

Russia clashes with Western oil buyers over new deals

REUTERS, Moscow

RUSSIAN energy majors are putting pressure on Western oil buyers to use euros instead of dollars for payments and introducing penalty clauses in contracts as Moscow seeks protection against possible new U.S. sanctions.

Seven industry sources told Reuters that Western oil majors and trading houses have clashed with Russia's third and fourth biggest producers, Gazprom Neft and Surgutneftegaz, over 2019 oil sales contract terms during unusually tough annual renegotiation in recent weeks.

The development mirrors a similar stand-off between Western buyers and Russia's top oil producer, Rosneft.

Earlier this week, trading sources told Reuters that Rosneft wants Western oil buyers to pay penalties from 2019 if they fail to pay for supplies in the event that new U.S. sanctions disrupt sales.

Now sources have told Reuters that Surgutneftegaz and Gazprom Neft have also clashed with their buyers over penalties and the use of euros and other currencies to replace the dollar in contracts.

"It is part of the same trend - the Russian oil industry is working on mitigating new sanctions risks. The buyers in turn argue they cannot carry those risks so we are trying to find compromises," said one source with a Western buyer involved in negotiations, asking not to be named as the talks are confidential.

Russia has been under U.S. and EU sanctions since 2014 when it invaded Ukraine's Crimean peninsula. The sanctions have been repeatedly widened to include new companies and sectors, making it tough for Russian oil firms to borrow money abroad, raise new capital or develop Arctic and unconventional deposits.

President Vladimir Putin's administration has been hoping for a thaw in relations with the United States since President Donald Trump came to power but Washington has imposed new sanctions instead, including on some of Russia's richest people.

Russian businesses are preparing for a



REUTERS/FILE

A female employee fills the tank of a car at a petrol station in Cairo, Egypt.

new wave of sanctions expected in the coming weeks. The firms are trying to diversify away from dollar payments and tapping Asia for more of their financing and technology needs.

According to four industry sources, Surgutneftegaz asked buyers to be prepared to switch from dollar to euro payments in contracts, and insisted on buyers being effectively responsible for any losses arising from sanctions.

"They basically said - sanctions don't matter. Buyers have to find a way to pay, or to return purchased goods, or pay penalties," a source with a big trading house said.

Gazprom Neft has also asked buyers to use euros in payments and bear financial responsibility for contract breaches in the

case of new sanctions, according to three sources. Gazprom Neft refused to comment. Surgutneftegaz did not immediately respond to a Reuters request for comment.

Russia supplies over 10 percent of global oil, so drastic sanctions against it could lead to a steep spike in oil prices.

All global oil majors rely on Russia to feed their refineries, especially in Europe and Asia, and hence they cannot just walk away from annual contract negotiations if they are unhappy with terms.

Talks with both Gazprom Neft and Surgutneftegaz have been progressing slowly and painfully, according to trading sources. Several Western buyers have managed to agreed compromises with Surgutneftegaz and Gazprom Neft, but

others are still in tough talks with the producers, the sources said.

All Surgutneftegaz's contracts are bespoke and are negotiated individually in the Siberian town of Surgut by the firm's management and visiting Western trading bosses. The sources declined to name companies that have already reached compromise deals.

In one such compromise, a large European buyer agreed to the use of euros in payments in exchange for Surgutneftegaz dropping its demand for penalties from buyers who fail to pay for cargoes.

"We have been arguing that if sanctions make it impossible to pay for an oil cargo, how on earth are we supposed to pay penalties," one trading source said.

Quality issues hit iPhone X, MacBook

REUTERS

Apple Inc said on Friday it had found some issues affecting some of its iPhone X and 13-inch MacBook pro products and said the company would fix them free of charge.

The repair offers are the latest in a string of product quality problems over the past year even as Apple has raised prices for most of its laptops, tablets and phones to new heights. Its top-end iPhones now sell for as much as \$1,449 and its best iPad goes for as much as \$1,899.

Apple said displays on iPhone X, which came out in 2017 with a starting price of \$999, may experience touch issues due to a component failure, adding it would replace those parts for free.

