Oil demand and cost burden to keep on rising: IEA

AFP, *Paris*

The global economic recovery will fuel ever greater demand for oil this year, with higher fuel prices expected to add a 15 percent burden on advanced economies, the IEA warned on Thursday.

"Under current assumptions for global GDP, oil price and oil demand, the global oil burden could rise to 4.7 percent in 2011, getting close to levels that have coincided in the past with a marked economic slowdown," the International Energy Agency said in its latest monthly Oil Market Report.

"Indeed, the combination of higher prices with a fragile economic recovery, emerging inflationary pressures and instability in the Middle East is not a healthy one," it added.

The IEA, the energy policy and monitoring arm of the 34-member Organisation for Economic Cooperation and Development, estimated the global oil burden at 4.1 percent in 2010, knocking 0.8 percent of gross domestic product (GDP) in the OECD countries.

Based on oil at $90 a barrel it estimated the oil burden would rise by 15 percent to 4.7 percent this year, near the 5.0 percent level it estimates is likely to trigger recession.

The price for Brent crude has rocketed over $100 a barrel for the first time since September 2008 as unrest in Egypt fuelled concerns of possible disruption to transit through the Suez Canal.

The IEA warned last month that sustained oil prices of $100 a barrel pose a real risk to the world economy.

Oil demand is still expected to grow in 2011 despite the pace of the global economic recovery tapering off, the IEA said.

After taking into account the latest economic forecasts from the International Monetary Fund, the IEA said global oil product demand should reach 89.3 million barrels per day (mbd), an increase of 1.5 mbd year-on-year.

It estimated global oil demand rose by 2.8 mbd to 87.8 mbd in 2010.

Chinese demand has continued to rise strongly. Oil demand gathering speed in December with a 17.7 percent increase against the same month in 2009 to 10.4 mbd, another record.

Efforts by the Chinese government to cool off its breakneck economic growth make forecasting difficult, but the IEA said it expects Chinese oil demand to rise by 6.0 percent in 2011 to 9.96 mbd on average.

The IEA raised its demand forecast for OECD countries by 90,000 barrels per day (bpd) to 46.0 mbd in 2011, which is a 0.2 percent decline from 2010 as advanced economies continue to wean themselves off of fossil fuels.

The forecast for non-OECD countries was raised by 60,000 bpd to 43.2 mbd, an increase of 3.7 percent or 1.6 mbd from 2010 consumption.

Global oil supply rose 0.5 mbd in January to 88.5 mbd, the IEA said, with OPEC crude supply hitting a two-year high at 29.85 mbd.

Excluding Iraq, which is not subject to OPEC quotas, production rose to 27.2 mbd, against the agreed production level of 24.845 mbd target set in December 2008.

Increases by the UAE, Angola, Libya and Venezuela partially offset slightly lower output from Iran and Nigeria.

AFP

A view of a refinery in southern France, which belongs to British group Ineos. The global economic recovery will fuel ever greater demand for oil this year, with higher fuel prices expected to add a 15 percent burden on advanced economies, the IEA warned yesterday.

Food inflation eases in India

REUTERS, *New Delhi*

India's food inflation eased in end January on moderating prices of fruits and vegetables but annual headline inflation in January is still expected to remain high.

India's food price index rose 13.07 percent and the fuel price index climbed 11.61 percent in the year to Jan. 29, government data on Thursday showed.

Headline inflation in December was 8.43 percent stoked by high food inflation which reached a one year high in end December last year and analysts say that figure could shoot higher in January.

In the prior week, annual food and fuel inflation stood at 17.05 percent and 11.61 percent.

The primary articles price index was up 16.24 percent in the latest week, compared with an annual rise of 18.44 percent a week earlier.

The one-year swap and the benchmark five-year swaps were both down 1 basis point each at 7.45 and 8.10 percent respectively after the data as the market had already priced in lower food inflation.

Analysts say the data shows the Indian central bank has tightened monetary policy appropriately and is not behind the curve.

"Indian food price inflation dropped sharply in the latest week to 13 percent year on year from 17 percent the previous week. This is in line with our view of a fall in WPI in February," said Dariusz Kowalczyk, an analyst at Credit Agricole-CIB in Hong Kong.

"It may also calm down fears of RBI (the central bank) being sharply behind the curve, which could bring back foreign portfolio investors and be positive for the rupee," he said.

The Indian central bank, the Reserve Bank of India (RBI), has raised seven times since March last year but that has had limited effect on moderating inflation.

