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Biden to release 15m barrels from US oil reserves: Official

Release in response to price hikes linked to Russia's invasion of Ukraine

WASHINGTON: President Joe Biden will announce Wednesday he's putting the final 15 million barrels on the market from a record release of US strategic oil reserves, with more releases possible if energy prices spike, a senior US official said. The new tranche of oil from the Strategic Petroleum Reserve will be "completing the 180 million barrel release authorized in the spring," in response to price hikes linked to Russia's invasion of Ukraine, a senior US official said Tuesday.

The order, which Biden will announce in a speech, means the president will be "making clear that the administration is prepared to undertake significant additional... sales this winter if they are needed due to Russian or other actions disrupting global markets," the official added.

The decision to make the biggest ever dip into the emergency oil reserves-usually kept for responding to situations such as hurricane-related shutdowns at oil refineries-was Biden's gambit to calm energy markets and shield the world's biggest economy from Ukraine war shocks.

Major energy exporter Russia was hit with US and European sanctions soon after it invaded Ukraine in February, causing turmoil on markets. In addition, the Kremlin has threatened to use its leverage over energy supplies as an economic weapon against the West, which supports Ukraine's fight to repel the invasion. For Biden there are serious domestic concerns, with gasoline prices at one point averaging more than $5 a gallon, causing nationwide anger. While prices have since moderated, inflation remains the biggest factor driving Republican hopes of defeating the Democrats in November's midterm legislative elections.

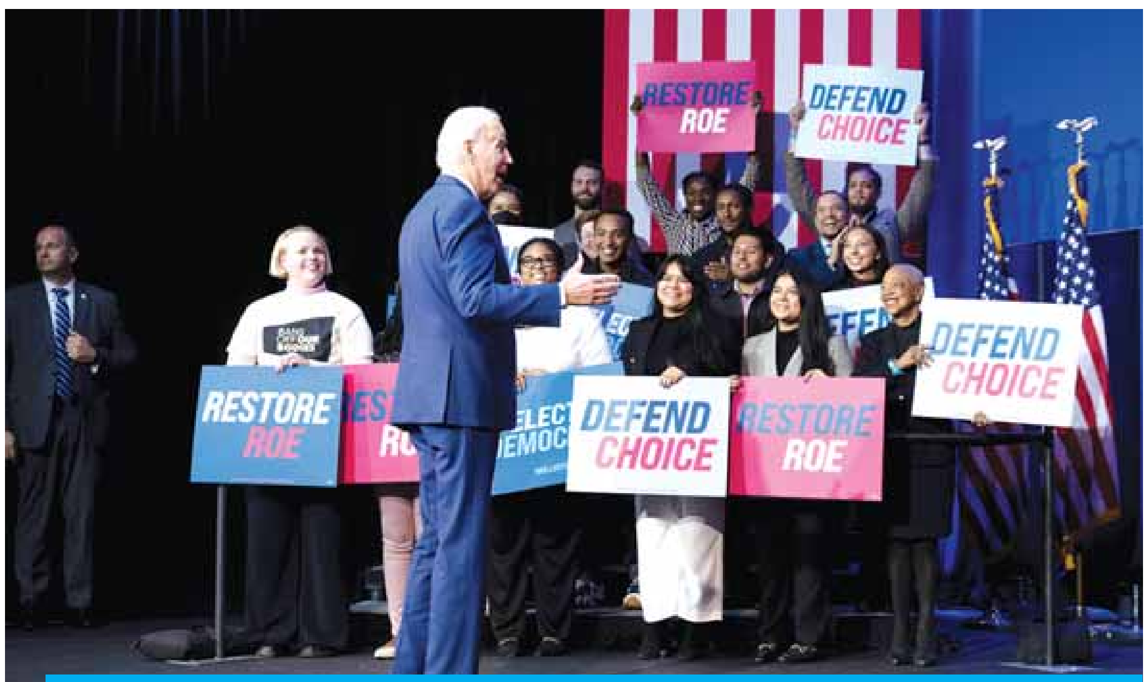
Reserves in good shape

The senior official, who spoke on condition of anonymity, stressed that the Strategic Petroleum Reserve was not being used irresponsibly. At the same time as announcing the 15 million barrel drawdown for delivery in December-and flagging the possibility of more to come-Biden is highlighting a plan to refill the reserve as soon as prices hit around $67-72 a barrel, the official said.

This is "an important signal for producers that the SPR will be part of helping to moderate and stabilize price flows, not only when prices are going high but when prices are going low," he said.