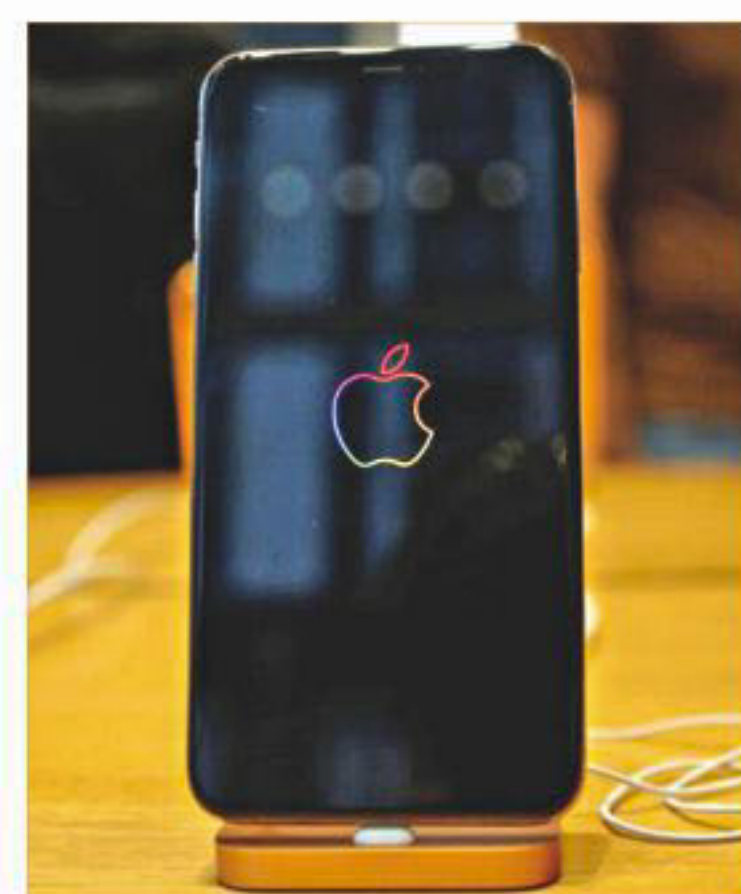
The company said it only affects the original iPhone X, which has been superseded by the iPhone XS and XR released this autumn.

The screens on affected phones may not respond correctly to touch or it could react even without being touched, the Cupertino, California-based company said.

For the 13-inch MacBook Pro computers, it said an issue may result in data loss and failure of the storage drive. Apple said it would service those affected drives. Only a limited number of 128GB and 256GB solid-state drives in 13-inch MacBook Pro units sold between June 2017 and June 2018 were affected, Apple said apple.co/2AXkeEw on its website.

Last year, Apple began a massive battery replacement program after it conceded that a software update intended to help some iPhone models deal with aging batteries slowed down the performance of the phones. The battery imbroglio resulted in inquiries from U.S. lawmakers.

In June, Apple said it would offer free replacements for the keyboards in some MacBook and MacBook Pro models. The keyboards, which Apple introduced in laptops starting in 2015, had generated complaints on social media for how much noise they made while typing and for malfunctioning unexpectedly. Apple changed the design of the keyboard this year, adding a layer of silicone underneath the keys.



REUTERS/FILE

The new Apple iPhone X is on display at the Apple Store in Manhattan, New York.

China's factory gate inflation slips



AFP

A girl (C) helps her mother at their vegetable stall at a market in Beijing on Friday.

AFP, Beijing

CHINA'S factory inflation eased in October owing to slackening demand and a trade war with the United States, while consumer price inflation held steady, official data showed Friday.

The producer price index -- an important barometer of the industrial sector that measures the cost of goods at the factory gate -- decelerated to a 3.3 percent on-year rise in October.

It ticked downwards for the fourth consecutive month, from a high of 4.7 percent in June, while remaining in line with the forecast in a Bloomberg News survey.

"China producer's inflation is cooling as manufacturing activity is receding dampening price pressures on raw commodities, yet another casualty of US-China trade wars," said Stephen Innes, head of Asia-Pacific trade at OANDA, a foreign exchange trading platform.

"The decline in the PPI underscores increased economic pressures."

Analysts forecast price increases would remain subdued in the months ahead even as Beijing lets up on its campaign to battle winter pollution.

"We expect the downtrend in PPI inflation to continue in a milder manner through winter given a less severe anti-pollution campaign this year compared to last," said Lu Ting, economist at Nomura bank.

Pricey fruit, vegetables and oil once again held up China's inflation rate in October.

The consumer price index (CPI) -- a key measure of retail inflation -- rose 2.5 percent, the National Bureau of Statistics said.

The price jump, similar to the September figure, was in line with economist forecasts and comes in well below Beijing's targeted ceiling of three percent.