In its January 25 policy review, the RBI had upwardly revised its end March inflation projection of 5.5 percent to 7 percent. Despite monetary and administrative measures, high inflation has become entrenched in the economy, a realisation which has prompted top policy makers to prepare

AFP

Chevrolet introduces the 2011 Indianapolis 500 Chevrolet Camaro Pace Car at the Chicago Auto Show at McCormick Place on Wednesday in Chicago, Illinois. The show opened for media previews yesterday and is open to the general public today.

IMF ignored crisis warnings

AFP, *Washington*

The IMF ignored warnings about the financial crisis from its own top economist and acted like cheerleader for the US economy rather than monitoring it, according to a scathing watchdog report published Wednesday.

The International Monetary Fund "failed to highlight the relevant vulnerabilities" in the US financial system in the run up to the 2008 crisis, according to a 51-page report from the fund's Independent Evaluation Office.

Despite a 2005 warning from the IMF's chief economist Raghuram Rajan about the same complex financial products that would plunge the globe into crisis, little was done to act on those warnings, the watchdog said.

"Despite the importance of the economic counselor's position, there was no follow up on Rajan's analysis and concerns -- his views did not influence the IMF's work program."

In contrast, the watchdog claimed the IMF "often seemed to champion the US financial sector and the authorities' policies, as its views typically paralleled those of the US Federal Reserve."

The report is a damning criticism of the Washington-based body, which, as part of its mandate, monitors economies around the globe and frequently warns of looming risks.

"The banner message was one of continued optimism after more than a decade of benign economic conditions and low macroeconomic volatility."

"The belief that financial markets were fundamentally sound and that large financial institutions could weather any likely problem lessened the sense of urgency to address risks or to worry about possible severe adverse outcomes."

The IMF, it said, could have taken steps to improve surveillance, for example by including developed economies in programs adopted after the Asian financial crisis more than a decade earlier.

"Advanced economies were not included in the vulnerability exercise launched after the Asian crisis, despite internal discussions and calls to this effect from board members and others."

The IMF was also criticized for a narrow analytical approach and for staff "operating in silos" that led to a failure to "connect the dots."

"The silo behavior is a longstanding problem; and it occurs between departments, within departments, within divisions, and even within management."

Since the financial crisis began the IMF has seen its power increase. It has become an emergency backstop for countries from Mexico to Poland, and has bailed out others, most notably Greece and Ireland.

SingTel net profit up

AFP, *Singapore*

Asian phone giant Singapore Telecom (SingTel) said Thursday its third quarter net profit climbed marginally from a year ago, boosted by robust revenue growth in Australia and the home market.

Contributions from associates in Indonesia, India and the Philippines fell, weighing down net profit, which came in at Sg$998 million ($783 million), up 0.8 percent from a year earlier.

The result however beat the average forecast from a Dow Jones Newswires poll of five analysts that tipped net profit at Sg$905 million.

SingTel, which has a wholly-owned subsidiary in Australia and holds strategic stakes in major mobile phone firms across Asia, said revenue rose 5.7 percent to Sg$4.70 billion.

On the Singapore bourse, SingTel shares were at Sg$3.06 in late morning trade, down 0.97 percent from the previous day's close.

"The group held its net profit stable, benefiting from a diversified earnings base," said SingTel Group chief executive Chua Sock Koong.

"Singapore and Australia continued to perform and deliver strong revenue growth and cash flows despite the level of competition in these markets," she said in a statement.

"At the same time, the group continued to invest in key initiatives in multimedia and ICT (information and communications technology) to capture new growth opportunities as we transform the group's business beyond telecommunications."

SingTel's share of pre-tax profits from its regional mobile associates tumbled 12.8 percent on average.

Contributions from India's Bharti Airtel dipped 21.7 percent as the result of its acquisition of South Africa's Zain telecom and those from Indonesia's Telkomsel fell 9.9 percent.

Its pre-tax profit share from Globe Telecom in the Philippines and Pacific Bangladesh Telecom dipped 27 percent and 14.3 percent, respectively.

However, contributions from Thailand's Advanced Info Service rose 31 percent and those from Pakistan's Warid Telecom were up 7.8 percent.

Chua told a news conference that SingTel's regional associates "may be past their explosive growth phase, but they will continue to add customers and grow in their own markets."

Asked about planned mergers and acquisitions, she said the company "will continue to look for deals in emerging markets".

"We will also look for deals in our own operations to see if there are acquisitions that we can make that will give us access to new market segments or access to new product technologies," she added.

On Wednesday SingTel, Southeast Asia's biggest telecom firm by revenue, said its mobile customer base had reached 383 million by the end of December 2010, up 34 percent from the year before.

AFP

A passer-by talks on her mobile phone as she crosses the street in Singapore's financial district yesterday.