The reserve, meanwhile, remains in good shape, the official said, with more than 400 million barrels. "That is still a large amount" and allows for "additional opportunity... if we need to do more sales."

The official described the SPR use as a "brilliant" bridge out of a crisis moment, playing "an incredibly constructive role through a very challenging time period." However, with "additional volatility" expected from Russia and production levels still not back to pre-COVID pandemic levels, stability is "not quite there yet." Asked whether the United States could take the more radical measure of curbing fuel exports-something that would help tamp down domestic prices but hurt foreign buyers, including in allied countries-an official declined to confirm or deny. "We're keeping all tools on the table," the official, who also spoke on condition of anonymity, said.



WASHINGTON: US President Joe Biden delivers remarks during a Democratic National Committee (DNC) event at the Howard Theatre in Washington, DC, on October 18, 2022 — AFP

But with the midterm vote just three weeks away, Republicans are seeking to paint Biden as a manipulator of the oil reserves in order to win support for his Democrats. The move is not an effort to steady markets, "it's a bid to try and save his party from getting walloped in the Midterm elections," House Republican Byron Donalds tweeted, adding that "Biden's mismanagement of our strategic oil reserves is a dire threat to national security." —AFP

Truss budget fiasco shows power of the markets

LONDON: British Prime Minister Liz Truss's humiliating budget U-turn shows how markets can wield influence over government fiscal policy. The premier on Monday shredded her tax-slashing budget after it sparked markets chaos over rocketing state debt, as traders questioned the government's credibility on public finances.

Truss was elected last month on a tax-cutting platform and her astonishing reversal prompted talk of a rebellion within the governing Conservative party. The furore "is a rather extreme example of how markets react when a change in policy does not appear to be credible", said economist Antoine Bouet at French economic forecaster CEPII.

Not the first

The Truss budget is not the first time that world governments have failed to overcome the verdict of markets. Other examples include the pound's exit from the gold standard in 1931 and from the Exchange Rate Mechanism in 1992, as well as the Asian financial crisis in 1997, analysts say.

Britain's reversal has echoes of 1983 France, when socialist president Francois Mitterand switched to austerity in a major U-turn to restore market stability. Truss's flagship mini-budget on September 23 was aimed at boosting the recession-threatened economy and easing a cost-of-living crisis.

But her costly universal energy price freeze and tax cuts were financed by debt, fuelling fears of even higher inflation. That sent UK government bond yields rocketing and the pound collapsing to a record dollar-low on debt concerns. In reaction, the Bank of England launched an emergency bond-buying plan to help avert a financial catastrophe, while the International Monetary Fund urged a budget rethink amid a surge also in mortgage rates.

Three weeks later, Truss fired finance minister Kwasi Kwarteng and replaced him with Jeremy Hunt-who then axed most of the tax cuts, slashed the energy-price cap and warned of tough spending cutbacks. "No government can control the markets but every government can give certainty about the sustainability of public finances," Hunt said Monday as he took the axe to the budget.

'Room for maneuver'

Bouet argued the markets did not dictate the political and economic policy, rather they reacted to it . "There is a large amount of room for maneuver for governments, provided they do not go completely off the rails," the economist told AFP.

The reaction would have been "on a smaller scale" if the UK had announced smaller tax cuts-or energy price assistance that was more targeted. The market response was "brutal" because of "major inconsistencies", Bouet said. Truss' budget was seen as adding to already sky-high inflation, which the Bank of England is struggling to bring down. The BoE is set to deliver a super-sized interest rate hike next month after UK inflation hit a 40-year high of 10.1 percent in September. Russ Mould, strategist at stockbroker AJ Bell, said the sheer size of bond and foreign exchange markets gave them a unique power to impact the UK economy.

Britain's Prime Minister Liz Truss

No 'convincing plan'

"Financial markets can and will push governments around, especially if governments-or central banks-do something stupid," Mould told AFP. "Bond and currency markets are so large they can overwhelm almost anyone." Some have tried to take on markets, such as in 2012 when Mario Draghi-at the time head of the European Central Bank-vowed "to do whatever it takes" to save the euro.

Draghi helped avert a eurozone debt crisis, although the euro weakened significantly. "The EU debt crisis is a good example where markets lost confidence in debt sustainability in various southern European countries," noted analyst Kay Neufeld at research group CEBR. The Truss budget drama "showed what happens if you surprise markets-and don't have a convincing plan on how to pay" for costly measures. — AFP

UK inflation jumps back above 10%

LONDON: British inflation jumped back above 10 percent in September on soaring food prices, official data showed Wednesday, with the country gripped by a cost-of-living crisis bedevilling the government. The Consumer Prices Index accelerated to 10.1 percent on an annual basis, up from 9.9 percent in August, the Office for National Statistics said in a statement.

