

Qatar's 43% jump in LNG production to 110mn tonnes to commence by 2024: Al-Sada



Nagoya City

Qatar's 43% increase in liquefied natural gas production to 110mn tonnes per year is planned to commence by 2024, said HE the Minister of Energy and Industry Dr Mohamed bin Saleh al-Sada.

Qatar, with its current 77mn tonnes exports, stands as the biggest LNG supplier, accounting for nearly one fourth of the global LNG trade, al-Sada said at the '7th LNG Producer-Consumer Conference 2018' in Nagoya City, Japan on Monday.

In 2017, the minister noted, "His Highness the Amir of the State of Qatar, Sheikh Tamim bin Hamad al-Thani, instructed to increase LNG production by 43% from the current 77mn to 110mn tonnes per year. This production is planned to commence by 2024, thereby largely contributing to global efforts to bridge the gap between the supply and demand of LNG, which is expected to emerge starting mid-2020s due to demand growth."

Al-Sada emphasised that Qatar "placed its relationship with its customers on top of its priority" list.

He added that despite the "unjust and illegal blockade" by its neighbours, Qatar had not missed out a single shipment to its valued customers worldwide.

Al-Sada said gas was forecast to be the fastest-growing fossil fuel in the global energy mix. He added that the growth rate of LNG has surpassed all other sources of energy.

The minister stressed that the second wave of LNG-production, led by the addition of four world-class LNG trains in Qatar, besides upcoming substantial producing facilities in the US, Mozambique, Canada and other countries will further boost international LNG trade.



HE Dr al-Sada with US Deputy Secretary of Energy Dan Brouillette on the sidelines of the '7th LNG Producer – Consumer Conference 2018' in Nagoya City, Japan

Al-Sada noted the growing LNG trade was a “second revolution” of natural gas, and a “natural evolution” to meet the rising need for cleaner energy, delivered at the doorstep of consumers around the world.

The minister added that by 2040, LNG is expected to exceed the volumes of gas delivered by pipeline and will make up the bulk of gas trades for the first time.

Al-Sada, who headed the Qatar’s delegation to the conference, met on the sidelines Dan Brouillette, US Deputy Secretary of Energy. The two sides discussed matters of common interest in the field of energy.

The minister also met Dr Fatih Birol, IEA executive director, and discussed the latest developments in the oil and gas markets.

The LNG Producer-Consumer Conference is a global annual forum, providing an opportunity to promote active dialogue among LNG producers, consumers and other stakeholders with a view to deepening shared understandings of market trends and to developing the global LNG market.

Moody's upgrades Qatar banking sector outlook to 'stable'



Santhosh V. Perumal

Global credit rating agency Moody's has upgraded Qatar's banking sector outlook to "stable" from "negative", reflecting the resilience of the country's economy and banking system to the ongoing economic and diplomatic blockade.

The rating agency also noted that the country's banking sector profitability will remain "stable" with capital buffers remaining "strong".

Highlighting that the banks' operating environment stand to benefit from higher economic growth, Moody's forecasts Qatar's real gross domestic product (GDP) to grow 2.7% in 2018 (against 1.6% a year ago), supported by high levels of public spending.

Qatar remains among the fastest growing economies in the Gulf Cooperation Council (GCC), with momentum fuelled by government-financed infrastructure projects both as part of the country's National Development Strategy and preparations for the 2022 FIFA World Cup, supporting the resilience of the operating environment and the banking system, it said in a report.

Highlighting that the Qatari economy has rebalanced as the supply chain disruptions following the blockade recovered rapidly with initial levels of imports restored in less than four months into the blockade; the rating agency said this illustrates the economy's flexibility and policy effectiveness in re-routing supplies.

Expecting Qatari banks' profitability to remain "stable" over the review period, with return on assets at around 1.4% by 2019; Moody's said Qatari banks' interest rate margins are slated to remain stable at 2.2% achieved in 2017, because the gaps between credit growth and deposit growth have been narrowing, reducing pressure on funding, which will support funding costs.

