

# Riyadh quietly raising oil output over OPEC quota

REUTERS, London

Saudi Arabia is quietly raising oil production, ahead of a possible US assault on Iraq, apparently to help avert the threat of a winter crude price spike that could slow world economic recovery.

OPEC's leading producer pumped 8.12 million barrels a day of crude oil in September, far higher than recent estimates by independent experts, a London-based industry source with access to an internal Saudi report told Reuters on Thursday.

The monthly internal output audit shows Riyadh lifted crude production from 7.98 million bpd in August and 7.81 million bpd in July.

The report means Saudi leakage over its official OPEC output quota is running far in excess of estimates by the consultants and media who regularly monitor OPEC produc-

tion.

It puts Riyadh in September at more than a million bpd, or 15 per cent, over its official OPEC quota of 7.05 million bpd, its highest production in a year.

Riyadh denied the authenticity of the internal report. A Saudi official, contacted by Reuters, said the production figures were not accurate. "That's not true," he said.

If the Saudi tactic is to contain oil prices then it appears to have worked.

Rising leakage from the Organisation of the Petroleum Exporting Countries has helped pull oil prices down from recent highs over \$31 a barrel for US crude. On Thursday it traded down 38 cents to \$28.97 a barrel, hurt also by the gloomy economic outlook.

Riyadh has been looking to repair diplomatic relations with Washington after last year's September 11 attacks

that were blamed on mostly Saudi nationals.

OPEC depends on healthy world economic growth to fuel demand for its oil and Riyadh is keenly aware that an oil price sock would be detrimental to global oil consumption.

The industry source said it was not clear whether Saudi was distributing the extra supplies across its vast customer base or storing some of the oil, perhaps in preparation for a military assault on Iraq by the United States.

In the event of an attack, the United States would be expected to purchase its fuel supplies from storage in Saudi and other Gulf allies. If war breaks out demand could also rise from refiners stockpiling for fear of a shortage.

Saudi has large volumes of storage at ports on both its Gulf and Red Sea coasts and state Saudi Aramco in the 1990s built an underground

facility to hold emergency petroleum product reserves.

Last month Saudi Oil Minister Ali al-Naimi told an audience in Japan of energy ministers from leading oil importing nations, including US

Energy Secretary Spencer Abraham, that Saudi Arabia would prevent any oil supply shortage.

Independent tanker trackers said they too had detected growing supplies in recent weeks.

"There's certainly been an increase," said Roy Mason of UK consultants Oil Movements. "The Saudis are chartering more west-bound VLCCs (very large crude carriers)."

Naimi failed to convince fellow OPEC ministers at the cartel's September meeting in Japan that they should raise output limits to legitimise some of their cheating and ensure sufficient supplies this winter.

# Iraq in big oil supply deal with Russian co

REUTERS, New York, London

A major Russian company has sealed one of the largest oil supply deals in the history of the Iraq's oil-for-food programme, as Baghdad moves to reinforce commercial links with Moscow, industry sources said Thursday.

Alfa-Eco, a subsidiary of Alfa Bank, one of Russia's largest private banks and a regular buyer of Iraqi oil, this week clinched a deal for 20 million barrels, one of the largest under the six-year UN-supervised humanitarian scheme.

Baghdad is eager to strengthen ties with Moscow, its main ally on the UN Security Council, as the United Nations deliberates a new resolution governing the return of weapons inspectors, analysts say.

"This big contract is happening at a politically sensitive time," said Raad Alkadiri of the Petroleum Finance Co. based in Washington.

"The Iraqis have for a long time aimed to use their commercial power for political ends and they are not about to sit back now, particularly when the United States is

finding it difficult to push their agenda through the Security Council at the United Nations."

Iraq's crude exports dropped around 35 per cent to 1.1 million barrels per day (bpd) on average this year as international oil firms proved reluctant to pay a surcharge that customers said Baghdad was demanding for its oil.

With the United States trying to drum up support for the removal of President Saddam Hussein, by force if necessary, Iraq has moved in the past few months to reestablish ties with oil company customers instead of little-known traders that have dominated purchases for two years.

After Baghdad dropped demands for an illegal surcharge from September 1, France's TotalfinaElf, Spanish Repsol and Austria's OMV AG renewed directly supply contracts with Iraq for up to five million barrels each.

Companies with their own refineries will buy over 15 million barrels of Iraqi crude by the end of November, helping lift overall exports out of the doldrums.



PHOTO: DCCI

DCCI Director Syed Moazzam Hossain, speaks at the certificate-awarding ceremony of the training course on "Export Documentation" organised by DCCI Business Institute under DCCI-GTZ partnership programme held in the city on Wednesday. Officials concerned were also present on the occasion.

## Weekly currency roundup

October 5-October 10, 2002

### Local FX Market

Demand for dollar remained high throughout the week due huge to payment for import of petroleum products, food grains ahead of Ramadan and capital machinery. As a result of high demand-supply gap BDT continued to get weaker. BDT was quoted at 58.50/52 in the beginning of the week. It rose as high as 58.60/65 at the end of the week.

### Money Market:

Bangladesh Bank borrowed BDT 9229 by the Treasury bill auction held on Sunday. Weighted average yield of 28-Day bills jumped to 6.58 per cent from 6.39 per cent in the last bid

Demand for BDT for overnight borrowing was moderate throughout the week. The call money rate remained steady and ranged between 6.75-7.25 per cent throughout the week.

