

Business

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Omicron variant raises new fears for pandemic-hit world economy

WTO reschedules ministerial conference for March

WASHINGTON: Just as it was recovering from the body blow of the COVID-19 pandemic, the global economy has taken yet another hit from the Omicron variant of the virus, which has led to a raft of new travel restrictions. First reported to the World Health Organization in South Africa less than a week ago, the new strain has rapidly spread everywhere from Africa to the Pacific, and from Europe to Canada, causing dozens of countries to announce travel restrictions.

The severity of the economic impact will depend on how dangerous the variant proves to be, and how well existing vaccinations stand up to it. That has meant that even with the most favorable scenarios in mind, economists are already revising their 2022 forecasts downwards.

The International Monetary Fund, which expects growth of 4.9 percent for the next year, has been insisting for months that the coronavirus and its variants remain the main threat. The economic impact could be "modest," in the order of 0.25 percentage points on global growth in 2022, if Omicron causes "relatively mild symptoms" and the vaccines are "effective," said Gregory Daco, chief economist at Oxford Economics.

In the worst-case scenario, in which Omicron proves extremely dangerous and large swaths of the world are in lockdown again, 2022 growth could fall to around 2.3 percent, as compared to the 4.5 percent expected by Oxford Economics before the variant emerged. And in such a scenario it is not certain that governments, which have stumped up trillions of dollars in aid since the start of the pandemic, would be willing to put in place further fiscal stimulus packages, especially if vaccines are available, Daco said.

Those aspects "are going to be really key to how it affects the global economy and people's behavior," said Erik Lundh, an economist at The Conference Board.

Self-isolation

Beyond government measures to contain the new strain, fear of infection could lead people to limit

their own travel and economic activities, such as going to restaurants and reducing consumption, which will in turn impact growth. Lundh said. Another risk is the exacerbation of the global supply chain crunch. Lundh pointed out that "a lot of air cargo is stored basically in the belly of passenger planes...It's not just all sorts of FedEx planes."

"So if there are cancellations, if there's a lapse in demand for commercial flights for passengers, it does run the risk of limiting the route of trade," which could in turn worsen inflationary pressures as goods become more scarce. In addition, a wave of Omicron infections "could cause some workers to temporarily exit the workforce, and deter others from returning, making current labor shortages worse," said Neil Shearing, chief economist at Capital Economics in a note.

Omicron has sparked more anxiety than any other variant since the emergence of Delta, itself already much more contagious than previous strains.

US President Joe Biden, however, said Monday that there was "not a cause for panic," even if the United States has closed its borders to travelers from the southern African region where the variant was first detected. As for vaccine manufacturers AstraZeneca, Pfizer/BioNTech, Moderna and Novavax have expressed confidence in their ability to combat the variant.

Interest rate hike delayed?

However, the threat of a potentially more serious variant will complicate the task of central banks which could "postpone plans to raise interest rates until the picture becomes clearer," said Shearing. The Federal Reserve is due to meet on December 15, with several others, including the European Central Bank (ECB) and the Bank of England meeting the day after.

Pfizer CEO said Albert Bourla said it will be a few weeks before drug makers know most of what they need to know about the new strain. In the meantime, "uncertainty is damaging," said economist Daco.

"Every time you come back to a climate of uncertainty and fear, it slows down the recovery of the



MANILA: Workers pull carts loaded with goods for delivery in the Divisoria district of Manila yesterday. —AFP

world economy." On Monday, Fed Chairman Jerome Powell himself warned that Omicron is a risk for the US economy, which together with China and the European Union is one of the engines driving the global economy.

The WTO said yesterday it had rescheduled to March a ministerial conference that would have tackled thorny trade issues including fisheries and intellectual property because of the pandemic. The meeting, the first at this level since 2017, was to have run from Tuesday to Friday and bring together some 4,000 figures including heads of state and more than 100 government ministers.

