

The Truth About the Trump Economy



It is becoming conventional wisdom that US President Donald Trump will be tough to beat in November, because, whatever reservations about him voters may have, he has been good for the American economy. Nothing could be further from the truth.

NEW YORK – As the world's business elites trek to Davos for their annual gathering, people should be asking a simple question: Have they overcome their infatuation with US President Donald Trump?

Two years ago, a few rare corporate leaders were concerned about climate change, or upset at Trump's misogyny and bigotry. Most, however, were celebrating the president's tax cuts for billionaires and corporations and looking forward to his efforts to deregulate the economy. That would allow businesses to pollute the air more, get more Americans hooked on opioids, entice more children to eat their diabetes-inducing foods, and engage in the sort of financial shenanigans that brought on the 2008 crisis.

Today, many corporate bosses are still talking about the

continued GDP growth and record stock prices. But neither GDP nor the Dow is a good measure of economic performance. Neither tells us what's happening to ordinary citizens' living standards or anything about sustainability. In fact, US economic performance over the past four years is Exhibit A in the indictment against relying on these indicators.

To get a good reading on a country's economic health, start by looking at the health of its citizens. If they are happy and prosperous, they will be healthy and live longer. Among developed countries, America sits at the bottom in this regard. US life expectancy, already relatively low, fell in each of the first two years of Trump's presidency, and in 2017, midlife mortality reached its highest rate since World War II. This is not a surprise, because no president has worked harder to make sure that more Americans lack health insurance. Millions have lost their coverage, and the uninsured rate has risen, in just two years, from 10.9% to 13.7%.

One reason for declining life expectancy in America is what Anne Case and Nobel laureate economist Angus Deaton call deaths of despair, caused by alcohol, drug overdoses, and suicide. In 2017 (the most recent year for which good data are available), such deaths stood at almost four times their 1999 level.

The only time I have seen anything like these declines in health – outside of war or epidemics – was when I was chief economist of the World Bank and found out that mortality and morbidity data confirmed what our economic indicators suggested about the dismal state of the post-Soviet Russian economy.

Trump may be a good president for the top 1% – and especially for the top 0.1% – but he has not been good for everyone else. If fully implemented, the 2017 tax cut will result in tax *increases* for most households in the second, third, and

fourth income quintiles.

Given tax cuts that disproportionately benefit the ultrarich and corporations, it should come as no surprise that there was no significant change in the median US household's disposable income between 2017 and 2018 (again, the most recent year with good data). The lion's share of the increase in GDP is also going to those at the top. Real median weekly earnings are just 2.6% above their level when Trump took office. And these increases have not offset long periods of wage stagnation. For example, the median wage of a full-time male worker (and those with full-time jobs are the lucky ones) is still more than 3% below what it was 40 years ago. Nor has there been much progress on reducing racial disparities: in the third quarter of 2019, median weekly earnings for black men working full-time were less than three-quarters the level for white men.⁵

Making matters worse, the growth that has occurred is not environmentally sustainable – and even less so thanks to the Trump administration's gutting of regulations that have passed stringent cost-benefit analyses. The air will be less breathable, the water less drinkable, and the planet more subject to climate change. In fact, losses related to climate change have already reached new highs in the US, which has suffered more property damage than any other country – reaching some 1.5% of GDP in 2017.

The tax cuts were supposed to spur a new wave of investment. Instead, they triggered an all-time record binge of share buybacks – some \$800 billion in 2018 – by some of America's most profitable companies, and led to record peacetime deficits (almost \$1 trillion in fiscal 2019) in a country supposedly near full employment. And even with weak investment, the US had to borrow massively abroad: the most recent data show foreign borrowing at nearly \$500 billion a year, with an increase of more than 10% in America's net indebtedness position *in one year alone*.

