

## RUSSIA CUTS KEY RATE IN BOOST TO ECONOMY

**MOSCOW:** Russia's central bank cut its key rate yesterday for the first time in six months and said more cuts were coming, offering a welcome boost to the country's struggling economy. Falling inflation gave the central bank the leeway to shave a quarter-point off its headline rate and to promise more easing down the road. The central bank announced the cut to 9.75 percent from 10 percent after a regular monetary policy meeting. Russia's economic activity is in sore need of a boost as it struggles to emerge from two years of recession caused by the slump in oil prices and Western sanctions imposed over Moscow's actions in Ukraine.

The central bank last cut its interest rate in September, by half a percentage point to 10 percent. Yesterday's move came as the "inflation slowdown overshoots the forecast, inflation expectations continue to decline and economic activity recovers," the central bank said. It said inflation had dropped to 4.3 percent from 5 percent in January. "Inflation risks have slightly dropped but remain elevated. In these circumstances, given the moderately tight monetary policy, the 4 percent inflation target will be achieved by the end of 2017," the central bank said. It said it was considering "the possibility of cutting the key rate gradually" in the second and third quarters.

### More to come

Previous to yesterday's meeting, many economists had expected the status quo to continue while others had predicted a softening of the very restrictive monetary policy followed by the central bank since the ruble collapsed at the end of 2014. William Jackson, Senior Emerging Markets Economist at Capital Economics, said falling inflation and a stronger ruble mean that Russia's easing cycle "has much further to run".

Jackson himself had even predicted a 0.5 point reduction at yesterday's central bank meeting. Inflation was set to fall further "and more quickly than the central bank anticipates," Jackson said. "That should provide substantial room for further easing." The ruble rose against the dollar after the rate move, trading at 57.10 against the greenback around 1200 GMT, compared to 57.40 just before the cut. A number of key indicators have improved recently, favoring easier credit, especially inflation, which is now approaching the central bank's four-percent target for this year. — AFP



**MOSCOW:** Russia's Central Bank chief Elvira Nabiullina gives a press conference in Moscow yesterday. — AFP

## PORTUGAL CUTS DEFICIT TO LOWEST RATIO SINCE DEMOCRACY

**LISBON:** Portugal slashed its public sector deficit by more than half in a single year, when measured as a proportion of GDP, the national statistics bureau said yesterday, taking the shortfall comfortably below eurozone limits. The deficit dropped to 2.1 percent of gross domestic product in 2016, a staggering reduction from its 4.4 percent level a year earlier.

This confirms Finance Minister Mario Centeno's prediction last month that the deficit would be "not more than 2.1 percent," its lowest share of GDP since the advent of democracy in 1974. Eurozone members are required to keep their public deficits to below three percent of GDP, but some are struggling to do so. Portugal's public deficit shot up into the double digits during the global economic crisis, and despite an international bailout it had difficulty bringing it back down to 4.4 percent in 2015. Portugal's economy expanded by 1.4 percent in 2016, the national statistics institute said in February, after growing by 1.6 percent the previous year on the back of stronger exports and private consumption. — AFP



**STEELE CITY:** In this Nov 3, 2015, file photo, the Keystone Steele City pumping station, into which the planned Keystone XL pipeline is to connect to, is seen in Steele City. The State Department recommended approval of the Keystone XL pipeline, clearing the way for the White House to formally approve it.— AP

# TRUMP GOVT APPROVES KEYSTONE XL PIPELINE

## DECISION CAP YEARS OF LONG FIGHT

**WASHINGTON:** The Trump administration issued a permit yesterday to build the Keystone XL pipeline, reversing the Obama administration and clearing the way for the \$8 billion project to finally be completed.

The decision caps a years-long fight between environmental groups and energy industry advocates over the pipeline's fate that became a proxy battle over global warming. It marks one of the biggest steps taken to date by the Trump administration to prioritize economic development over environmental concerns. The State Department, responsible for reviewing the project because it crosses an international border, determined that building it serves US national interests.

That conclusion followed a review of environmental, economic and diplomatic factors, the department said. It wasn't immediately clear what, if anything, had changed since the State Department reached the opposite conclusion two years ago, other than the election of a new administration. President Donald Trump planned to address Keystone during an announcement yesterday morning, White House spokesman Sean Spicer said on Twitter.

### Presidential permit

TransCanada, the Calgary-based company that first applied for a presidential permit in 2008, called the decision a "significant milestone." "We greatly appreciate President Trump's administration for reviewing and approving this important initiative," said TransCanada CEO Russ Girling. "We look forward to working with them as we continue to invest in and strengthen

North America's energy infrastructure." But Greenpeace, one of the pipeline's most vocal opponents, said it sent a signal to the world that the US is "moving backwards" on climate and energy, and pledged to keep fighting it nonetheless.

"Keystone was stopped once before, and it will be stopped again," said Annie Leonard, the group's US director. The 1,700-mile (2,735 kilometers) pipeline, as envisioned, would carry oil from tar sands in Alberta, Canada, to refineries along the Texas Gulf Coast, passing through Montana, South Dakota, Nebraska, Kansas and Oklahoma. The pipeline would move roughly 800,000 barrels of oil per day, more than one-fifth of the oil Canada exports to the US.

Portions of Keystone have already been built. Completing it required a permit to cross from Canada into the US. Yet even with a presidential permit, the pipeline still faces obstacles - most notably the route, which is still being heavily litigated in the states. Native American tribes and landowners have joined environmental groups in opposing the pipeline.

TransCanada said yesterday it would continue engaging with "neighbors throughout Nebraska, Montana and South Dakota to obtain the necessary permits and approvals to advance this project to construction." In an unusual twist, the presidential permit was signed by Tom Shannon, a career diplomat serving in a senior State Department role, rather than by Secretary of State Rex Tillerson.

The former CEO of oil company Exxon Mobil recused himself after protests from environmental groups who said it would be a conflict of inter-

est for Tillerson to decide the pipeline's fate. Canadian Natural Resource Minister Jim Carr said the Canadian government is pleased with the decision. Ninety-seven percent of Canada's oil exports go to the US.

"Nothing is more essential to the American economy than access to a secure and reliable source of energy. Canada is that source," Carr said. Oil industry advocates say the pipeline will improve US energy security and create jobs, although how many is widely disputed. Calgary-based TransCanada has promised as many as 13,000 construction jobs - 6,500 a year over two years - although the State Department previously estimated a far smaller number. The pipeline's opponents contend the jobs will be minimal and short-lived, and say the pipeline won't help the US with energy needs because the oil is destined for export.

A Trump presidential directive also required new or expanded pipelines to be built with American steel "to the maximum extent possible." However, TransCanada has said Keystone won't be built with US steel.

The company has already acquired the steel, much of it from Canada and Mexico, and the White House has acknowledged it's too difficult to impose conditions on a pipeline already under construction. Environmental groups also say the pipeline will encourage the use of carbon-heavy tar sands oil which contributes more to global warming than cleaner sources of energy. President Barack Obama reached the same conclusion in 2015 after a negative recommendation from then-Secretary of State John Kerry. — AP