

Top Economist predicts the effects of the Coronavirus

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The hysteria about declining global demand for oil because of the coronavirus outbreak in China will soon stop. But only because of the very strict containment measures that the Chinese government is implementing, according to leading oil economist at ESCP Business School.

Professor of Energy Economics Dr Mamdouh Salameh says

"I suspect that among those making frenzied claims about global oil demand and loss of 0.5%-1.0% of China's GDP as a result of the outbreak are some commodities traders and investment banks who are fast buying crude at reduced prices to make a profit later when oil prices recoup all their recent losses.

"Before the outbreak, the fundamentals of the global oil market were positive pushing oil prices upward particularly in the aftermath of the signing of Phase 1 of the trade deal between the U.S. and China. The proof is that the minute de-escalation started in December 2019 China's crude oil imports broke all previous records and hit 11.76 million barrels a day (mbd).

"The outbreak is an aberration. While it is focusing the Chinese authorities' mind on trying to contain the virus and deal with it, the frenzy about a decline in China's crude oil imports has gone viral without justification."

Dr Salameh warns that it will be a huge mistake for OPEC to consider deeper oil cuts. Firstly, because these cuts will have no effect whatsoever on prices and secondly because they will only lead to a loss of market share by OPEC members. Therefore, Dr Salameh advises OPEC to keep its cool and wait for the outbreak of the virus to be contained. Oil prices will soon recoup all their losses and resume their surge.

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For more information, or to speak to Dr Salameh, contact Kate Mowbray at BlueSky PR on Kate@bluesky-pr.com or call +44 (0) 1582 790701