"Food price inflation moderated, despite supply disruptions caused by flooding and the outbreak of African swine flu, which continued to push up both fruit and pork price inflation," said Chang Liu, China Economist at Capital Economics.

Adding to the strain on consumers, the cost of diesel and gas each jumped more than 20 percent from last year, and rose more than four percent from last month.

With oil priced in dollars fuel imports have become increasingly pricier this year as the yuan has weakened markedly against the greenback.

Thai businessman to buy Fortune magazine

AFP, Washington

Thai businessman Chatchaval Jiaravanon agreed Friday to buy Fortune magazine for \$150 million in the latest deal for titles from the former Time Inc. family.

Meredith Corp, the publishing group which acquired Time Inc. magazines last year, announced the deal to sell Fortune to the businessman who is affiliated with Thailand's largest company, a conglomerate operating in telecom, media, food, retail, pharmaceuticals and other sectors.

Jiaravanon will own Fortune as a personal investment independent of the Charoen Pokphand conglomerate, according to a statement from Meredith.

"Our vision is to establish Fortune as the world's leading business media brand, with an always-on reach and global relevance," said Jiaravanon in the statement.

"The demand for high quality business information is growing, and with further committed investment in technology and brilliant journalism, we believe the outlook for further profitable growth is excellent both for the publication and the events business." The announcement comes less than two months after Meredith agreed to sell the iconic Time magazine for \$190 million to Salesforce.com chief Marc Benioff and his wife Lynne.

Alan Murray, a veteran journalist who will be president and chief executive of Fortune, said: "I am pleased that we have found an owner for Fortune who believes in our mission, values our editorial independence, wants to invest in our journalism ... We will be doing big things in the future."

UK economy picks up but slowdown looms before Brexit



AFP/FILE

People walk past sales advertisements in shop windows on Oxford Street, Central London.

AFP, London

BRTAIN'S economy has grown at the fastest pace in nearly two years as strong exports and solid household spending offset slumping business investment, data showed Friday awaiting a Brexit deal.

Gross domestic product climbed 0.6 percent in the third quarter, in line with analysts' expectations and up on growth of 0.4 percent in the second quarter, the Office for National Statistics (ONS) said in an initial estimate.

At 0.6 percent growth for July-September, GDP was the strongest reading since the fourth quarter of 2016. Analysts meanwhile expect the economy to cool ahead of Britain's departure from the European Union in March.

"It seems unlikely that the economy will be able to keep up this pace with Brexit uncertainty hanging over it," noted Thomas Pugh, UK economist at Capital Economics research group.

The ONS also revealed Friday that growth had already turned flat in August and September, after July registered solid expansion.

"Taken together, we think UK growth has clearly lost some momentum," concluded HSBC economist Chris Hare. "The summer spending spree is over, global tailwinds have waned and Brexit uncertainty continues to bite."

Nevertheless, the ONS said third-quarter growth was driven by an expansion of 0.3 percent in July, "which stemmed from strong retail sales boosted by warm weather and the World Cup, as well as a low base reflecting the weaker start to the year."

It added: "The recent subdued business investment environment is consistent with external surveys of investment intentions, which attribute much of the weakness to Brexit-related economic and political uncertainty."

Business investment slid 1.2 percent in the third quarter, while exports jumped 2.7 percent and household spending increased 0.5 percent.

"The export growth... reflects an increase in both goods and services exports, with goods exports to non-EU countries growing more robustly than to the EU," the ONS noted.

Britain could be about to finally

seal an all-important deal to smooth its departure from the European Union, although reports this week of an imminent announcement have cooled somewhat heading into the weekend.

And despite stronger growth for the UK economy in the third quarter overall, the Bank of England last week trimmed its own GDP forecasts as Brexit approaches.

The BoE predicted that Britain's economy would grow by 1.7 percent in 2019, down from a forecast of 1.8 percent.

The new estimate is based on the assumption of a smooth transition period, but there is unease on markets about a chaotic no-deal Brexit.

And before then, "growth in the fourth quarter is expected to be limited by more restrained consumer spending... while business investment is expected to be curbed by heightened Brexit uncertainties", said Howard Archer, chief economic advisor to the EY ITEM Club.

Friday's GDP update came as British Prime Minister Theresa May drew the fury of her crucial Northern Irish allies after seemingly accepting an EU-backed Brexit solution they fervently oppose.