The postponed gathering had already been from one planned last June in Kazakhstan but switched in the wake of the emergence of the COVID-19 virus. The WTO proposed a postponement to next year given "the deterioration of the epidemiological situation and ensuing travel restrictions" with the emer-

gence of the latest Omicron virus variant.

It is now proposed the meeting go ahead "during the first week of March 2022, if conditions allow". In a letter to national member missions, the WTO president and vice-presidents said the postponement should "not be a reason for us not to roll up our sleeves" as the WTO requires solidarity and full support "at this critical moment".

Pressing current issues on the WTO agenda are addressing intellectual property disputes as well as fisheries subsidies. Calling for a "sensible solution" to the former, the WTO urged flexibility on the latter "given that the fisheries subsidies negotiations have progressed substantially in the last few weeks".

The ministerial meeting will be the first since Nigerian economist Ngozi Okonjo-Iweala took the helm as WTO director general last March seeking to bolster the body's visibility amid growing trade rivalry between the United States and China. —AFP

EasyJet warns 'too soon' to know Omicron impact

LONDON: British airline EasyJet warned yesterday it was "too soon" to assess the impact of the Omicron COVID variant on the aviation sector, after logging narrowing annual losses as skies reopened. The emergence last week of Omicron, a new concerning COVID variant first detected in southern Africa, has prompted some nations including Britain to tighten travel curbs.

"It's too soon to say what impact Omicron may have on European travel and any further short-term restrictions that may result," EasyJet said in a results statement. "However, we have prepared ourselves for periods of uncertainty such as this."

Elsewhere in Europe, Scandinavian airline SAS expressed optimism despite the emergence of Omicron-but cautioned over "prevailing uncertainties" in the industry.

Demand pick-up

EasyJet meanwhile revealed "some softening of trading" in the current first quarter, or three months to December. However, the carrier forecast the fourth quarter would see "a return to near pre-pandemic"



LONDON: EasyJet has said it is already seeing a drop in bookings amid uncertainty over the new Omicron variant as it posted annual losses of more than £1 billion.

capacity levels as people take long-awaited summer holidays. EasyJet's net loss improved to £858 million (\$1.1 billion, 1.0 billion euros) in the reporting year to September, aided by the reopening of air travel.

That contrasted with a vast loss of £1.1 billion last time around, when COVID grounded flights and hampered demand. The airline, which is based in Luton north of London, added that pretax losses improved to £1.0 billion from £1.3 billion. Revenues more than halved to £1.5 billion as passenger numbers dived 60 percent, but the group drastically cut costs.

cines might be less effective at fending off the Omicron variant.

Carsten Fritsch of Commerzbank said "there is much to suggest that OPEC+ will not initially step up its oil production any further" in an effort to maintain current prices at around \$70 a barrel.

OPEC+ countries began slowly boosting output in May. The group has been adding 400,000 barrels per day to the markets every month, even though its capacity is 10 times higher than that. The alliance will discuss its output levels for early 2022 at the meeting.

No 'hasty' moves

Russian Deputy Prime Minister Alexander Novak, the Kremlin's oil pointman, warned Monday against any "hasty decisions", according to Russian news agencies. A technical meeting was set for Tuesday ahead of the meeting but was postponed to Thursday as experts seek more information on the "current situation", Novak said.

The conference also comes a week after the United States, China, India and Japan decided to dip into their strategic reserves to help bring down crude prices, after a surge that has undermined economic recovery. US President Joe Biden called it a "major initiative", with analysts estimating the injection at between 65 and 80 million barrels,

"EasyJet is moving through the pandemic with renewed strength," said Chief Executive Johan Lundgren. The business had been "transformed" by delivering "significant" cost savings and improving its network and flexibility.

"These initiatives alongside our strong, investment grade, balance sheet provide EasyJet with renewed strength to manage any further COVID related travel disruptions." In early afternoon deals, EasyJet shares dipped 0.5 percent to 499.90 pence on London's falling stock market.