Moreover, Qatari banks have started re-pricing assets, which will further support any generalised increase in funding costs due to current rising interest rate environment.

Although a modest rise in non-performing loans are expected, necessitating "moderately" higher provisioning charges, it, however, said the adoption of the IFRS 9 accounting standard in the first quarter of 2018 means the early recognition of expected losses will ultimately support profitability over the outlook period.

"Qatari banks' profitability will be supported by the system's strong efficiency. Qatar's small and concentrated population means that banks can service their customers without the need for an extensive (and costly) branch network," Moody's said, forecasting that the system's cost-to-income ratio will remain between 25% and 30% into 2019, the lowest among GCC banks.

Moody's said capital buffers remain strong with tangible common equity expected to remain "stable" around 15.5% of risk-weighted assets by end 2019, driven by slower than normal credit growth and higher profit retention, counterbalancing the impact on the recognition of expected credit losses taken from the reserves for the implementation of IFRS 9.

Qatari banks' capital adequacy compares favourably with their GCC peers

"Under our base-case (or most likely) scenario, we expect the system-wide capital ratio to increase slightly over a two-year horizon, to 15.7% by end-2019, from 15.5% in 2017. This will

be mainly driven by healthy pre-provision income,” Moody’s said.

Finding that Qatari banks maintain sound and stable liquidity buffers with liquid assets at 24% of total assets as of December 2017, the rating agency expects the banks’ liquid assets to remain stable over the outlook period.

“The bulk of these liquid assets are held in Qatari government securities (rated Aa3, stable), which can be repo-ed with the central bank in times of market stress,” it added.

The economics of climate change



Two major events last week bear directly on global debates about climate change and how to address it. The first was the release of a report from the United Nations Intergovernmental Panel on Climate Change (IPCC), which sets out precisely what must be done to achieve the objectives of the 2015 Paris climate agreement. The second was the announcement that Yale University economist William Nordhaus will share this year’s Nobel Prize in economics for his work “integrating climate change into longrun macroeconomic analysis.” The first event should serve as a wakeup call for the international community. The IPCC report appeals to governments to take urgent action to reduce greenhouse-gas emissions significantly within the next decade. It warns that if average global temperatures are allowed to exceed 1.5C – or, at worst, 2C – above pre-industrial levels, the consequences could be catastrophic, and they will be felt as soon as 2040. Worse, the report shows

that the Nationally Determined Contributions set voluntarily by signatories to the Paris accord are vastly insufficient. Even if they are met, the increase in average global temperature will surpass 3C by 2100, and will continue to rise still further after that. Clearly, when policymakers revise their countries' NDCs, they must raise them significantly. But substantive action needs to come well before 2030. Otherwise, the world will suffer irreversible damage in the form of rising sea levels, loss of biodiversity, and deterioration of both land and marine ecosystems, including the potential extinction of the world's coral reefs. These developments will have far-reaching implications for water supplies and the health and living standards of the global population. And, needless to say, the greater the warming, the more severe these effects will be.

The selection of Nordhaus for the Nobel Prize is a more welcome development. Even so, it is worth noting that his approach to addressing climate change tends to be rather conservative, which is to say gradualist. Nordhaus relies on traditional economic analysis, which "discounts" the present value of future consumption by the return on capital, or interest rates. In other words, \$100 a half-century from now is worth \$15, \$10, or even less today, depending on the assumed interest rate. But, because the costs of any initiative to combat climate change must be borne in the present, they are necessarily higher at present values. The implication is that they must be incurred slowly. The problem with this approach is that it is inequitable toward future generations, which, of course, have no say in decisions that we make today. By definition, their welfare is being discounted. Yet were we to take intergenerational equity seriously, the leading factor to consider is that future generations will have better technologies than what we have today. Therefore, the appropriate social rate of discount should be equal to the rate of technological change, which is much lower than market interest rates. One could also argue

