangladesh Monitor, a travel journal, speaks at a press conference in Dhaka on Thursday to announce the introduction of the best airline of the year award. Javed Tariq, head of Corporate Affairs of mobile phone operator AKTEL, among others, is seen.

US current account deficit narrows to \$190.8b

AFP, Washington

The US balance of payments deficit narrowed in the second quarter to 190.8 billion dollars from 197.1 billion in the first quarter, the Commerce Department reported Friday.

The US current account figure, roughly in line with analysts' forecasts, represented 5.5 percent of US economic output or gross domestic product.

For the first quarter, the current account deficit was revised up to 197.1 billion dollars or 5.8 percent of GDP.

The second quarter trade deficit on goods and services was almost the same as in the first quarter at 177.7 billion dollars.

India to see more greenfield airports

ANN/THE STATESMAN

Besides the major facelift to metro and non-metro airports, the aviation industry in India is gearing up for the next phase of its airport modernisation and expansion programme for greenfield airports.

In the last two weeks, the pace of activity appears to have quickened in relation to other planned projects. The Ministry of Civil Aviation has given its approval for construction of greenfield airports at Navi Mumbai and Goa in public-private partnership model.

Navi Mumbai is the most significant new airport project in India, and will be Mumbai's second airport. The construction of this facility is critical for the city with the current airport expected to reach maximum capacity by 2012.

By that time any further expansion will be virtually impossible due to high density residential areas which surround the airport.

Meanwhile, the Airports Authority of India last week announced details of its upgrade plans for Kolkata, Chennai and the existing Goa airport. State governments are also getting into the act. Punjab government recently announced that a new airport will be built at Mohali, and the government of West Bengal is keen to see the development of a greenfield airport in the industrial belt of Durgapur-Asansol, one of the most highly populated regions in India without an airport.

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