Likewise, Trump's trade wars, for all their sound and fury, have not reduced the US trade deficit, which was one-quarter higher in 2018 than it was in 2016. The 2018 goods deficit was the largest on record. Even the deficit in trade with China was up almost a quarter from 2016. The US did get a new North American trade agreement, without the investment agreement provisions that the Business Roundtable wanted, without the provisions raising drug prices that the pharmaceutical companies wanted, and with better labor and environmental provisions. Trump, a self-proclaimed master deal maker, lost on almost every front in his negotiations with congressional Democrats, resulting in a slightly improved trade arrangement.

And despite Trump's vaunted promises to bring manufacturing jobs back to the US, the increase in manufacturing employment is still lower than it was under his predecessor, Barack Obama, once the post-2008 recovery set in, and is still markedly below its pre-crisis level. Even the unemployment rate, at a 50-year low, masks economic fragility. The *employment* rate for working-age males and females, while rising, has increased less than during the Obama recovery, and is still significantly below that of other developed countries. The pace of job creation is also markedly slower than it was under Obama.

Again, the low employment rate is not a surprise, not least because unhealthy people can't work. Moreover, those on disability benefits, in prison – the US incarceration rate has increased more than sixfold since 1970, with some two million people currently behind bars – or so discouraged that they are not actively seeking jobs are not counted as “unemployed.” But, of course, they are not employed. Nor is it a surprise that a country that doesn't provide affordable childcare or guarantee family leave would have lower female employment – adjusted for population, more than ten percentage points lower – than other developed countries.

Even judging by GDP, the Trump economy falls short. Last

quarter's growth was just 2.1%, far less than the 4%, 5%, or even 6% Trump promised to deliver, and even less than the 2.4% average of Obama's second term. That is a remarkably poor performance considering the stimulus provided by the \$1 trillion deficit and ultra-low interest rates. This is not an accident, or just a matter of bad luck: Trump's brand is uncertainty, volatility, and prevarication, whereas trust, stability, and confidence are essential for growth. So is equality, according to the International Monetary Fund.

So, Trump deserves failing grades not just on essential tasks like upholding democracy and preserving our planet. He should not get a pass on the economy, either.

Turkey, Greece brace for standoff over Cyprus gas drilling plans



US ROLE 'CRUCIAL' FOR EAST MED OIL AND GAS BOOM – ENERGY EXPERT



ATHENS, Greece: Keeping the United States engaged in the Eastern Mediterranean is the surest way to help the region get the most out of its hydrocarbon resources, an industry veteran told a conference in Athens on Thursday.

Roudi Baroudi, CEO of Energy and Environment Holding, an independent consultancy based in Qatar, told the first day of the Athens Energy Dialogues that peace and stability were prerequisites for sound development of the sector.

“This part of the world has long and painful experience of instability, and recent events indicate that the ingredients for more conflict are still very much on the table,” he told his audience. “In order to realize the potential offered by oil and gas, we need to learn from our shared history and avoid repeating it.”

While several East Med countries have discovered significant oil and gas deposits off their coasts in recent years, most of the region’s maritime boundaries are yet to be agreed, leaving ownership of the resources in dispute. The uncertainty threatens to discourage investment and delay development on multiple fronts, including the auctioning of offshore blocks for exploration and production, and the construction of processing and pipeline facilities for the export of liquefied natural gas (LNG) to Western Europe. Baroudi’s frequent advocacy of diplomacy to resolve these differences has made him something of an unofficial ambassador for dialogue and other peaceful means of dispute resolution under international law.



His Excellency Minister Kostis Hatzidakis, Minister of Environment
& Energy of Greece, greeting Mr. Roudi Baroudi

With more than four decades in the energy business, Baroudi has helped shape policy and investment choices for companies, governments, investors, and supranational organizations like the United Nations and the European Union. He said the UN and related institutions offered a variety of mechanisms by which

countries might find ways to replace politico-military competition with at least tacit cooperation, but also warned that much of the internationalist playbook was under threat.

Citing former UN Secretary General Boutros Boutros-Ghali, he noted that UN institutions only work as intended when member states follow the rules and encourage others to do the same.