that the traditional economic analysis is even inequitable toward individuals, in addition to future generations. Just ask an older person with an inadequate (or nonexistent) pension whether his present welfare is worth less than his past consumption. A much better approach has been developed by Nicholas Stern of the London School of Economics. In his now-famous "Review on the Economics of Climate Change," Stern was calling for accelerated action to combat climate change as early as 2006. In his view, the costs of dealing with runaway global warming would far exceed the expense of addressing it early. Another alternative has been developed by Martin Weitzman of Harvard University.

Weitzman relies on analytical tools similar to those used by Nordhaus, but his work also accounts for the catastrophic risks associated with climate change. As such, his approach is also similar to that of the IPCC and the UN Environment Programme (UNEP), both of which have concluded that global warming above a certain level will have truly disastrous effects. To my mind, the Nobel Committee should have recognised not just Nordhaus but also some of these other economists of climate change, particularly Stern. The fact is that humanity cannot afford to act gradually on this issue. The Stern Review, the latest IPCC report, and the UNEP have all concluded that current efforts to reduce emissions must be stepped up substantially. That means accelerating the global transition to clean-energy technologies (including in transportation), improving the efficiency of energy production/consumption, reversing deforestation, improving land use, and promoting technological innovation to facilitate all of these processes. The message from the IPCC report is clear. All countries must raise their emissions-reduction targets and strengthen their commitments under the Paris agreement. And the country that is historically responsible for the largest share of greenhouse-gas emissions – the United States – must return to the agreement and show leadership on this issue once again. – Project Syndicate 0 José Antonio

Ocampo is a board member of Banco de la República, Colombia's central bank, professor at Columbia University, and Chair of the UN Economic and Social Council's Committee for Development Policy.

Pourquoi l'embargo saoudien contre le Qatar a fait un flop



Le petit émirat tient tête à Riyad depuis 17 mois, grâce à ses fabuleux revenus gaziers et à la souplesse des marchés internationaux de produits de consommation.

A en croire les Qataris, l'embargo imposé par leurs voisins a tellement de conséquences positives qu'on serait tenté de leur conseiller d'en susciter d'autres...

Un cas sans équivalent

Le minuscule mais richissime émirat (350.000 ressortissants, PIB par habitant de 128.000 dollars, record du monde) tient tête efficacement à cette Arabie Saoudite sur la sellette aujourd'hui suite à l'affaire Khashoggi. Le 6 juin 2017, Riyad

avait imposé, avec Le Caire, Bahreïn et Abou-Dhabi, un embargo aérien, terrestre et naval total sur Doha, pour cause de divergences géostratégiques. Un cas d'une ampleur sans équivalent au monde depuis un demi-siècle. Au point que les Qataris parlent de blocus, terme toutefois inexact puisque l'armée saoudienne n'intercepte pas les avions et navires turcs, iraniens ou européens approvisionnant désormais l'émirat.

Ce sont ces navires et avions qui ont permis au Qatar, après quelques jours de sidération, de remplacer les produits acheminés jusque-là quasi exclusivement depuis Riyad, seul lien terrestre avec la péninsule, ou du port de Dubaï. A été instauré un pont aérien spectaculaire, qui a notamment acheminé 4.000 vaches laitières australiennes. *« Nous avons mis deux mois pour installer de nouveaux circuits commerciaux et logistiques en appliquant simplement des plans de précaution prévus pour d'autres crises »*, explique le secrétaire d'Etat à l'Economie, Aziz Ahmed Aluthman.

Les produits de consommation viennent désormais directement du Maghreb, d'Europe, de Turquie, d'Iran ou d'Inde. Sans susciter d'inflation, insistent les Qataris, qui affirment avoir découvert à cette occasion que les grossistes saoudiens *« margeaient »* énormément. Les prix relevés dans un supermarché de Doha sont en tout cas du même niveau qu'en Europe.

