

International Business News

Energy giant Shell says profits plunge on tumbling oil prices

AFF, London

British energy group Royal Dutch Shell said Wednesday that first-quarter net profit plunged 62 percent to 3.488 billion dollars (2.645 billion euros) as oil prices slumped in an economic downturn.

"First quarter 2009 performance was affected by the weaker global economy, with a challenging upstream and downstream business environment," Chief Executive Jeroen van der Veer said in a results statement.

The figure excludes changes in the value of oil held in stock, a key measure for the industry, and compared to net profit totalling 9.083 billion dollars in the first quarter of 2008.

The price of crude oil, which is traded in London and New York, has tumbled from last July's record highs of more than 147 dollars per barrel as the sharp global downturn has slashed worldwide energy demand.

On a "current cost of supplies" basis, which adjusts for changes in the value of oil held in stock, Shell reported earnings of 3.297 billion dollars, down 58 percent from the same quarter last year.

Total oil and gas production fell 4.0 percent to 3.396 million barrels in the three months to the end of March, as output was hit by security concerns in Nigeria.

Group revenues nosedived 49 percent to 58.22 billion dollars in the reporting period, from 114.30 billion dollars previously, Shell said.

India's Bharti Airtel Q4 profit jumps 21pc

AFF, Mumbai

India's top mobile phone company Bharti Airtel reported Wednesday that fourth-quarter net profit jumped 21 percent year on year, boosted by a rise in the number of cellular phone users.

For the full year, the New Delhi-based company announced a 26 percent jump in net profit to 84.69 billion rupees (1.68 billion dollars) on a 37 percent increase in revenues to 369.61 billion rupees.

Net profit for the three months to March 31 rose to 22.39 billion rupees from 18.5 billion rupees in the same quarter last year as revenues grew 26 percent to 98.2 billion rupees, the company said.

The firm based its figures on US accounting standards. Bharti boosted its customer base by 8.3 million during the fourth quarter to nearly 94 million subscribers, while its client based climbed by more than 46 percent year-on-year.

Bharti has a 24 percent market share of India's wireless market.

"Our focus on rural penetration and customer affordability led to strong growth," said Sunil Mittal, chairman and managing director of Bharti Airtel.

"The India growth story continues and we expect revival of the economy in the second half of this fiscal year," he said in a statement.



Demonstrators protest against bailout funds outside a Bank of America branch in Washington on Tuesday, ahead of the bank's shareholder meeting.

Malaysia holds key interest rate at 2pc

AFF, Kuala Lumpur

Malaysia's central bank kept its key interest rate at 2.0 percent Wednesday, saying the economy is expected to contract markedly in the first quarter of 2009 (in upcoming results). These conditions are expected to prevail until the second quarter of the year, it added.

Bank Negara said poor global economic conditions were adversely affecting Malaysia's key exports and industrial production, in turn hitting the labour market and private sector activity.

"The economy, therefore, is expected to record a marked contraction in the first quarter of 2009 (in upcoming results). These conditions are expected to prevail until the second quarter of the year," it added.

However, the bank said it would not adjust the interest rate as the present monetary policy measures were "sufficient to provide support to domestic demand."

Bank Negara said the domestic economy was expected to improve in the second half of 2009, "supported by stabilisation in global economic conditions and the larger impetus from the implementation of the fiscal stimulus measures."

Thai tourism to lose \$2.9b from riots: PM

AFF, Bangkok

Thai Prime Minister Abhisit Vejjajiva on Wednesday said tourism income was likely to fall by more than 102 billion baht (2.91 billion dollars) after deadly anti-government protests in April.

The same riots sparked losses of 220 million baht in damage to public property and loss of state income, according to the National Economic and Social Development Board (NSDB), the cabinet said in a statement.

Supporters of fugitive former premier Thaksin Shinawatra forced the closure of an Asian summit in Thailand on April 11, before taking to the streets of Bangkok where a state of emergency was declared for almost two weeks.

Street battles between protesters and soldiers left two dead and 123 people injured.

"Income from tourism this year is expected to fall by around 102.39 billion baht compared to 2008 due to the incidents in April, according to the NSDB," said Abhisit following the cabinet meeting.

SWINE FEVER

Costs of flu pandemic

IFTY ISLAM

As the world is increasingly focusing on the human and economic potential cost of the current swine flu virus and whether it is likely to spread rapidly, the big question is whether this is the flu pandemic that the Avian virus was not.