The effectiveness of the rules-based system developed after World War II, he argued, “stems primarily from the participation and goodwill of all member states, but especially the strongest and most influential among them – and in particular, therefore, the United States.”

“Much of this architecture has recently been undermined by some of the very countries that once championed its suitability for keeping the peace, maintaining stability, and otherwise providing peoples with the tools, the time, and the space they need to govern themselves and grow their economies,” Baroudi warned. “The UN itself can only promote the kind of preventive diplomacy that abets both peacemaking and peacekeeping; actual implementation depends very much on the policies and practices of member states. And then as now, no member state is more crucial to that reality than the United States. It alone has the requisite power, presence, and influence ... It behooves all regional states, therefore, to keep the USA engaged in the Eastern Med.”

OPEC sees growing supply threat from rivals beyond

U.S. shale



LONDON (Bloomberg) – OPEC's latest forecasts suggested a weaker outlook for global oil markets this year as surging supplies from competitors from Norway to Guyana threaten the group's efforts to defend crude prices.

The organization and its allies – which together account for about half the world's oil output – are embarking on a fresh round of production cuts as another year of booming rival supplies threatens to unleash a new glut. OPEC's latest monthly report shows their challenge extends far beyond the shale patch of Texas and North Dakota.

The Organization of Petroleum Exporting Countries boosted forecasts for growth in output from non-members in 2020 by 180,000 barrels a day to 2.35 million a day, as offshore projects once seen unfeasible in an era of lower oil prices take off. While the outlook for the U.S. was lowered, America will still account for almost two thirds of the new output.

Although the group raised estimates for world demand, rival supplies will grow about twice as fast, potentially derailing

the coalition's strategy to maintain oil revenues for its members. Crude futures are trading near \$64 a barrel in London, close to the lowest in a month, even after flaring tensions between the U.S. and Iran rekindled fears of a major supply disruption.

OPEC and allies including Russia and Kazakhstan are deepening production cutbacks made last year in order to remove excess global inventories, pledging overall curbs of about 2.1 million barrels a day. This month's report suggests those measures should be sufficient to deplete stockpiles during the first quarter, but that a surplus will probably return in the second.

Saudi Arabia, the group's biggest member and de facto leader, rushed to implement almost all of the additional reductions pledged before the new agreement even took effect, the report showed. The kingdom reduced output by 111,000 barrels a day in December to 9.762 million a day.

As a result, the organization's total production fell to 29.44 million a day last month. If other nations implement just part of their pledged reductions, output should be near the average of 29.19 million a day needed in the first quarter. However, even full compliance won't prevent stocks building up in the second quarter, when the requirement for OPEC's crude drops to 28.56 million a day.

The full alliance is due to meet in early March, when the agreement is due to expire, to decide whether to continue with the strategy.

Privatisation matters: Foreign investors express interest in LNG plants



ISLAMABAD:

Pakistan has managed to secure broad-based interest in the privatisation of multibillion-dollar liquefied natural gas (LNG)-fired power plants as a dozen global and local companies, including a military-backed local consortium, have shown interest by the end of the extended deadline.

As traditional aspirants, China and Saudi Arabia, have stayed away from the process, non-traditional investors from Japan, Thailand, the United Kingdom and Malaysia have come forward and submitted statements of qualification.

The Privatisation Commission had floated Expressions of Interest (EOI) in November last year, inviting local and global investors for the acquisition of nearly 2,500-megawatt two power plants, fuelled by Qatar's LNG.

"Till the expiry of the deadline on Friday, 12 reputed international and local firms have submitted statements of qualification," Privatisation Secretary Rizwan Malik told The Express Tribune. "We have secured sufficient competition and once pre-qualified, these companies can make four to five competitive consortiums," said the secretary.

National Power Parks Management Company Limited (NPPMCL) owns the two power plants located at Balloki and Haveli Bahadur Shah with combined generation capacity of 2,453 megawatts. The government wants to sell NPPMCL in the hope of fetching a minimum of Rs300 billion or \$1.5 billion in non-tax revenue.

