

Oil Falls to Price That Putin Said Could Cause Collapse of Global Economy

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Gasoline price at Costco Warehouse pump shows under \$3 per gallon in Sterling, Virginia in this file photo taken Nov.15, 2013.

Correction appended: An earlier version of this article said that OPEC expected demand for its oil to drop by almost 1 million barrels per day (bpd) in 2015. OPEC actually expects demand to drop by 300,000 bpd.

Brent crude oil fell to a four-year low of less than \$80 per barrel on Thursday, descending to the point that Russian President Vladimir Putin recently said could, if prolonged, trigger the collapse of the world economy.

"If world prices stay at the level of \$80, all production will collapse," news agency RIA Novosti quoted Putin as saying at a press conference last month in Milan.

Besides its potential global impact, a consistently low oil price would force the Russian

government to seriously rethink its spending plans. Russia's budget for 2015-17, which is scheduled to go before the lower house of parliament for its second reading on Friday, assumes that oil prices will average \$100 per barrel next year.

"A serious drop in the price of oil could require us to reconsider the basic tenets of our budget policy," Prime Minister Dmitry Medvedev said at a press briefing in Myanmar on Thursday, RIA Novosti reported.

However, Medvedev added that current price fluctuations are not severe or sustained enough to warrant readdressing the budget.

A 30 percent slide in the price of oil over the past five months has seriously aggravated volatility in Russia's highly energy-export-reliant economy. Exacerbated by Western sanctions over Russia's role in the Ukraine crisis, the oil price slump has driven nearly 30 percent depreciation of the Russian ruble against the dollar this year, sending year-on-year inflation in the country soaring above 8 percent.

Ministers from OPEC, the Organization of the Petroleum Exporting Countries, are scheduled to meet in Vienna at the end of the month to determine their response to sinking prices.

Sberbank commodities analysts said in a note Thursday that "conflicting messages coming out of Venezuela" were the underlying cause of price falls this week. Power outages struck Venezuela's main oil refining complex on Monday, and reports conflict on whether the refineries are back online, the note said.

Other analysts polled by Reuters said Saudi Arabia's apparent reluctance to cut oil output, a tactic backed by some OPEC members, has convinced the market that prices will fall even further.

Meanwhile, OPEC in a report published Wednesday warned that demand for its oil will drop by 300,000 barrels per day (bpd) next year, to 29.2 million bpd. Adding to producers' concerns, data released Thursday showed that China's economy continued to lose steam in October, Reuters reported. China bypassed the United States last year as the world's biggest net importer of petroleum.

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