According to Australian Reserve Bank economists, even a "mild" swine flu epidemic could lead to the deaths of 1.4 million lives and cost the global economy more than US\$330 billion (\$463 billion) in lost output. The figures, based on economic model of an influenza pandemic, also reveal that the most serious "ultra" scenario would cost 142.2 million lives around the world and reduce growth by US\$4.4 trillion.

It is worth bearing in mind that Influenza pandemics have occurred for centuries. The World Health Organization lists three pandemics during the 20th Century: "Spanish influenza" in 1918, "Asian influenza" in 1957, and "Hong Kong influenza" in 1968. According to leading researchers at the US Centers for Disease Control and Prevention, another pandemic was highly likely, if not inevitable (1). In the 1918 influenza pandemic, more than 20 million people died (2). Improvements in medical care and technology since the last pandemic may reduce the impact of the next.

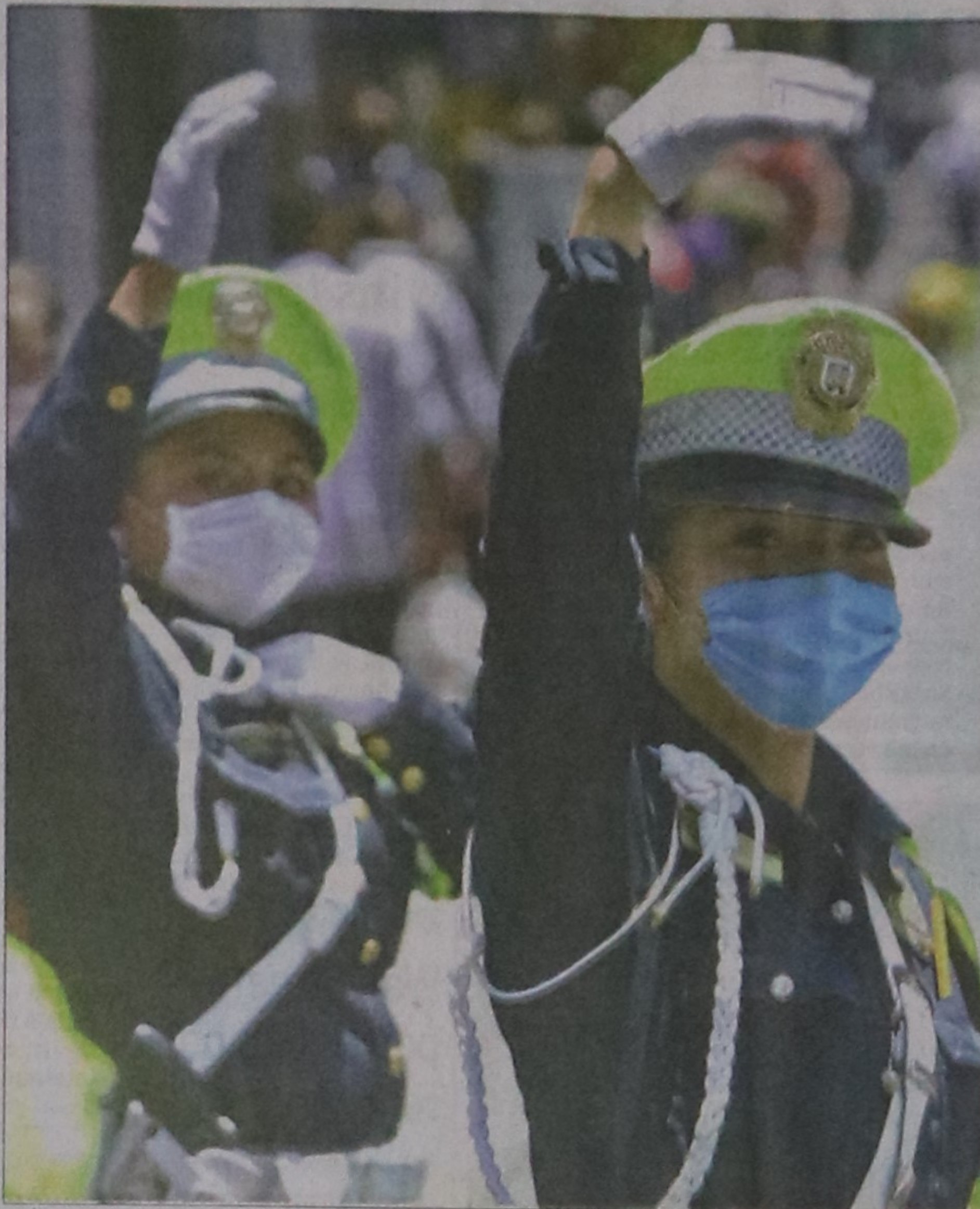
For the global economy just showing early signs of stabilising in the face of the global financial crisis, this could not come at a worse time. Global trade is likely to come under renewed pressure and we have already seen many airline stocks collapsing. One would not be surprised if some transatlantic carriers go bankrupt without government support.

