

Inflation dilemma deepens for Asian policymakers

REUTERS, Bangkok

Inflation accelerated more than forecast in Indonesia and South Korea in January, and quickened in Thailand, reinforcing expectations of increases in borrowing costs as policymakers struggle with rising food and oil prices.

Tuesday's data was the latest to raise questions over whether central banks and governments in emerging-market countries are doing enough to tame inflation fuelled by rising world commodity prices and a resurgence in domestic economies.

"We think it is time now for most central banks to really begin further tightening policy rates, and for the ones who haven't started yet to begin," said Leif Eskesen, chief economist for India and Southeast Asia at HSBC.

The head of the International Monetary Fund warned rising prices -- one of the factors behind anti-government protests in Egypt and Tunisia -- could cause social upheaval.

"Energy prices are rising swiftly, reflecting rapid growth in emerging economies," IMF chief Dominique Strauss-Kahn said.

"Food prices are rising too -- though here supply shocks are the main reason -- with potentially devastating consequences for low-income countries," he told an audience in Singapore.

South Korean consumer inflation in January spiked more than expected above the upper end of the central bank's target as prices rose across the board, data on Tuesday showed, lifting



REUTERS

South Korean housewives buy vegetables at a market in Seoul yesterday.

chances for a back-to-back interest rate increase next week.

In Indonesia, Southeast Asia's biggest economy, annual inflation hit a fresh 21-month high of 7.02 percent, topping both market forecasts and the central bank's end-2011 target range of 4-6 percent. That caused some economists to project the benchmark reference rate will rise by 25 basis points on Friday.

Bank Indonesia has been trying to hold down its benchmark rate to avoid another wave of "hot money" capital flows and

to support expected economic growth this year of 6.4 percent.

But that's been undermined by the rising cost of food, raw materials and supply shocks caused by erratic weather. Tim Condon, economist at ING, reckons some of those effects will pass after this week's Lunar New Year holidays in parts of Asia.

"We think the food price scare will dissipate in February when the Chinese new year effect passes," he said. "Typically month-over-month food price inflation peaks in January and February ahead of the main rice

harvest in March and April."

After that, he added, prices retrace. "We expect the usual pattern to prevail this year," he said.

The data deepens fears that higher world commodity prices and resurgent demand will keep inflation near or at the peak of official target ranges in Asia's emerging economies from Bangladesh to Indonesia and Thailand.

"Everything is more expensive -- cooking oil, vegetables, everything really," said Yupin Waiyarabut, a 38-year-old owner of a stall selling noodles

on a busy sidewalk in Bangkok. "Food prices have increased a lot over 1-2 months."

Pressures from food prices may ease in coming months in Thailand, thanks in part to a bumper rice crop, but these could be replaced by the effects of rising oil prices, said Usara Wilaipich, an economist at Standard Chartered Bank in Bangkok.

"On balance, the Bank of Thailand is expected to raise rates by 25 basis points at its next Monetary Policy Committee meeting on March 9," she said after Thailand reported inflation quickening by 0.54 percent month-on-month from December.

"High energy prices will remain a key risk."

The Bank of Thailand has turned hawkish in recent months, raising its benchmark interest rate by a quarter of a point to 2.25 percent on Jan. 12 following a similar increase in December.

Thailand has other sources of nascent inflation on its hands. Prime Minister Abhisit Vejjajiva's government, for instance, has raised the daily minimum wage and will boost the salaries of civil servants ahead of an election expected this year.

In Indonesia, food sellers have seen the price for their favourite spice, green chillies, jump more than five-fold.

"What can I do? My boss keeps reminding me to not be so generous about the chillies," said Fendi, one of many Jakarta food stall owners grappling with rocketing prices.

Growth slows for India carmakers

REUTERS, Seoul/Tokyo

Asian automakers, led by outperformer Hyundai Motor, got off to a strong start for 2011 with robust January sales as they gear up for the sector's broad recovery.

But growth in China and India is seen cooling off, while an uneven recovery in advanced markets such as the United States and Europe remain a concern, analysts say.

"Hyundai posted firm sales despite concerns that its China sales would fall sharply because of the end of tax subsidies... Now the focus is its U.S. sales figures, which will be affected overnight," said Yoon Phil-joong, a Samsung Securities analyst.

"U.S. cars sales are expected to fall from December because of heavy snow and year-end inventory clearance. But the U.S. market should gradually recover this year, albeit not drastically," Yoon said.

U.S. auto sales lost momentum in the final weeks of January, auto executives and a leading analyst cautioned on Monday, setting the stage for a softer start to 2011 than the industry had expected.

Automakers in the United States are set to report January sales later on Tuesday.

Hyundai and its affiliate Kia Motors, which outperformed their overseas rivals during the economic downturn, are set to report strong sales and earnings this year, driven by improved brand image and quality and new models, analysts said.

Hyundai saw its global sales jump 14 percent in January, fueled by robust sales of the Sonata sedan and the Elantra compact, while Kia sales rose by a third.

New auto sales in Japan, excluding 660cc minivehicles, fell 21.5 percent in January, declining for the fifth straight month after subsidies to replace older cars expired.

But the pace of decline slowed from the previous two months and an industry official termed the drop as relatively tame, noting that sales volume in January represented a 7.4 percent rise from the same month two years ago.

Mexico tycoon Slim to invest \$8.3b

AFP, Mexico City

Mexican billionaire Carlos Slim unveiled plans Monday to invest \$8.3 billion dollars this year in 19 countries, most of them in Latin America.

"We're going to invest in all the countries where we are, that's 19 countries," said Slim, considered the world's richest man. "It will be an investment of \$8.3 billion," he told a news conference in Mexico City.