The September rate matched the level in July and is the highest in 40 years as a result also of sky-high energy bills. "I understand that families across the country are struggling with rising prices and higher energy bills," Britain's new finance minister Jeremy Hunt said in a separate statement.

"This government will prioritize help for the most vulnerable while delivering wider economic stability and driving long-term growth that will help everyone."

The government has been rocked by chaos in markets in the wake a budget that pledged tax cuts that would have been funded by state debt. Most of those measures have since been reversed, leaving Prime Minister Liz Truss fighting to save her job.

Following widespread criticism over the budget, Truss sacked Hunt's predecessor, Kwasi Kwarteng, after less than six weeks in the role. Analysts said Wednesday's data would put pressure on the Bank of England to keep raising its main interest rate by sizeable amounts. Capital Economics noted that the BoE could hike its rate by as much as one percentage point to 3.25 percent at its next meeting in November.

'Most pressing problem'

Victoria Scholar, head of investment at Interactive Investor, said inflation was "the most pressing economic problem facing the Bank of England as well as the government.

"Without price stability, the cost-of-living crisis will continue to weigh on the economy by squeezing household budgets and dampening business margins." In a bid to help households, the government has capped domestic energy bills until April. However, the original plan was for a cap until late 2024, which Truss pulled earlier this week. Markets were left spooked that a budget of tax cuts and a costly energy-price cap would add massively to British debt that had already ballooned on government support during the COVID pandemic. Her budget sent the pound plunging to a record-low against the dollar and caused yields on government bonds to soar-forcing Truss into a huge budget U-turn that has calmed markets.

Following Wednesday's data, the pound was down against the dollar and euro, while London's FTSE 100 shares index steadied at the open. —AFP

Ghana traders shut down to protest inflation

ACCRA: Traders in Ghana's capital Accra closed their stores and businesses on Wednesday in a three-day protest over soaring costs of living as the West African country battles economic fallout from the Ukraine war. Daily gridlock in Accra's Central Business District and in the biggest vehicle spare parts district was largely absent, with only street food vendors in front of the shuttered shops.

President Nana Akufo-Addo is under pressure over his economic management after reversing his position and entering talks with the IMF over a $3-billion loan to shore up public finances.

Ghana faces a high debt load and inflation at a historic high of 37 percent in September, while the local cedi currency has plummeted against the US dollar. Kwasi Amoah, a spare parts dealer at Abossey Okai, a suburb of Accra, told AFP traders no longer issued pro-forma invoices because prices change within a day, sometimes within hours. "We understand these are tough times all over the world, but our neighbours in Cote d'Ivoire and Burkina Faso are not suffering like us," he said.

The Ghana Union of Traders Association (GUTA) union said the move sent a signal to the government that they were frustrated over poor economic management. —AFP

Tunisian bakers strike over unpaid subsidies

TUNIS: Thousands of Tunisian bakers began an open-ended strike on Wednesday to demand fees the state owes them for producing subsidized bread as the country faces a grave economic crisis.

The national bakery owners' union said some 3,200 of their businesses had closed, representing 95 percent of the North African country's state-backed bakeries. They are demanding payment of 14 months of overdue subsidies, adding up to around 250 million dinars (nearly $78 million), the union said.

A further 1,200 bakeries that do not receive subsidies are functioning normally. Several dozen bakery owners staged a protest on Wednesday outside the headquarters of the UTICA business lobby group in the capital Tunis. "It's been more than a year that we've been paying from our pockets to produce bread, we've had enough," said Najib Mouhamadi, who owns a bakery employing six people in the northeastern province of Nabeul.

Tunisia is in the throes of a public finance crisis that has caused repeated shortages of subsidized flour, sugar and other basic goods. That comes years into a grinding economic downturn exacerbated by inflation that hit nine percent in August year-on-year. Last week, drivers in Tunis formed long queues at petrol stations as fuel deliveries faltered, stirring anger against the government of President Kais Saied who has installed one-man rule since staging a dramatic power grab in July 2021. Tunisia is in talks with the International Monetary Fund for a $1.9-billion loan that would also allow it to access international creditors, hitherto spooked by the country's CCC credit score from ratings agency Fitch.

The loan package, agreed to by IMF experts last week and expected to be approved by the lender's board in December, stipulates that the state gradually scrap the subsidy system and replace it with cash transfers to the neediest households. —AFP

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