Un prétexte pour les réformes

Le Qatar a pu compter sur son Port Hammad, devenu opérationnel juste avant l'embargo. Et a profité de la souplesse des grossistes internationaux. *« Les machines outils et matériaux de base sont facilement disponibles sur le marché mondial »*, explique Philippe Tavernier, patron de la filiale locale de Vinci, *« et il existe deux cimenteries nationales »*. Doha s'est d'ailleurs mis à subventionner la petite industrie

locale et a cessé d'hésiter sur des réformes, afin d'attirer les investisseurs étrangers. Ceux-ci ne seront bientôt plus obligés d'être associés à 51 % avec un partenaire local.

L'émirat a profité aussi de ce que l'intégralité de ses exportations et les deux tiers de son PIB proviennent du gaz, incontournable source d'électricité. A tel point qu'Abou Dhabi a fait une exception à son embargo pour continuer d'importer son gaz de Doha... L'économie dispose aussi du moteur des chantiers d'infrastructures destinés à doter l'émirat de secteurs de santé et d'enseignement d'excellence, sans oublier les huit stades de la Coupe du monde 2022 et les tours des quartiers d'affaires. Qui semblent toutefois peu peuplées, au risque d'une bulle : *« C'est une politique économique de l'offre »*, reconnaît pudiquement un homme d'affaires...

Retour à la normale

C'est sur le plan bancaire que l'embargo a fait tanguer l'émirat, avec des retraits de 20 milliards de dollars en une semaine, qui a obligé Doha à rapatrier le double de ses propres placements à l'étranger. Les agences de notation ont placé la note AA- de la dette qatarie en perspective négative mais ont rétabli la perspective stable récemment.

« Nous sommes plus ouverts et connectés qu'avant », ajoute Lolwah El Khater, la porte-parole du ministère des Affaires étrangères, qui cite la suspension de visas préalables pour les touristes de 88 pays. L'embargo laisse aux Qataris une impression de gâchis humain, puisque les pays voisins interdisent à leurs ressortissants de venir voir leurs proches dans l'émirat. *« La crise a déstabilisé le Conseil de coopération du Golfe persique »*, ajoute Aziz Ahmed Aluthman, pourtant indispensable dans une région à la culture politique sanguine ».

Yves Bourdillon

Gas fracking to start in England again next week after 7-year halt



Reuters/Preston

Shale gas developer Cuadrilla Resources expects to start gas fracking in northwest England next week, seven years after its first attempt to hydraulically fracture a well led to earth tremors, public protests and an overhaul of regulations.

The process, behind a surge in US gas production, involves fracturing rock deep under ground using a mixture of water, sand and chemicals to encourage the flow of hydrocarbons from shale, a dense and tightly-packed sedimentary rock.

It has draw criticism from the public and campaigners concerned about the environmental impact of fracking and the pollution caused by fossil fuels.

Protests against the practice led to work at Cuadrilla's site being halted in 2011.

But the government, keen to cut Britain's reliance on gas imports which soared to more than 50% of gas supplies, has tightened regulations and earlier this year gave consent for Cuadrilla to go ahead again.

Cuadrilla chief executive Francis Egan told Reuters that fracking of two wells and associated work would test gas flows.

"From that we'll be able to make an assessment of how much gas is recoverable and whether it will be commercially viable to develop the site," he said on the muddy Preston New Road site.

The industry's future in Europe may hinge on the outcome.

Although fracking has grown rapidly in the United States, it

has not been proved viable in Europe despite several attempts, including projects that failed in Poland five years ago.

Fracking has been banned in France, Germany and several other European countries.

Cuadrilla's well will be the first fracked horizontal well in Britain and the results will be watched by shale explorers such as IGas, Egdon and Third Energy, as well as majors like Exxon which was unsuccessful in Poland.

The plans could also be delayed by an injunction hearing due on October 10.