Most of the investment, some 3.66 billion dollars, would be in Mexico, including more than 40 percent in the telecoms industry, as well as road building, mines, water treatment and a "digital university," Slim said.

He said he aimed to reinforce high speed Internet in Mexico "so that two of every three people have access to the network."

A further 2.5 billion would be invested in telecoms in Brazil, which "is a bigger market, a bigger territory," while other countries included Colombia, Peru, Chile and Argentina.

"In Brazil, we're behind, which means we need to accelerate investments to compete with the (former) state monopolies, we have to make our own network to be able to compete with them," said Slim, who owns Embratel in Brazil.

Slim said he believed Latin America, as well as Asia, was in a "favorable situation internationally."

Taiwan economic growth at 23-year high in 2010

AFP, Taipei

Taiwan's economy grew a blistering 10.47 percent in 2010, its fastest rate in 23 years, according to a government estimate, with analysts saying trade with former rival China was a key driver of the surge.

Improving ties between China and Taiwan has provided a massive shot in the arms for the island's exporters but economists warn that a pact between the two last year could also end up restricting the Taipei's economic independence.

The Directorate General of Budget, Accounting and Statistics said the growth was the best since 1987 but warned that the figure for next 12 months would be almost half of that due to the slow recovery in developed economies.

"China was a major contributing factor to Taiwan's trade growth last year, and the two economies are closely linked," said Cheng Cheng-mont, an economist at Citibank Taiwan.

The finance ministry said exports jumped 34.8 percent to \$274.64 billion last year, with those to China and Hong Kong hitting a record high \$114.75 billion, or 41.8 percent of the overall figure.

Economic growth of 10.3 percent in the Chinese economy, now the world's second-largest, helped make the mainland a market hungry for Taiwanese-made products.

Taiwan, which signed a sweeping trade deal with China in June, is tying its economic fortunes ever more to the mainland, while seeking to keep a political distance with Beijing, which considers

Google topples Nokia from smartphones top spot

REUTERS, Helsinki/New York

Google Inc's Android dethroned Nokia's Symbian as the global leader in smartphone software during the last quarter of 2010, ending a reign that began with the birth of the industry a decade ago.

The reshuffle underscores how quickly Google, which offers its software to phone makers for free, has raced to the top of the smartphone market ahead of Apple Inc's rapid ascension. Google and Apple have revolutionized the smartphone market, sending Nokia scrambling.

In the fourth quarter, phone-makers sold 32.9 million Android-equipped phones globally, roughly seven times more than the year-earlier quarter, compared with Symbian's sales of 31 million, according to Research firm Canalys.

The numbers also highlight Google's success in battling Apple, whose shipments of its popular iPhone increased to 16.2 million from 8.7 million in the fourth quarter of 2009, when it almost doubled Android's 4.7 million shipments.

Unlike Apple or Nokia, Google does not make its own phone hardware, but instead offers its Android operating system free to other phone makers who can adapt it to suit their devices.

As a result, Android has become the standard software for many phone makers. US phone maker Motorola Mobility Inc has even managed to stage a comeback of sorts by focusing solely on Android after years of heavy market share losses.

Hit models from Samsung Electronics Co Ltd, HTC Corp and LG Electronics Inc also helped Android in the quarter as phone companies in many regions aggressively promoted Android phones.

Aside from smartphones, Google also gained on Apple in tablet computers, where its market share rose to 22 percent in the fourth quarter, while Apple's share fell to 75 percent from 95 percent, according to Strategy Analytics.



REUTERS

Models pose with the new Samsung Galaxy S Android smartphone during its launch ceremony at the headquarters of Samsung Electronics in Seoul.

In fact, only Nokia, Apple and Research In Motion Ltd have so far resisted using Android software.

Google said in October that mobile revenue, which includes mobile advertising, reached an annual run rate of \$1 billion. While this is tiny compared with the \$26.85 billion total net revenue analysts expect this year -- mostly generated from Web search related ads -- Google has made no secret of the fact it sees mobile playing a central role in its future.

Outgoing Chief Executive Eric Schmidt recently wrote in the Harvard Business Review that all of Google's strategic initiatives for 2011 revolve around mobile.

In particular, Google has moved to take on Apple in mobile applications, an area in which the iPhone maker has prevailed.

A big part of Apple's success in selling iPhone is its ability to attract hundreds of thousands of third-party software developers to create apps for everything from weather forecasts to weight-loss.

While Google has also courted third-party developers, its Android Marketplace still lags far behind Apple's in size.

Meanwhile, the Symbian system has suffered from the troubles of its owner and main user, Nokia, which now barely has a presence in the United States.

When Android arrived in the third quarter of 2008, Symbian's share of the global smartphone market was close to 50 percent. While Google's share has increased to 33 percent, Nokia's has fallen to less than 31 percent.

As a result some experts said this may mean Nokia will announce plans to introduce smartphone models using Android.

Last week, Nokia warned of a grim start to 2011 after rivals ate into even more of its smartphone market share, highlighting the scale of the task its new boss has to turnaround the business.

Stephen Elop, a former executive for Microsoft Corp who took over as Nokia chief executive in September, will unveil his plan to revamp Nokia's strategy on February 11.

Elop said last week he wanted to reopen markets such as the United States, where Nokia has lost out badly, and flagged a possible change in software strategy.

Pedestrians walk past a shop display in Taipei yesterday, one day before the lunar new year of the Rabbit. Taiwan's economy grew a blistering 10.47 percent in 2010, its fastest rate in 23 years, according to a government estimate, and analysts agreed on the one big reason behind the figure: China.