In the next step, the Privatisation Commission will evaluate the prospective investors and pre-qualify them for taking part in the bidding process. Pre-qualified firms will have around two months for conducting due diligence of the power plants.

Once the due diligence is done, the Privatisation Commission will announce the bidding date. "We expect to announce the bidding date by the end of March," said the privatisation secretary.

Adra Power, Malaysia's second largest independent power producer, has submitted documents. Adra was the only company that had submitted the statement of qualification before December 23 – the original deadline, which was subsequently extended for three weeks. Out of 12, nine companies are from Europe and Asia, depicting broad-based interest in one of the largest privatisation transactions in the history of Pakistan.

Two companies from Qatar have submitted the statement of qualification. Nebras Power, Qatar, is a global power development and investment company. The other party is Qatar

Investment Authority.

The two power plants are run by LNG that Pakistan imports from Qatar under a 15-year deal, signed in 2015. However, the Power Division has claimed that due to the availability of cheap alternative fuels, the consumers will have to pay extra Rs471 billion from 2019 to 2025, if these power plants are run on imported LNG.

Three Japanese companies have also shown interest in acquisition of the power plants. Marubeni is a major Japanese integrated trading and investment business conglomerate. Jera is a joint venture between Tepco FP and Chubu Electric Power and Mitsu and Co Japan has also submitted documents.

ASMA Capital Partners BSC of Bahrain has also shown interest. It is a multi-fund asset management firm incorporated in Bahrain. Global Power Synergy Company Limited, Thailand and Contours Global UK have also submitted documents.

Three local firms have submitted documents. A consortium of Fauji Fertiliser, Fauji Foundation and Mari Petroleum has come forward for the acquisition of the two power plants. Kot Addu Power Company and Atlas Power have also submitted bids.

However, China and Saudi Arabia have stayed away and their companies did not submit the statement of qualification till the closing time. In a bid to convince Chinese investors, the privatisation secretary met with the Chinese ambassador in Islamabad this week.

Chinese investors were reluctant to come forward due to the usual bureaucratic inefficiencies that had also delayed the sale of a majority stake in K-Electric to a Chinese company. The sale of Abraaj Group's stake in K-Electric to Shanghai Electric has been delayed by over three years.

About 19 companies procured documents from the Privatisation Commission including around 14 foreign firms after the

government invited the EOI.

The Rs300-billion revenue is very crucial for the finance ministry, which is already struggling to manage budget books due to an anticipated shortfall of Rs700-Rs800 billion in Federal Board of Revenue's annual tax collection target of Rs5.5 trillion. The FBR has already suffered a shortfall of Rs284 billion in six months of the current fiscal year.

Published in The Express Tribune, January 18th, 2020.

Natural gas drops below \$2 as US shale blitz overwhelms demand



Natural gas futures sank below \$2 per million British thermal units for the first time since 2016 as an onslaught of US supply from shale basins overwhelmed demand for the heating and power-plant fuel. Aside from a few brief cold snaps, the weather hasn't been frigid enough to keep heaters on full blast and sustain a rally in gas prices. Though stockpiles

ended last winter more than 30% below normal for this time of year, record production quickly replenished gas in underground storage. Since the shale boom began more than a decade ago, producers have been unable to shake off the supply glut that's kept prices in the doldrums even as new pipelines and exports plants send unprecedented amounts of gas to Mexico and overseas. While drillers have been remarkably successful in ramping up output in recent years, their track record of doing so profitably has been mixed at best. "Prices have hinted at a break below \$2 multiple times throughout the past year and it have fought hard to resist a complete breakdown," said Daniel Myers, an analyst at Gelber & Associates in Houston. But the market finally caved as "Mother Nature pulls the rug out from under prices one more time." The latest weather models show above-normal temperatures across much of the East later in January, a sharp shift from earlier predictions for cooler conditions. That suggests a loss in demand for the heating fuel that's "the biggest so far this entire winter season," according to Commodity Weather Group LLC. Natural gas futures for next-month delivery fell as low as \$1.998 per million Btu just before the end of trading Friday in New York, but settled at \$2.003. Futures fell 26% in 2019, making gas one of the year's worst-performing commodities. Prices last dropped below \$2 in May 2016. Despite Friday's slump, the gas market remains vulnerable to dramatic price spikes at the first sign of a polar blast. There are two months of winter remaining, and hedge funds are holding the largest-ever bearish position in the fuel.