Environment group Friends of the Earth said the injunction was sought by Bob Dennett, a resident in Lancashire, the English county where the project located.

The hearing "will decide whether the injunction is upheld or whether fracking can commence whilst there is an outstanding judicial review over emergency planning procedures at the site," Friends of the Earth said in a statement.

Egan said this was a "last ditch, desperate attempt to slow us down" and said: "We think we have a very strong case to have that rejected and we will be in court next week arguing that."

The British Geological Survey estimates shale gas resources in northern England alone could amount to 1,300tn cubic feet (tcf) of gas, 10% of which could meet the country's demand for almost 40 years.

Britain has just 6.5 tcf in proved reserves and last year pumped 1.5 tcf, according to the BP Statistics Review.

Proved reserves are the strictest calculation of oil and gas that can be commercially extracted.

They change as discoveries are made.

Cuadrilla, owned by Australian mining servicing company AJ Lucas and US private equity fund Riverstone, said resource estimates were about 330 tcf for its licence area.

Cuadrilla's aimed to test a consultancy estimate that a single 2.5km (1.25 mile) well would produce 6bn cubic feet (bcm) of gas over its lifetime or about 5mn cubic feet a day, Egan said.

If the tests are positive, Cuadrilla has permission for two

more wells at the site located next to a road connecting the northern English towns of Preston and Blackpool. Cuadrilla has enough funds for the current tests. Its shareholder Riverstone, a \$38bn private equity fund, has invested in US shale firms such as pipeline operator Kinder Morgan.

IEA sees world oil market 'adequately supplied'



Reuters/London

Oil markets look "adequately supplied for now" after a big increase in production over the last six months but the oil industry is coming under strain as it copes with increasing global demand, the West's energy watchdog said yesterday.

The International Energy Agency said in its monthly report that the world's spare oil production capacity was already down to only 2% of global demand, with further reductions likely to come.

"This strain could be with us for some time and it will likely be accompanied by higher prices, however much we regret them and their potential negative impact on the global economy," the Paris-based IEA said.

Members of the Organisation of the Petroleum Exporting Countries and other exporters such as Russia and US shale producers had increased oil production sharply since May, the IEA said, raising output by 1.4mn barrels per day (bpd). Overall Opec had boosted production by 735,000 bpd since May as Middle East Gulf producers such as Saudi Arabia and the UAE more than compensated for declining output in Venezuela and

Iran, which is facing US sanctions from next month. And the outlook for world oil consumption was faltering. The IEA cut its forecast of global oil demand growth by 0.11mn bpd for both this year and next to 1.28mn bpd and 1.36mn bpd respectively.

“This is due to a weaker economic outlook, trade concerns, higher oil prices and a revision to Chinese data,” said the IEA, which advises major oil consumers on energy policy. OECD commercial stocks rose by 15.7mn barrels in August to 2.854bn barrels, their highest level since February, on strong refinery output and liquefied petroleum gas restocking, the IEA said.

It added that OECD inventories were likely to have risen by 43mn barrels in the third quarter, the largest quarterly increase in stocks since the first quarter of 2016.

“The increase in net production from key suppliers since May of approximately 1.4mn bpd, led by Saudi Arabia, and the fact that oil stocks built by 0.5mn bpd in 2Q18 and look likely to have done the same in 3Q18, lends weight to the argument that the oil market is adequately supplied for now,” the IEA said.

Airbus may beat Boeing to market with range-boosting plane



London: Airbus SE could build a longer-range version of its newest narrow-body jet by 2023, according to prospective buyer Air Transat, beating a competing Boeing Co. model to the market.

The Canadian carrier's president, Jean-Francois Lemay, has been briefed by Airbus on its thinking regarding service entry for the proposed aircraft, as well as by leasing firm AerCap Holdings NV, the biggest supplier to its fleet, he said in an interview in London.