The Congressional Budget Office (CBO) published a revised study in July 2006 that estimated the economic impact of an avian flu epidemic for the US. The CBO found that most of the costs would stem from decreased demand for goods and services and higher labour costs due to absenteeism, since lots of people would be staying home, either sick themselves or to care for family members. The CBO estimated that 1 percent of US gross domestic product could be lost under a mild pandemic and as much as 4.25 percent if it were as severe as the Spanish flu in 1918, says Hammond.

Most immediately, travel, tourism and any retail activity in Mexico aside from essentials like food will suffer, and it's likely that any sort of sports or entertainment event "anything that involves a crowd" will be affected.

It is also important for Bangladesh to be well prepared as history tells us that developing countries may be the most vulnerable even if the source of the pandemic is in the developed world.

These findings that were published in the December 23, 2006 issue of The Lancet show that mortality rates for the 1918-1920 pandemic were disproportionately high in



Two masked female police officers in Mexico City. As a preventive measure against contagion of the deadly swine flu virus, more than 500 cultural and athletic events -- including mass celebration -- have been scuttled by government order in the capital city alone, as authorities banned large gatherings for at least 10 days.

communities where per capita income was lowest. If the same pandemic were to occur today, approximately 96 percent of deaths would occur in developing countries.

"This is the first time there has been this sort of systematic analysis based on vital statistics, such as death registration data, from the 1918-1920 period," said lead author Christopher Murray, professor of Population Policy at HSPH and director of the Harvard Initiative for Global Health. "These findings are particularly alarming when you consider that all the policy protection is aimed at the high income world. Very few strategies are being thought through that are primarily targeting poor countries." The disparities between the developed and developing worlds during

this period are striking. For example, in Denmark 0.2 percent of the population succumbed to the flu. In the United States, that figure is 0.3 percent (based on data from 24 states). In the Philippines, the mortality rate was 2.8 percent, in the Bombay region of India, 6.2 percent, and in central India, 7.8 percent, which was the highest rate of the countries and regions analysed. According to this data then, from Denmark to central India, death rates from the 1918-1920 flu pandemic varied more than 39-fold.

The researchers then took the relationship observed in 1918 between per capita income and mortality and extrapolated it to 2004 population data. After adjusting for global income and population changes, as

well as changes in age structures within different populations, the research team estimated that if a similarly virulent strain of flu virus were to strike today, about 62 million people worldwide would die.

Their results indicate that, irrespective of the lethality of the virus, the burden of the next influenza pandemic will be overwhelmingly focused in the developing world, as has been suggested for the 1918-20 pandemic. Symptomatic treatment, antivirals, vaccination, and antibiotics for secondary bacterial pneumonia, combined with the underlying relation between per-head income and mortality, perhaps mediated through nutritional status, will reduce the effect of the pandemic in OECD countries. By contrast, the countries and regions that can least afford to prepare for a pandemic will be affected the most. The potential risk to populations of sub-Saharan Africa, south Asia and other developing regions presents a policy dilemma. When resources to tackle the health problems already present in the community including HIV, tuberculosis, malaria, cardiovascular diseases and road traffic accidents are already scarce, how much can these populations afford to spend on preparing for a potentially very harmful but also very uncertain threat?

This could represent a devastating impact on global mortality, more than doubling deaths from all causes in a single year. However, only four percent of these fatalities would occur in the developed world. The developing world would absorb the remaining 96 percent of deaths--an estimate that the researchers believe is actually conservative.

"We all know that the poor tend to have higher mortality," said Murray, "but we never expected that so much of the cross-country and cross-community variation would be related to economic status."

The researchers caution that per capita income only explains about half of the wide mortality range seen among--and in many cases within--particular countries. Other unique community attributes that influenced mortality are still unknown.