Lagarde Started ECB Tenure

Amid Calls for Policy Vigilance



Christine Lagarde's first policy meeting as European Central Bank president started off with calls for "vigilance" on the efficacy of current stimulus measures, even as officials agreed to maintain their stance for now.

Some Governing Council members "highlighted the need to be attentive to the possible side effects of the present monetary policy measures, which merited close monitoring in the period ahead." According to an account of the Dec. 11-12 discussion released on Thursday in Frankfurt, officials nevertheless highlighted that "measures should be given time to exert their full impact on the euro-area economy."

The euro hit a fresh day high following the publication. It was up 0.1% at 1:40 p.m. Frankfurt time, trading at \$1.1165.

The Governing Council held off from stimulus changes in December, placing the spotlight instead on Lagarde's press conference and her plans for the ECB to review its strategy. One of the key issues policy makers intend to assess is their inflation goal, with more details to be revealed later this month when the review is due to be formally launched.

The meeting started earlier than usual on Dec. 11, and was marked by a commitment to allowing every member to air his views, according to officials who have spoken since the discussion. Lagarde took over from Mario Draghi on Nov. 1, and has sought to mend bridges after a controversial stimulus package was announced in September that included an interest-rate cut and fresh bond purchases.

Some concern regarding the impact of the ECB's negative interest-rate policy was expressed, according to the account. "It was recalled that macroprudential policies were the first line of defense for addressing risks and side effects, as they could be tailored to the issues identified." At the same time, "the implementation of monetary policy could also be adjusted to reduce unwanted side effects."

Governing Council members saw "some initial signs of stabilization in the growth slowdown" and expressed confidence that the industry slump may be bottoming out before creating more broad-based spillovers to domestic demand.

Since officials concluded in December that the global geopolitical situation wasn't "conducive to lowering uncertainty" in the short term, recent economic indicators have pointed to improving sentiment. The U.S. and China signed a trade accord and the U.K. is one step closer to exiting the European Union.

Regarding price developments, "further efforts should be made to try to better understand the reasons behind the unexpected weakness in inflation," according to the account. It

was noted that “there had been a solid upward movement in underlying inflation” were it not for the impact from volatile package-holiday prices in Germany.

The ECB suggested there could be upside potential to its latest projections. “The impact of the ECB’s monetary-policy measures on growth and inflation contained in the December 2019 staff projections was seen as being rather conservative compared with a range of estimates from different models.”

Officials also discussed climate-related policies and agreed there was a need to better understand their economic impact. “It was argued that while such policies could be considered a negative supply shock, the response to climate change could also lead to significantly higher investment.”

They expressed satisfaction with the implementation of their two-tier system for reserve remuneration and cautioned against over-interpreting relatively weak takeup in the ECB’s latest offering of long-term loans.

China energy leaders set for shake-up amid sector revamp



(MENAFN – Gulf Times) Top executives at China's leading energy companies are set for a power shake-up as the nation takes steps to reorganise and revamp its leadership and energy infrastructure.

The executive changes at the state-owned giants come as the sector is under pressure to increase competition and boost domestic output in the face of growing dependence on energy imports.

The government this week opened its upstream sector to foreign drillers and last month rolled out plans to spin off the nation's pipelines into a new firm to allow more companies access to energy infrastructure.

Dai Houliang, chairman of refining giant Sinopec Group, is set to be named the new chairman and party secretary of the country's biggest oil firm, China National Petroleum Corp, according to people familiar with the matter.