A development of the existing A321neo known as the XLR for extra long range, the Airbus plane is under consideration as Boeing mulls a launch decision for a family of mid-range jets with the working title New Mid-Market Aircraft, or NMA. That model is a wholly new design and wouldn't reach airlines until about 2025, Chief Executive Officer Dennis Muilenburg said on a July earnings call.

"We're a natural buyer for the XLR," Lemay said Thursday, adding that the current LR – or long-range version – of the A321neo that will join its fleet from next year has the capability to reach Britain, France, Spain and Portugal from Canada, but won't be able to serve European locations further east.

No date yet

Airbus hasn't yet indicated a service-entry date for a new plane. Asked about the 2023 timing, a company spokesman said that "it's no secret the A321 still has lots of potential."

Lemay also gave some insight into the likely range of the aircraft, saying it would easily reach destinations such as Split in Croatia, which Air Transat plans to serve from 2019. The route will initially use the carrier's fleet of Airbus A330 wide-bodies as it's beyond the reach of the A321neoLR, he said.

The A321neo is already nibbling away at the bottom end of the 220-to-270-seat market Boeing is targeting for the NMA, with the LR variant racking up orders from carriers like Air Transat that see it as the best prospect to replace the US firm's out-of-production 757 and the 767 on some trans-Atlantic routes.

Lemay said he's braced for a lag of four to six weeks in the delivery of Air Transat's first LR, scheduled for February, as Airbus grapples with delays prompted by faults afflicting the model's engines. A second jet is due in March but the slippage won't be problematic so long as both are available by the time the peak summer timetable kicks in June, he said.

Not in Running

Air Transat isn't in the market for the NMA – also dubbed the 797 – since it's moving to an all-Airbus fleet, Lemay said, with a total of 15 A321 LRs set to allow the retirement of five Boeing 737s, as well as older Airbus A310s. Operating aircraft that all its pilots can fly will help save as much as C\$15 million (\$12 million), he said.

The executive predicted that trans-Atlantic flying will become increasingly narrow-body dominated as carriers from Norwegian Air Shuttle ASA to IAG SA's Aer Lingus embrace the potential of smaller planes with longer ranges.

The market is vital for Air Transat, he said, generating 90 per cent of revenue during the summer lull in travel from Canada to the Caribbean, a flow that's busier in winter when it accounts for 85 per cent of sales. With the A321 LR – and potentially the XLR – the carrier will have planes perfectly suited to both markets for the first time, Lemay said.

China swoops in on Canadian oil that's \$50 below US crude

Bloomberg/London BP boss Bob Dudley launched a wide-ranging attack on the divestment movement that's calling on

institutional investors to sell down their oil stocks, rejecting warnings from the likes of the Bank of England that hydrocarbons present a risk to the financial system. There are “people who want to drive a wedge between the energy industry and investors – between oil and money,” Dudley said on Wednesday at the Oil & Money conference in London. “They push for potentially confusing disclosures, raise the spectre of a systemic risk to the financial system from stranded assets, and campaign for divestment.” The criticism puts the British oil major at odds with the country’s central bank. Governor Mark Carney has suggested that the fight against climate change could leave some oil reserves stranded – effectively worthless – and that the exposure of UK investors is “potentially huge.” Now asset managers are increasingly prodding the world’s biggest polluters to come up with stronger green strategies. Proponents of the divestment movement “are driven by good intentions, but my concern is that their suggested recommendations could lead to bad outcomes,” Dudley said. “We could take a different, more innovative and collaborative path. One that recognizes many fuels must play a part in meeting the dual challenge – albeit made much cleaner.” Since activist group 350.org started the climate divestment movement in 2012, multiple institutional investors have signed up to the six Principles for Responsible Investment, a UN-backed framework for incorporating environmental, social and governance issues into investment practices. Carney himself is leading a group called the Task Force on Climate-Related Financial Disclosures, prodding companies to make transparent the risks they face from environmental rules. Dudley cautioned that such disclosures can open companies up to potential litigation. “I know what will happen: we’ll get sued by a certain industry because we’re off the path after a year,” he said. “So we need some sort of safe-harbour statements” from the regulator before that can work.

