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ECONOMIC COMMENTARY

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YOUR WEEKLY ECONOMIC UPDATE

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WHAT A WORLD WE LIVE IN: FALLING OIL PRICES AND SPENDING LESS TIME WORKING

The Organization of the Petroleum Exporting Countries (OPEC), together with their new ally, Russia, have, once again, been unable to reach an agreement about global oil supply. Disagreements between OPEC members have been a feature of the cartel since it started more than 60 years ago. However, these disagreements were, usually, about members not agreeing to production targets. Often members would want to produce more to earn larger revenues, but they were kept in line by the cartel's allocation. At the heart of today's issue is the growing concern that the global demand for oil will reach its peak, sooner rather than later. It is still unclear exactly what will happen after we reach peak demand for oil. Some believe that demand should stabilise around 105 million barrels per day (p/d), roughly 5% higher than pre-pandemic levels. Others maintain that, if governments aggressively target climate change concerns, demand could fall to 85 million barrels p/d. Yet others believe that following from the peak, the global demand for oil will look more like a drop from a cliff's edge. Whatever the outcome, it is reasonable to assume that demand will fall after peaking. Wood Mackenzie, a global consultancy, estimates that oil prices will fall from current levels of around $75 a barrel to $40 a barrel in 2030. This would be welcome news to consumers across the globe. It, therefore, stands to reason that, should oil demand fall, countries would want to produce and sell as much oil as possible at the current elevated price levels, in which case a cartel's limitations are more of a nuisance than anything else.

Another hot topic in recent years has been reducing the hours that employees spend working while maintaining income levels. This is because of concerns about employee health and well-being that have become ever-more prominent. Common barriers to working less hours include opposition from managers and owners as well as the need to take on extra staff. However, a recently concluded four-year trial, which tested the validity of a four-day workweek, was an overwhelming success. About 2500 workers in Iceland participated in the study, which concluded that reducing the hours that employees work, in this case to a four-day workweek, while maintaining their income levels, not only increased productivity, but also improved employee well-being. The study showed that output levels and service quality were maintained. Only some departments needed to recruit more staff to fill the gaps, but these costs where marginal compared to the overall payroll. Not only that, but companies, and society at large, saved on costs that are often associated with working longer hours. These include, but are not limited to, burnout, mental health issues and perceived stress.

In other news, Chinese regulators continue their fight against individual and company autonomy: from fining Alibaba and drafting new payment-application laws to get to its founder, Jack Ma, to ordering app store operators in the country to remove the mobile app DiDi (a car hailing app like Uber) from their app stores. Chinese regulators have been working hard to maintain control of their autocratic country. On another note, an Israeli study found that Pfizer's COVID-19 vaccine is less effective against the new Delta variant of the coronavirus. Data collected during the past month suggests that the vaccine is 64% effective at preventing infection among those who are fully inoculated compared to an estimated 94% for previous strains. In South Africa, we face a further two weeks of Level 4 lockdown, in what will one day be known as one of government's largest blunders. We maintain that the nature and severity of our lockdowns, as well as the dismal performance in acquiring vaccines, severely limited our ability to get through the pandemic and to recover from it afterwards.

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