### International FX Market:

At the beginning of the week, the yen tumbled to two week lows against the dollar and fell half a yen versus the euro as the specter of reforms affecting weak banks and ailing borrowers raised fears of more corporate bankruptcies, knocking down Japanese share prices. But analysts also perceive that the sentiment about dollar is far from bullish as it has its own problems, such as the latest fall in Wall Street shares and worries about the cost of war against Iraq. The euro was calm against dollar.

Yen remained under pressure in the middle of the week. It hit a three-year low against the euro and a three-month bottom versus the dollar after comments from Financial Services Minister that no bank was too big to fail. But yen eased later against the euro and the greenback as it was helped by a modest rebound in Japanese share prices on Tuesday morning. Euro also lost ground as ECB President Win Duisenberg termed the interest rate appropriate, which disappointed many investors who were hoping for a rate cut of euro and economic weakness in the Euro zone.

US dollar lost ground across the board later in the week. A sharp slide in Wall Street, unexpected gain in German Industrial output and anxiety over the Middle East caused the dollar to fall by about 1 per cent against major currencies. German Industrial output rose 1.8 per cent in August against an expectation of 0.2 per cent fall, which helped the euro. But analysts expect the US currency to remain within recent ranges. Fall in Japanese share prices took its toll on the yen as market is anxious about the banking sector's massive \$422 billion bad loans. Market is eagerly waiting for the Bank of Japan's report on bad-debt problem. Greenback stood near a five-week low versus the euro, with investors waiting ahead of a European Central Bank decision. Sterling remained steady and edged up against the euro on Thursday, as the dealers anticipated no change in British interest rates. Another key data for the dollar this week will most likely be US Retail sales, which are due out on Friday. At 1445 hours on Thursday, euro was quoted at 0.9895/98, GBP at 1.5665/69, yen at 123.43/50 against the dollar. --

Standard Chartered Bank

## SK Telecom fined for 'false' ads against rival

AFP, Seoul

South Korea's trading watchdog on Friday fined mobile communications giant SK Telecom Co. more than two million dollars for slandering a rival in false advertising.

The Fair Trade Commission (FTC) said SK Telecom, the biggest cellular phone service provider in the country, waged a slanderous campaign against KTF, the second largest mobile service provider.

SK Telecom was ordered to pay an estimated 2.8 billion won (2.2 million dollars) in fines for carrying "false and exaggerated" ads attacking KTF, it said.

The move reflects the authorities' concerns that cut-throat competition between rival mobile telecoms firms has gone too far.

In recent ads, SK Telecom accused KTF of doctoring data to support its claim to be "the world's top mobile communications firm," as reported at the time in a US magazine.

# IEA lowers projections for world oil demand

AFP, Paris

The International Energy Agency lowered Friday its assessment of worldwide growth in demand for oil this year and next in the face of persistent economic weakness in the United States and other industrialised nations.

The IEA, a Paris-based body promoting energy co-operation and research, lowered its 2002 demand-growth evaluation by 50,000 barrels a day and its 2003 forecast by 100,000 barrels a day.

In addition to a sluggish world economy, the agency in its monthly report cited the impact on global consumption of higher crude oil prices.

The IEA in July noted a recovery in US demand but said the trend was reversed in August.

For 2003, the agency foresees

demand rising by 170,000 barrels a day to 76.64 million and by 1.04 million barrels a day to 77.7 million next year.

The IEA report was consistent with the latest analysis of global economic prospects by the International Monetary Fund, which last month predicted weak momentum in 2002 and 2003.

The Fund foresaw a 2.8 per cent gain in world output this year, the same projection it announced in April, and 3.7 per cent in 2003, down from four per cent forecast in April.

For the 30 industrialised nations in the Organisation for Economic Co-operation and Development (OECD), the IEA lowered its demand assessment by 180,000 barrels a day in third quarter 2002 and by 80,000 barrels a day in the fourth quarter.

It found that US demand for oil,

while sharply higher than in September 2001, had been lower than expected this year and well off levels seen in September 2000.

In Japan, where there have been unexpected interruptions at nuclear power plants, demand for oil should increase by 85,000 barrels over the rest of this year.

Demand in countries outside the OECD, notably China and the former Soviet states, has been revised upwards by 20,000 barrels a day this year and downwards by 70,000 barrels a day in OECD members.

In Asia, according to the IEA, a sluggish US economy and higher crude prices could curb rising demand.

World oil output came to 76.44 million barrels a day in September, up by 250,000 million barrels a day from August.

## BoJ for pumping more public money into ailing banks

AFP, Tokyo

The Bank of Japan on Friday urged the government to consider pumping more money into ailing banks to help speed up the writing off of their massive bad loans.

The central bank also announced details of a plan to buy 16 billion dollars of stocks held by banks to help protect their balance sheets as the sharemarket slumps to new lows and the lenders attempt to get to grips with the bad loans.

"If it is judged that financial system stability needs to be secured, the injection of public funds should be considered as an option to respond to the situation," the bank said in a statement after a two-day policy board meeting.

The bank also urged the gov-

ernment to act "pre-emptively" to prevent a financial crisis. Under current law, the government must declare a crisis before it can pump money into the banks.

A comprehensive approach was required to resolve the non-performing loan problem, including a more appropriate evaluation of non-performing loans by banks, the BoJ said. The comment echoed the views of Heizo Takenaka, the country's economic and fiscal policy minister and chief financial sector regulator.

To deal with the immediate pressures on banks' balance sheets from the plunging value of their equity portfolios, the central bank said it would spend 2.0 trillion yen (16.1 billion dollars) by September 2003 to buy stocks held by the lenders.

## STOCK