

Headlines:

- **OPEC and Russia Agree to Cut Oil Production**
- **Coronavirus: GDP Figures Show UK Economy was Struggling before COVID-19 Lockdown**
- **Pakistan Shoots Down Indian Drone in Kashmir**

Details:

OPEC and Russia Agree to Cut Oil Production

The Organization of the Petroleum Exporting Countries, Russia and other countries reached a tentative agreement on Thursday to temporarily cut production. OPEC and the other oil-producing countries agreed to cut about 10 million barrels a day, or about 10 percent from normal production levels, in May and June, they said in a statement on Friday. Possible further trims could come from a meeting of the Group of 20 nations on Friday. Negotiations hit a snag late Thursday over Mexico's reluctance to cut its share of oil, reportedly 400,000 barrels a day, leaving the deal in limbo. In the statement, the group said the deal was conditional on Mexico's consent. Even before that happened, oil prices fell because analysts and traders had hoped for a bigger reduction to prevent the buildup of a glut of oil. On Thursday afternoon, the West Texas Intermediate crude future contract, the American benchmark, was down more than 7 percent to \$23.28 a barrel. Amrita Sen, chief oil analyst at Energy Aspects, a research firm, said markets would not be impressed by the deal. "In a nutshell, the demand declines are going to be greater than the production declines," said Ms. Sen. She estimated that demand would be down 25 million barrels a day, or about one-quarter of normal consumption, in April. In addition, the new cuts won't begin until May, allowing oil supplies to increase. There are also doubts about whether some of the countries party to the cuts, like Iraq, which often produces whatever it can, will really observe them. Ms. Sen said that OPEC and its collaborators were largely doing what they would be forced to do anyway. "With the sharp decline in demand, global producers will be forced to shut in production because we will run out of storage space," she said. "OPEC-plus is simply codifying what they would have had to cut anyway." Still, the meeting appears to be at least a start at tackling the most serious problem the oil industry and OPEC countries have encountered in decades. The decision to cut might go some way toward assuaging growing tensions between members of the cartel and the United States. The meeting was called by Saudi Arabia, OPEC's de facto leader, after President Trump spoke to Crown Prince Mohammed bin Salman, the kingdom's main policymaker. Mr. Trump said Thursday afternoon that he thought the oil cartel would soon reach a deal, noting that he had just spoken to President Vladimir Putin of Russia and King Salman of Saudi Arabia. He said it was in the interest of all oil-producing countries, including the United States, to rein in production. "The numbers are so low that there will be layoffs all over the world," Mr. Trump said at a White House news conference, in an apparent reference to oil prices. "There will be certainly layoffs in this country, and we don't want that to happen." With the industry in the United States threatened with job losses and bankruptcies, the Trump administration has been pushing the Saudis and Russians to cut. In an interview Thursday on CNBC, the energy secretary, Dan Brouillette, said that OPEC and its allies "can easily get to 10 million, perhaps even higher, and certainly higher if you include the other nations that produce oil, nations like Canada, Brazil, others." The U.S. oil industry and the Trump administration have so far brushed off the idea of engaging in coordinated cuts with OPEC and Russia, but American producers are already contributing to production trims. Mr. Brouillette said that the steep fall in demand because of the pandemic would lead to a reduction of production in the United States of two million barrels a day by the end of the year. With storage space "running out, at some point everyone is going to cut production," he said. [Source: New York Times]

Clearly the Saudis have assisted America in hurting Russia's ability to benefit from crude oil. Trump is banking on a V-shaped recovery and cheap oil is intended to fuel America's economic revival.

Coronavirus: GDP Figures Show UK Economy was Struggling before COVID-19 Lockdown

The UK economy grew 0.1% overall in the three months to February - a worrying picture of the situation before the coronavirus lockdown. GDP figures from the Office for National Statistics also show the economy contracted 0.1% during February, following gains in December and January. The figures will be concerning as they show the economy was already struggling ahead of the restrictions put in place to limit the spread of COVID-19, the illness caused by the coronavirus. They came on the same day as a new forecast from the National Institute of Economic Research predicting that UK GDP could shrink by 15-25% in the second quarter of the year, with much of the country in lockdown. Meanwhile, the government revealed that it had received 1.2 million claims for universal credit in the last three weeks - compared to roughly 55,000 a week in normal times. Separately, latest figures from the Office for National Statistics showed that 29% of firms have temporarily had to cut staff in the face of the coronavirus pandemic and the restrictions put in place to fight it. Jeremy Thomson Cook, chief economist at Equals, said the figures show that the UK economy entered the coronavirus crisis "at best stagnant, with only the services economy keeping wider GDP above zero". "Previous periods of slow economic growth in the UK have seen a marked rebound in consumer spending given Brits' propensity to grab a bargain or load up on personal debt; without such a similar impulse, the pistons that fire the UK's economic engine look very stuck." Samuel Tombs, chief UK economist at Pantheon Macroeconomics, said: "Looking ahead, we have assumed that GDP will be about 20% below normal during the lockdown, which we expect to last three months. "This points to a quarter-on-quarter drop in GDP of 1.8% in Q1, followed by a huge decline of about 15% in Q2, though all forecasts merely are ballpark estimates at this stage. [Source: Sky News]

COVID-19 preys on underlying conditions within humans, and it also exposes structural problems in the physical world. The UK economy has never recovered from the global financial crisis of 2008, and COVID-19 has bitterly exposed the fragility of the UK economy in 2020.

Pakistan Shoots Down Indian Drone in Kashmir

Islamabad: Pakistan's army said Thursday it had shot down a small Indian surveillance drone in Kashmir, as tensions rose over continued cross-border shelling in the disputed territory. According to a statement from the army media wing, the Indian quadcopter - about the same size as a commercially available hobby drone - had crossed 600 metres over the de facto border known as the Line of Control (LoC). "This blatant act was aggressively responded to by Pakistan Army troops shooting down Indian quadcopter," the statement read. An Indian army spokesman said the drone "is not ours". The incident came as Pakistan and India accuse each other of violating ceasefire terms at the LoC, with sporadic shelling reported from both sides. Relations between the nuclear-armed neighbours nosedived in February last year, with India launching an air strike inside Pakistan after accusing its neighbour of harbouring a group that staged a suicide bomb attack that killed 40 Indian paramilitaries in Kashmir. Pakistan launched its own raid the next day and later shot down an Indian fighter jet and captured its pilot, taking the arch-rivals to the brink of war. The animosity between the two countries deescalated after Pakistan returned the downed pilot to India. [Source: The Gulf News]

If only Pakistan had taken a stern stance against India and liberated Kashmir, India would not continue to undermine Pakistan's territorial sovereignty.