Wang Yilin, the current CNPC chairman, is set to step down and retire, they added.

The top job in Sinopec Group, formally known as China Petrochemical Corp, will be taken by Zhang Yuzhuo, former chairman of coal colossus China Shenhua Energy Co, said the people who asked not to be identified as the information is private.

Li Fanrong, deputy director of China's National Energy Administration and former CEO of CNOOC Ltd, will be named as general manager of CNPC, said the people.

Zhang Wei, current general manager at CNPC, will be appointed chairman of the newly-established national oil and gas pipeline company.

The decision by China's central government is set to be announced as early as this week. Nobody responded to emails or calls sent to CNPC and Sinopec's press offices.

State Grid Corp, China's largest operator of electric networks, also named a new top executive, putting Mao Weiming in place as chairman and party chief.

CNPC is the nation's largest driller and natural gas importer, and is the parent of PetroChina Co, while Sinopec Group is the world's largest oil refiner by capacity and parent of China Petroleum & Chemical Corp.

The appointment of the new CNPC executives will be especially positive for PetroChina, according to analysts at Sanford C Bernstein & Co including Neil Beveridge in a note to clients.

Dai could help shape up the company's struggling refining and petrochemical division, while Li's stint at Cnooc proved him 'one of the highest calibre CEOs within China's oil and gas industry over the past decade.

'We view his appointment as a strong sign that significant reform could take place within the PetroChina which is undergoing major change with pipeline reform, Beveridge said. Even as PetroChina and Sinopec have raised spending to boost output heeding calls from President Xi Jinping to bolster the nation's energy security the country has become more dependent on foreign supplies.

China's dependence on overseas oil has grown from less than 50% in 2005 to nearly 75% by the end of last year as more than two decades of super-charged growth have made it the world's biggest importer.

China also became the world's biggest natural gas importer in 2018, overtaking Japan after a government push for cleaner energy caused demand to surge.

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businesses to pollute the air more, get more Americans hooked on opioids, entice more children to eat their diabetes-inducing foods, and engage in the sort of financial shenanigans that brought on the 2008 crisis.³

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economy.

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Given tax cuts that disproportionately benefit the ultrarich and corporations, it should come as no surprise that there was no significant change in the median US household's disposable income between 2017 and 2018 (again, the most recent year with good data). The lion's share of the increase in GDP is also going to those at the top. Real median weekly earnings are just 2.6% above their level when Trump took office. And these increases have not offset long periods of wage stagnation. For example, the median wage of a full-time male worker (and those with full-time jobs are the lucky ones) is still more than 3% below what it was 40 years ago. Nor has there been much progress on reducing racial disparities: in the third quarter of 2019, median weekly earnings for black men working full-time were less than three-quarters the level for white men.³

Making matters worse, the growth that has occurred is not environmentally sustainable – and even less so thanks to the Trump administration's gutting of regulations that have passed stringent cost-benefit analyses. The air will be less breathable, the water less drinkable, and the planet more subject to climate change. In fact, losses related to climate change have already reached new highs in the US, which has suffered more property damage than any other country – reaching some 1.5% of GDP in 2017.

The tax cuts were supposed to spur a new wave of investment. Instead, they triggered an all-time record binge of share buybacks – some \$800 billion in 2018 – by some of America's most profitable companies, and led to record peacetime

deficits (almost \$1 trillion in fiscal 2019) in a country supposedly near full employment. And even with weak investment, the US had to borrow massively abroad: the most recent data show foreign borrowing at nearly \$500 billion a year, with an increase of more than 10% in America's net indebtedness position *in one year alone*.

Likewise, Trump's trade wars, for all their sound and fury, have not reduced the US trade deficit, which was one-quarter higher in 2018 than it was in 2016. The 2018 goods deficit was the largest on record. Even the deficit in trade with China was up almost a quarter from 2016. The US did get a new North American trade agreement, without the investment agreement provisions that the Business Roundtable wanted, without the provisions raising drug prices that the pharmaceutical companies wanted, and with better labor and environmental provisions. Trump, a self-proclaimed master deal maker, lost on almost every front in his negotiations with congressional Democrats, resulting in a slightly improved trade arrangement.