'Eye of storm'

Interactive Investor analyst Richard Hunter said airlines are "caught in the eye of the storm" of the ongoing COVID crisis. "While the extent and impact of Omicron are not yet fully understood, the reaction from governments in restricting travel is becoming the norm," Hunter added.

"This begs the questions of how future variants and mutations are dealt with by the authorities, and whether the airlines can even hope to prosper given the stop-start nature of the present recovery."

The new, heavily mutated COVID-19 variant spread across the globe on Sunday, forcing nations to reimpose measures many had hoped were a thing of the past. Since the Omicron variant was identified and named last week, the UK government—which has responsibility for health policy in England only—has slapped a travel ban on 10 southern African countries, including South Africa. —AFP



including 50 million from the United States alone. Oil prices rose despite the move, but they fell after Omicron emerged.

Iran's possible re-entry into OPEC will be another key element in the OPEC calculus. Iran was sidelined from OPEC in 2018 when then US president Donald Trump pulled Washington out of the 2015 nuclear accord with the Islamic republic. After a five-month hiatus, negotiations resumed Monday in Vienna. While most analysts are pessimistic about the outcome, Bjarne Schieldrop of Swedish bank SEB said: "Getting Iranian oil production and exports back on track is probably the best option for President Joe Biden to ease the current oil market tightness." —AFP

India reports 8.4% quarterly growth on pandemic recovery

NEW DELHI: India maintained its pandemic bounceback with 8.4 percent growth in the July-September quarter, official data showed yesterday, boosted by a broad-based recovery after a deadly infection surge earlier this year. Asia's third-largest economy was hammered in 2020 by sudden COVID lockdowns that saw most industrial and manufacturing activity grind to a halt for months.

Infections skyrocketed again earlier this year in an outbreak that overwhelmed hospitals and crematoriums. But the latest on-year expansion shows the economy returning to its pre-virus size.

"Growth is on expected lines but it has been helped largely by the base effect. The growth over 2019 is only marginal," CARE Ratings chief economist Madan Sabnavis said. The economy grew by a record 20.1 percent in the April-June quarter, compared to a contraction of 24.4 percent during India's most stringent virus lockdown last year. The latest figures come as concern grows over the spread of the highly infectious Omicron COVID variant, which has weighed on global market sentiment.

"Growth seems to be on the road to 9.1 percent for the full year but a new COVID wave would put that estimate in danger," Sabnavis said. "If not for Omicron, we could have upgraded the growth forecast."

India has yet to detect any cases of the variant, health minister Mansukh Mandviya told parliament yesterday. Compared to the previous quarter, India's economy expanded by 10 percent at constant prices, according to an AFP estimate. The government does not release quarter-on-quarter economic data. The World Bank and International Monetary Fund slashed growth forecasts for India earlier this year after the huge COVID outbreak in April and May that killed more than 200,000 people.

But some analysts had raised their expectations in recent weeks in the wake of rising consumption and with new virus infections falling. The World Bank's most recent India forecast in October predicted 8.3 percent growth for the 2021-22 fiscal year, after a record contraction of 7.3 percent in the pandemic's first year. The Reserve Bank of India has maintained an accommodative stance on inflation to support the economy despite rising prices. —AFP

OPEC+ to meet as Omicron sparks price turmoil

LONDON: OPEC and the oil cartel's allies hold a key output meeting tomorrow facing new challenges as the Omicron coronavirus variant has roiled markets and other US-led nations decided to tap their strategic reserves.

The OPEC+ alliance has resisted US-led pressure to step up production to bring down surging energy prices, and the emergence of the new variant has complicated the equation. The meeting "is shaping up to be one of the most significant since the pandemic demand recovery began, and the key signal will be how much more oil will be added to supply to start the new year," said Peter McNally, an analyst at the Third Bridge think tank.

The detection of the new variant on Thursday caused crude prices to plunge more than 10 percent, a first since the massive drops of April 2020. After bouncing back on Monday, oil prices fell again on Tuesday as the head of US pharmaceutical company Moderna warned that current vac-