The Business

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$1.3bn war on inflation

KUALA LUMPUR: Malaysia's government said yesterday it would spend four billion ringgit ($1.3bn) to increase food production and tackle price increases as the country faces spiralling global oil and food costs.

Prime Minister Abdullah Ahmad Badawi said he would also set up a high-level anti-inflation committee to tackle these issues.

Anger over rising food and fuel prices was a key issue in general elections last month, and one of the factors credited with Abdullah's ruling coalition facing its worst performance in its half-century history.

"This body will meet often most probably once a fortnight to discuss issues but if they need to meet more often, they can," Abdullah said.

He said although the country produced enough rice to meet 65 to 70 per cent of demand, he wanted to implement a new policy to guarantee meeting 100pc of rice needs nationwide.

The prime minister also said he would have a government-linked think tank organise an anti-inflation forum where ideas could be mooted to help solve the country's problems.

"The priority will be to hear suggestions, not just criticism," he said.

■ *Antigua and Barbuda Prime Minister and Foreign Minister Baldwin Spencer called on Bahraini businessmen yesterday to invest in his country. He was speaking as he met Bahrain Chamber of Commerce and Industry chairman Dr Essam Fakhro at the Ritz-Carlton Bahrain, Hotel and Spa. Mr Spencer later left Bahrain.*

SABIC SETBACK

● US slowdown hits steel-maker's profits

RIYADH: Sabic posted its smallest growth in quarterly profit in almost two years in the first quarter as a US economic slowdown hurt demand for chemicals even as Asian demand jumped.

Higher input costs resulting from record oil prices continued to hit the profit of the world's biggest chemicals firm by market value, chief executive Mohamed Al Mady said.

Sabic, also the Gulf's largest steel maker, said first-quarter profit rose 10 per cent to 6.92 billion riyals ($1.85bn), or 2.31 riyals per share, compared with 6.29bn riyals, or 2.10 riyals per share, a year earlier.

First-quarter profit growth was the smallest since the second quarter of 2006.

Firm to invest in India

NEW DELHI: **Sabic is looking to build a petrochemical plant in India, a company official said.**

"We are looking at investing in India's petchem sector. We are looking for production in India," Sabic's business development manager Nasser Al Torki said at a meeting of Arab and Indian oil and gas officials.

Asked the size of the investment, he said we have interest and if you have interest, you don't have numbers, suggesting that the investment is not limited by numbers.

Sabic currently supplies some petrochemical products in India.

"India is a big market. India is an important and growing market for Sabic," Al Torki said.

Sabic signed a pact this year to build an ethylene derivatives complex in China.

"Sabic's global business is growing ... in spite of increased feedstock prices and an economic slowdown in the US and to some extent in Europe," Al Mady said.

"Sabic has achieved positive results thanks to the Asian markets, in particular China," he said.

Asian demand for petrochemicals is expected to exceed the combined demand of the US and Europe within two years, Al Mady said earlier.

Sabic's sales grew 6pc in the first quarter in terms of volume and 4pc in value, it said, without giving a breakdown. Operating profit rose 14pc to 10.89bn riyals after a 4pc rise in sales, Sabic added.

"The results are disappointing. The market was expecting profit to exceed 7 bn riyals," Riyadh-based KSB Capital Group deputy chief executive Ibrahim Al Alwansaid of the net profit expectation.

KSB had forecast Sabic would make 8.09bn riyals in the quarter in a Reuters net profit survey last month.

"It appears that Sabic is starting to be affected by the global recession," he said.

Shares of Sabic fell 2.02pc to 157.50 riyals yesterday, their biggest one-day drop this month. Profit figures were released after the trading session.

Sabic had reported record profit for five consecutive quarters up to the third quarter of last year on surging global demand for chemicals, steel and fertilisers.

But in the fourth quarter, input costs from a surge in oil prices to record highs had weighed on Sabic's earnings.

Oil prices, to which chemical prices are linked, have surged and hit $117 a barrel on Friday, compared with less than $65 a barrel a year ago.

Analysts have also attributed part of the decline in Sabic profit growth in the last two quarters to financing for its $11.6bn acquisition of GE Plastics in August.

Shares of Sabic had tumbled after its fourth-quarter profit missed all analysts' forecasts as the US mortgage crisis hurt demand for chemicals.