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Oil prices likely to stay around \$65-\$70 through 2024



LONDON (Reuters) – Long-term expectations about oil prices remain firmly anchored around \$65-70 per barrel, according to the latest annual survey of energy professionals conducted by Reuters.

Plentiful supplies from U.S. shale plays and other sources outside the Organization of the Petroleum Exporting Countries are expected to keep prices close to their recent range for the indefinite future.

Fears about peaking oil supplies, common ten years ago, have disappeared; now there are some indications that expectations about peaking oil demand are taking hold.

Brent is forecast to average \$65 per barrel in each of the next five years based on the median, or \$67 this year rising slightly to \$69 by 2024 based on the mean.

Most forecasters expect average prices to remain between \$60 and \$75 per barrel in each of the next five years, with only a very small number expecting them to dip below \$50 or rise above \$90.

The results are based on a questionnaire sent to over 9,000 energy market professionals, with responses received from 950 between Jan. 8 and Jan. 11 (tmsnrt.rs/2FNjC5J).

Price forecasts are very close to last year's survey and previous years, though in most cases the average has fallen by \$1 or \$2.

In earlier surveys, there was some slight upward drift in price expectations for the out years, but there is no sign of that this year.

Most respondents seem convinced there will be enough oil to meet conceivable demand at around \$65 per barrel in the medium term.

Fewer than 5% thought oil prices would average \$100 or more in 2024, prices that would signal pressure on production, which were once common between 2011 and 2014.

In contrast, nearly 16% of respondents thought prices would average less than \$50, a possible a sign of softening consumption and market saturation as part of the transition away from an oil-based transportation system.

OIL INDUSTRY INSIDERS

Among survey respondents, 26% are involved directly in oil and gas production (exploration, drilling, production, refining, marketing and field services).

Most of the rest are involved in banking and finance (19%), research (11%), professional services (7%), hedge funds (7%), other energy industries (5%) and physical commodity trading (5%).

The results from respondents involved directly in the oil and gas industry were very similar to those in other sectors.

Oil and gas insiders and those outside the industry have more

or less the same views about prices in 2020.

Insiders are marginally more bullish than outsiders for later years, perhaps predicting higher prices will be needed to ensure production growth, but the difference is just \$2 per barrel in 2022, rising to less than \$4 in 2024.

EXPECTATIONS ANCHOR

Last year's survey predicted Brent prices would average \$63 per barrel in 2019, which proved remarkably close to the actual outturn of \$64, based on daily closing prices.

In fact, the survey has been highly accurate since its inception in 2016, with the possible exception of 2018, when prices climbed a bit more than expected.

The main reason for the miss was probably the unexpected severity of U.S. sanctions on Iran, coupled with Saudi Arabia's restrictive output policy and an acceleration in global growth.

In this year's survey, as with previous versions, respondents exhibit more certainty about prices this year and next compared with the out-years, which is natural given that uncertainty tends to increase over longer time horizons.

Responses for 2020-2021 are tightly clustered, while expectations for 2023-24 exhibit more variation. Even so, very few respondents expect average prices to fall below \$50 or rise above \$90 at any point in the next five years.

Response clustering has been increasing in recent surveys, suggesting the anchoring of long-term expectations around the \$65-70 per barrel level is becoming stronger.

The longer prices trade around the \$65-70 level, with production and consumption roughly in balance, the more expectations are becoming cemented around this level.

Over the last 27 months, since the start of November 2017, Brent prices have closed between \$60 and \$75 per barrel on 74% of all trading days, with just 10% of closes below this level and 16% above it.

Overall, most respondents expect the oil market to remain comfortably supplied in the foreseeable future, with prices oscillating around the current level and relatively moderate volatility.