

# DAILY ENERGY MARKETS FORUM

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#### Is US inflation leveling off?

It's way too early to tell. All the stimulus mechanisms are still in place and asset purchases continue unabated. The US Fed has stopped tapering and interest rates are still low. The expenditure multiplier through the government is still upon us. Therefore, the inflationary effects are still in the future. The numbers show that the US Fed has managed to reach its target of +2% inflation, so it's time to start taking the foot off the accelerator. However, we all know that the market tanks a little bit when they start talking like this and there is an immediate reaction of 'maybe they shouldn't do anything.' Overall, the jury is still out.

#### What is your outlook for China's economic recovery?

One of the most intelligent things ever said about this pandemic is that Covid-19 is not the end of the world and will not be a switching point that changes everything. Rather, it will be an event that accelerates existing trends. This has been very true. China was already on a trend of slowing growth as it transitions from industry to services. It was already on a trend where people got very worried about financial instability popping up. There isn't a single country in the world which has successfully transitioned from industrialization to a service economy without a financial crisis. So why would China be the first one? We will see, at a minimum, a continued decline in China's growth with all the negative implications for energy and oil markets.

#### Are current oil demand outlooks too reliant on projections for global GDP growth?

Every year we need less oil to produce the same global GDP. At current GDP levels, you would need about 2.2mn b/d less than the year before. So, to produce the same GDP at the end of 2021 globally, which we had pre-pandemic, we will need 4.3mn b/d less than 2019. That is the gap. It's not because demand is not recovering or very weak. We are seeing the normal pattern of efficiency improvements. We should not expect, as most analysts do, that the GDP level of 2019 equals the oil demand of 2019. ■

*\*Paraphrased comments*

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