The stocks jumped 15pc this month to their closing price last week, buoyed partly by high price targets of investment banks such as HSBC, which has a 210-riyal target on the stock, a 33pc premium to its last closing price.

■ *A high-level business delegation from Bahrain met Indian Commerce Minister Kamal Nath yesterday. The delegation led by Bahrain–India Society chairman and former minister Abdulnabi Al Sho'ala is in India to attend the Indo-Arab economic forum, organised by the Federation of Indian Chambers of Commerce and Industry at the Federation House in New Delhi. At the event is, Mr Nath, centre, with, from left, delegation members Ali K Hassan, Jawad Al Hawaj, Bahraini ambassador Mohamed Ghassan Shaikho, Mr Al Sho'ala, Sunny Kulathakal and Navin Megehan.*

Saudi rules out capacity boost

ROME: There is no need for Saudi Arabia to increase its output capacity beyond its 12.5 million barrels per day target until "at least up to 2020", Saudi Arabian Oil Minister Ali Al Nuaimi said yesterday.

Saudi Arabia has spent tens of billions of dollars on projects to meet growing world demand and maintain spare production capacity of 1.5-2 million bpd to deal with any unexpected outages in global supply.

The kingdom is the only oil producer with substantial spare capacity that can be brought online quickly.

Long term future energy balance forecasts call on the world's top oil exporter to boost capacity further to meet growing demand, and the kingdom has previously said it could take output capacity to 15m bpd.

But Al Nuaimi said in the interview there was no reason for the holder of the world's largest oil reserves to embark on further expansion for now.

"As we stand today, there are no plans to do so, and the reason is very simple," he said.

"We are idling at a[illegible]d 9m bpd and we will reach capacity of 12.5m bpd by next year. That is substantial spare capacity. As far as I know, all the latest projections, at least up to 2020, do no require anything higher than that." Al Nuaimi said the oil market did not need more oil and crude inventories were "fairly high".

"Today there is no reason to jump up and down and say 'we will supply more crude' – because that request from consuming countries is probably politically driven rather than a fundamental requirement," he said.

Let oil find its real value – Page 28

ANY OTHER BUSINESS

● Minister for key water forum

MANAMA: Works Minister and Electricity and Water Authority head Fahmi Al Jowder yesterday left for Saudi Arabia to take part in the Water Desalination Conference. The event, which starts today in Riyadh under the theme 'Cost-Effective Desalination', is being patronised by Saudi King Abdullah.

● Listing on way

MANAMA: **Leading family business group Al Meer will be turned into a closed partnership company after it received an approval from the Industry and Commerce Ministry, said group chairman Abdul Monim Al Meer, reports our sister paper *Akhbar Al Khaleej*. The move is part of a strategic plan aiming to turn the group into a public partnership company and list it on the Bahrain Stock Exchange, Mr Al Meer said.**

● Wheat prices soar

MANAMA: Wheat prices in the international market have soared to $500 per tonne, up from $200 over the past 12 months, reports our sister paper *Akhbar Al Khaleej*. The government, however, has maintained stable prices at BD 3.7 per 50kg sack. It is planning to reduce prices to BD2 in future, compared to BD11 in neighbouring Gulf countries. Bahrain Flour Mills Company is stepping up efforts to increase its wheat storage capacity to 45,000 tonnes from the current 22,000. Bahrain imports 90,000 tonnes of wheat yearly.

● Hi-tech Bahrain!

MANAMA: **Bahrain has been ranked 45th in a list of the most networked economies in the world, according to the latest edition of the *Global Information Technology Report 2007-2008*. Only Israel (18), the UAE (29) and Qatar (32) finished in front of Bahrain from Middle East region. Saudi Arabia, Kuwait, Oman and Egypt ranked 48, 52, 53 and 63 respectively. Denmark was the most networked economy in the world, followed by Sweden and Switzerland.**

● Foreign buyers leading

DUBAI: Non-Arab investors were the only net buyers on Dubai's bourse last week, purchasing 490.47 million dirhams ($133.6m) of shares, bourse data showed yesterday. Investors from outside the Arab region bought 1.2 billion dirhams worth of shares and sold 708.92m dirhams of shares in the trading week ended April 17, Dubai Financial Market said.