Nevertheless, Murray is clear about the study's implication: "Quite simply, much more of the international attention needs to focus on how we can protect the poorer countries should this virus reoccur."

So without being alarmist, it is hoped that the Bangladesh authorities remain vigilant to unfolding events and raise their preparedness in collaboration with the WHO and other multi-lateral agencies. While Bangladesh has been the most decoupled economy from the global crisis, we should be careful about over-complacency if the current swine flu crisis develops into a full-blown pandemic.

Ifty Islam is the managing partner at Asian Tiger Capital Partners and welcomes feedback at ifty.islam@at-capital.com

Fear hits business

AFF, Paris

Airlines and the bacon business on one side and viral treatments and rubber gloves on the other are among sectors in the front line of economic shocks from the swine fever alert.

Any activity connected to international travel and tourism is seen as potentially most-exposed to a fall in traffic.

A strong warning came from Australia where tourism expert Olivia Worth said the crisis had created a "perfect storm" for Australian tourism.

But fear rather than fact is hitting some sectors while boosting others, such as drug companies, analysts say.

So far, the main reference point for judging economic damage from global swine fever is the bird flu crisis about four years ago, which sharply reduced retail consumption in Asia where the outbreak was concentrated.

By Wednesday, flu fever on financial markets was cooling as analysts stressed that greatest factor is fear itself.

Barclays Capital in London said a key lesson of the avian flu crisis in Asia, known as SARS which began in 2003, was that "fear and panic subsided quickly once the disease was under control, and the affected economies rebounded rapidly."

The short-lived economic impact hit mainly demand, "particularly local consumption and tourism in the afflicted economies."

They stressed: "SARS was a crisis of fear."

People avoided crowded places. "Restaurants, shops, cinemas and other entertainment venues were deserted. Schools were closed for weeks ... There was direct and immediate curtailment in spending and economic activity."

But initial concern that international trade in goods, and foreign investment, would be hit faded as quickly as the outbreaks were contained.

However, Barclays analyst Julian Callow noted that the World Bank estimates that a "mild" flu epidemic defined as 1.4 million deaths would cut world output in the first year by 0.7 percent, a "moderate" pandemic of 14.2 million deaths by 2.0 percent and a "severe" pandemic of 71.1 million deaths by 4.8 percent.

In Singapore, Societe Generale bank commented that "investors have moved to trim risk averse positions," estimating that "economic threats as a result of swine flu



A woman wears a facemask while riding an electric bicycle and speaking on her mobile phone at the same time along a street in Beijing on Wednesday. A senior Chinese health official said that overseas media reports pointing to China as the source of a swine flu outbreak were aimed at tarnishing his nation's image after a number of press reports said the swine flu virus originated in Asia, with some quoting the Mexican governor of Veracruz, Fidel Herrera, as telling reporters that the virus began in China.

are, for now, adequately priced."

In New York, Patrick O'Hare at Briefing.com said that recent reactions suggested "the market respects the swine flu scare, but that it isn't fully intimidated by it, given past experiences."

Business and leisure travellers are expected to reconsider trips, in some cases on official advice or because travel to Mexico for example is being suspended by some operators.

But trade in pigmeat is also in the firing line.

The United States says that nine countries have banned to some degree the importation of US pigmeat, or even other meat.

Clearly concerned about the economic

damage, Washington has protested that such measures are mistaken, arguing that the human version of the virus is spread only by people not by meat.

"It is perfectly safe to consume pork products from America," US Agriculture Secretary Tom Vilsack insisted.

Russia has also banned imported pork from several countries in central and Latin America.

Among gainers from the crisis are some bonds, the dollar and yen, considered as defences in times of uncertainty, particularly the yen since Japan is seen as distant and relatively unconnected to the source in Mexico.

Some leading drug companies could

benefit from sales of existing anti-flu viral treatments, and from any new vaccine which is developed.

The World Health Organization says that four "reference" laboratories are working on a vaccine, and Novartis says it is involved.

A leading gainer already is Swiss pharmaceutical group Roche, maker of Tamiflu, which was in great demand during the bird flu crisis. GlaxoSmithKline is trying to boost production of its drug, Relenza.

In Japan, shares in Chugai Pharmaceutical, which sells Tamiflu locally have risen as have shares in Green Cross in Seoul, which is developing a vaccine for avian flu.