JAKARTS: Indonesians shop at a textile market in Jakarta yesterday. Indonesian President Joko Widodo came to power almost two years ago on a pledge to boost growth in the G20 economy, but has struggled to get key projects off the ground due to the dim global outlook and Indonesia's notoriously difficult business environment. —AFP

US crude stocks plunge as tankers delay arrival

Refinery processing rates rise, sharp slowdown in crude imports

LONDON: US crude oil inventories plunged by more than 14.5 million barrels in the week ending on Sept 2, the largest weekly drop since 1999. The reasons for the drawdown are not hard to find with a modest acceleration in refinery processing rates and a sharp slowdown in crude imports.

Crude imports fell from an average of 8.9 million barrels per day in the week ending Aug. 26 to just 7.1 million bpd in the week ending Sept. 2, according to the US Energy Information Administration. Crude imports fell by a total of almost 13 million barrels compared with the previous week, accounting for most of the reported decline in inventories.

TANKER ARRIVALS

Crude imports have been trending higher since early 2015 as domestic production has fallen and refiners have turned to foreign crudes to help meet strong demand for gasoline and diesel. Crude imports of 8.9 million bpd in the week ending Aug. 26 were the highest for nearly four years and imports have been above 8.4 million bpd in six out of the last 12 weeks. By contrast the 7.1 million bpd of imports in the week ending Sept. 2 were the lowest for 10 months, according to EIA data. Changes in the weekly volume of imports are the single most important source of week to week volatility in the stock numbers so the import slowdown produced a predictably sharp drop in inventories.

Crude oil imports exhibit significant week to week volatility but most of the changes are "noise" related to the timing of tanker arrivals and customs clearances. Crude importers must notify the Energy Information Administration about the amount of oil imported before 7am Eastern Standard Time on Friday each week.

But crude is reported only once it has cleared US customs, a paperwork transaction rather than a physical movement. Until then it is considered "in transit" and remains outside the reporting framework. While crude from Canada arrives by pipeline most other crude arrives by tanker, much of it in very large crude carriers carrying around 2 million barrels at a time.

In general, crude cargoes are cleared in a single entry with US Customs, which creates significant "lumpiness" in the data. Weekly import data is therefore very sensitive to the timing of tanker arrivals and customs clearances. In many cases a sharp rise or fall in imports is reversed the following week.

HERMINE WARNING

Ship arrivals and customs clearances can be impacted by bad weather and logistical problems as well as ordinary bunching, which seems to have been what occurred during the week ending Sept. 2.

Crude imports to both the US East Coast (Maine to Florida) and the Gulf Coast (Texas to Alabama) were both sharply lower in the week ending Sept. 2.

East Coast imports fell to less than 600,000 bpd from over 1.2 million bpd the week before. Gulf Coast imports dropped to less than 2.5 million bpd, from 3.2 million bpd the week before, and the lowest level on record. Imports to other areas also fell but by much less. Pipeline imports into the Midwest fell marginally but remained within the recent range. Seaborne imports to the West Coast also fell but remained within range.

The fact that the slowdown in imports was concentrated on the eastern seaboard points to weather and other local logistical problems as the most likely cause.

One likely explanation is tropical storm Hermine, which moved through the Gulf of Mexico and started to move up the East Coast during the week ending Sep. 2.

The National Hurricane Center started issuing warnings about Hermine on Aug 28. In most cases tankers will respond to the warning of a hurricane by attempting to divert away from it, remaining at sea and delaying arrival, which is consistent with the slowdown in imports reported last week.

The confluence of weather warnings on both the Gulf and East Coasts, a small slowdown in imports to the West Coast and an even more modest slowdown into the Midwest produced a very large drop in nationwide imports. The result was an unusually sharp drop in both imports and inventories but it seems to have been more a statistical effect than a sign of a fundamental shift.

In the past, sudden slowdowns in imports have often been followed by a sharp rebound the following week as delayed tankers arrive and discharge. If that pattern is repeated, both imports and crude stocks are likely to rise again over the next couple of weeks. — Reuters

Egypt receives first $1bn tranche of WB loan

CAIRO: Egypt received yesterday the first $1 billion tranche of a $3 billion three-year loan from the World Bank aimed at supporting the government's reform program, the international cooperation ministry said in a statement. Egypt has been negotiating billions of dollars in aid from various lenders to help revive an economy battered by political upheaval since the 2011 revolt and to ease a dollar shortage that has crippled import activity and hampered recovery.

The turmoil has seen foreign reserves more than halve from some $36 billion before the uprising to $16.564 billion in August. The World Bank had agreed to provide the first $1 billion in December but was waiting for the government's economic program, which outlines the broad strokes of its reform plans, to be passed by parliament. A long-delayed Value-Added Tax (VAT) was one of the reforms agreed to as part of the first tranche. Parliament approved the tax in August.

"We are happy to partner with Egypt in implementing its economic program which helps create job opportunities, attracts investment and strengthens growth," Asad Alam, the World Bank's Country Director for Egypt, said in the statement. Egypt reached a preliminary agreement with the International Monetary Fund in August for a $12 billion three-year lending program to help it plug its funding gap and stabilise markets.

But the deal requires Egypt to secure a further $6 billion in bilateral financing from other countries. The government is in advanced talks with Saudi Arabia to secure a new deposit worth $2-3 billion that would go towards that requirement. The United Arab Emirates agreed in August to provide the Egyptian central bank with a $1 billion deposit for a duration of six years. The $3 billion World Bank loan does not count as part of the required $6 billion, neither does an agreed $1.5 billion loan from the African Development Bank of which Egypt has already received a $500 million tranche. — Reuters

Oil falls below $49 but set for weekly rise on OPEC hopes

LONDON: Oil prices edged lower yesterday but were still set for their first weekly gain in three weeks after Russia and Saudi Arabia agreed to work together to help rebalance the markets and after a surprisingly large drawdown in US crude stocks.

Brent and West Texas Intermediate crude futures were on course to gain about 5 percent this week following two consecutive weeks of declines.

The Brent crude benchmark for November delivery was down $1.20 cents at $48.79 a barrel as of 1234 GMT after rising above $50 for the first time in two weeks on Thursday. NYMEX crude for October delivery was down 1.03 cents at $46.59, with both contracts pressured by a stronger dollar index amid concerns over the health of the EU economy. The International Energy Agency has said it expects oil demand to finally exceed supply in the third quarter of 2016, meaning record global crude stockpiles should start falling.

But analysts from Morgan Stanley said in a note yesterday there were risks the market might not rebalance until later. "Once again, we see an increasing probability for several unexpected bearish developments to come together, which could push off rebalancing (seasonally-adjusted demand exceeding supply) to late 2017, or even 2018," Morgan Stanley said. Bank of America Merrill Lynch said it saw prices picking up towards the end of the year, with WTI prices reaching $54 per barrel, and any dip in prices would be a buying opportunity.

If OPEC and non-OPEC producers agree to implement measures to limit supply when they meet next month in Algeria, it should help the markets rebalance. Algeria's oil minister said yesterday two separate agreements could be required between OPEC members and non-OPEC, highlighting the difficulties of clinching such deals. The oil options market indicates traders are not betting big on OPEC and rival Russia clinching a meaningful deal this month. BAML said it did not expect the OPEC gathering in Algiers to take any decisions. Iran's steep oil output growth has stalled in the past three months, new data showed, suggesting Tehran might be struggling to fulfil its plans to raise production to new highs. — Reuters