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OPEC+ to boost output in January

Omicron variant raises fresh questions over oil demand

LONDON: Major oil producers decided yesterday to raise output levels in January, despite the Omicron coronavirus variant raising fresh questions over demand. The OPEC+ alliance led by Saudi Arabia and Russia has so far resisted US-led pressure to significantly boost output to rein in surging energy prices.

But the emergence of the variant further complicated the equation, as countries have imposed new travel curbs and mull other measures that could dampen demand and hurt oil prices. The 13 members of the Vienna-based Organization of Petroleum Exporting Countries (OPEC) and their 10 allies met for a little over an hour yesterday afternoon via video conference.

The group decided to stick with its modest increase in output by 400,000 barrels per day every month, as they have been doing since May. The OPEC+ meeting comes a week after the United States and to a lesser extent China, India and Japan decided to dip into their strategic reserves to help bring down crude prices, after a price surge that has undermined economic recovery.

But the detection of the new variant last week caused crude prices to plunge around 15 percent, a first since the massive drops of April 2020 when the pandemic started to hit hard. In the hours before the decision was announced prices for the two benchmark contracts, WTI and Brent, had been largely stable on \$66 and \$69 per barrel respectively.

But they fell sharply as the meeting got underway and stood down roughly 2 percent as the announcement of the production increase was announced.

Remain cautious

At a technical meeting on Wednesday, OPEC Secretary General Mohammed Barkindo had "highlighted... that steady progress has been made on the global economic recovery" but also "underscored the need to remain attentive to the prevailing uncertainties and shifting conditions, including those related to the new COVID-19 variant Omicron," OPEC said in a statement.

Washington had called on the cartel to further open the taps. International Energy Agency executive director Fatih Birol said Tuesday he hoped OPEC+ would continue its current policy of increasing production. The group's spare capacity is some 10 times higher than the 400,000 barrels per day that it has been adding to the markets every month. OPEC+ drastically slashed output last year as the pandemic began to unfold, and virus-related restrictions caused demand to crash.

Another variable the bloc will have to contend with is the possible return to the market of Iran if talks in Vienna lead to the revival of the 2015 nuclear deal between Tehran and world powers. Iran's Foreign Minister Hossein Amir-Abdollahian said yesterday a deal was "within reach if the West shows good will". —AFP



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Many countries face 'economic collapse': IMF

WASHINGTON: The IMF yesterday urged advanced economies in the G20 to extend and improve its debt relief initiative, warning that many countries face a dire crisis without the help. "We may see economic collapse in some countries unless G20 creditors agree to accelerate debt restructurings and suspend debt service while the restructurings are being negotiated," IMF chief Kristalina Georgieva said in a blog, adding that it is critical private creditors also offer relief.

The G20 Debt Service Suspension Initiative (DSSI) expires at the end of the year, and without a renewal, countries could face financial pressure and spending cuts just as new COVID-19 variants are spreading and interest rates are expected to rise, she said.

"Debt challenges are pressing and the need for action is urgent. The recent Omicron variant is a stark reminder that the pandemic will be with us for a while," Georgieva said in the blog co-authored by Ceyla Pazarbasioglu, director of the fund's Strategy, Policy, and Review Department.

Given the problems with the debt relief program and the common framework for dealing with private creditors, only three countries so far have applied for relief—Chad, Ethiopia and Zambia—and they have faced "significant delays." — AFP