BP slams oil stock divestment in call for 'collaborative path'



Bloomberg/London

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ECB is divided over protectionist risks to eurozone, show minutes



AFP, Reuters/Frankfurt

European Central Bank chiefs were divided at their September meeting over the danger to the eurozone economy from protectionism and other global threats, with some calling for a gloomier assessment.

"It was remarked that a case could also be made for characterising the risks to activity as now being tilted to the downside," according to a regular account of the private gathering published by the ECB yesterday.

Following the September 13 meeting, ECB president Mario Draghi told journalists that risks to the 19-nation single currency area remained "broadly balanced". The account reveals

colleagues on the institution's governing council had earlier highlighted "risks relating to rising protectionism, vulnerabilities in emerging markets and financial market volatility having gained more prominence recently". In the end, policymakers decided to stick to the "broadly balanced" language.

"The underlying strength of the economy was judged to be mitigating downside risks," they agreed.

At its meeting in Bali this week, the International Monetary Fund (IMF) also expressed caution for the eurozone over growing risks, downgrading its 2018 growth forecast from 2.2 to 2.0%. A slowdown in economic activity could trip up the ECB as it winds down its "quantitative easing" (QE) mass bond-buying scheme, designed to boost economic growth and inflation by pumping cash through the financial system and into the real economy.

It is on the home stretch of its exit, slashing monthly purchases of government and corporate debt by half to €15bn (\$17.4bn) in October before a planned stop in December.

But with inflation projected to hover around 1.7% between this year and 2020, the central bank remains short of its target of price growth close to, but below 2.0%. Even after the end of QE, it plans to keep interest rates at historic lows "through the summer of 2019" to help keep credit flowing to firms and households.

The ECB kept policy unchanged as expected last month, staying on track to wrap up a €2.6tn (\$3tn) bond purchases scheme this year and raise interest rates next autumn, continuing its slow but steady pace of policy tightening.

Indeed, even as trade tensions weighed on growth and a stock market selloff amplified growth fears, some policymakers argued that was not enough for the bank to backtrack on policy normalisation.

"A gradual pace of monetary policy normalisation is justified," Finnish central bank chief Olli Rehn said in Indonesia on yesterday. "The current strength of the euro area economy supports our confidence that inflation will converge

towards... the ECB's price stability target." But some policymakers appear to be increasingly cautious, according to the minutes.

"A remark was made that some of the factors behind the (downward growth) revisions might not be entirely of a transitory nature," the minutes showed. "It was also argued that there could be larger spillovers from weaker external demand to domestic demand."

Still, while some policymakers argued that the case could be made for downgrading the risk assessment, there was agreement that the underlying strength of the economy would mitigate the downside risks to activity.

"High-frequency indicators had stabilised and remained at elevated levels, underlining the overall robustness of economic activity," chief economist Peter Praet told policymakers at the meeting, the minutes showed. With years of unprecedented stimulus finally lifting inflation, the ECB has been dialling back support, but only by the smallest of increments, fearing that bigger moves risked unravelling its work.

While the ECB has not explicitly pledged any rate hikes, policymakers, including Praet, have argued that they were comfortable with market expectation for a small increase in the fourth quarter of 2019, followed by only small and infrequent moves.

"To be any more precise than that, to lock in a date, to tie our hands, would be rather risky," Ardo Hansson, Estonia's central bank chief said at the annual meeting of the International Monetary Fund yesterday.

"When we get closer, we can have another discussion if we need to adjust the language again, but this is not a debate we are going to have just yet," Hansson said.

Policymakers also concluded last month that domestic cost pressures continued to build and broaden, indicating that inflation would rise, moving back towards the bank's target of almost 2% after undershooting it for over five years.