Economics Briefs

Gazprom Starts Pumping More Gas to Europe: Price Falls

Gazprom has booked more capacities through Ukraine and Poland and started to pump more gas Nov. 10, defying speculation that Russia would start delivering on Putin's promises only after certification of Nord Stream 2.

According to Bloomberg, the benchmark next-month gas futures fell 3.4% to settle at €70.12 a megawatt-hour in Amsterdam, after having fallen more than €10 initially.

Gazprom is delivering on Putin's directions only 24 hours after the deadline of Nov. 9, indicated as the day when Russian storage facilities would be filled, and Gazprom would start refilling European ones.

Migration Explodes Worldwide

There were about 281 million migrants in the world as of late 2020, according to the UN-related, intergovernmental International Organization on Migration (IOM). This figure does not include internally displaced migrants within a country. This international migration represents about 3.6% of the world's population. This figure was only 153 million in 1990, and before that, it is estimated to have been about 90 million in 1970. The growth of migration is part of the dirty underside of the treatment of the underdeveloped world, the spread of wars, and so on.

Most of the migrants are in Europe (87 million), Asia (86 million) and North America (59 million). However, relative to population, migrants are 22% of Oceania (mainly Australia), 16% of North America, and 12% of Europe. Yet, over the last 20 years, it is Asia that has had the most growth in absolute terms, adding 37 million more people. Europe follows with 30 million more, North America 18 million, and Africa 10 million.

It's Official, France Will Build at Least Six Large New Nuclear Reactors

French President Emmanuel Macron announced Nov. 9 on prime-time television that, "For the first time in decades, we are going to relaunch the construction of nuclear reactors in our country and continue to develop renewable energies."

Macron, with last night's announcement, makes official the construction of at least six new EPR reactors to replace several operating reactors that will end their life cycle in the coming decade. He said he was taking the decision to "guarantee the electricity supply of our country.... These investments will allow us to meet our commitments at the time when the COP26 in Glasgow will close...."

The EPR is a very large, 1650 MW, third-generation Pressurized Water Reactor (PWR) optimal for densely populated areas in developed countries. It was designed and developed mainly by Framatome (part of Areva in 2001-2017) and Électricité de France (EDF) in France, and Siemens in Germany. In Europe it is known as the European Pressurized Reactor (EPR). The first operational EPR was China's *Taishan-1*, which started commercial operation in Dec. 2018, followed by Taishan-2 in Sept. 2019. Due to insane outsourcing practices and maniacal regulations, the first two EPR units to start construction, on Olkiluoto Island in Finland and at Flamanville in France, are both facing costly delays (to 2022 and 2023, respectively). Two units at Hinkley Point in Britain received final approval Sept. 2016 and are expected to begin operating in 2026.

World Nuclear News reported that Macron is convinced that innovation and industrialization are inextricably linked, and that it was a mistake for France to think it could be innovative while letting its heavy industries decline. "Our country is going to be reindustrialized through technological start-ups and what is called 'deep tech'," said Macron. Accordingly, "Reinventing Nuclear Power" was placed as the first objective in Macron's plan, with €1 billion allocated to demonstrate small nuclear reactor (SMR) technology. He said the program would be "starting very quickly with very clear first projects," such as the French SMR project called Nuward, and stated that, "In fact, we must launch several projects from different technological families."

As *Le Figaro* noted: "Nuclear power is one of the themes of the presidential pre-campaign of 2022, some candidates advocating a more or less rapid exit (environmentalists or rebels), while others (including the right and the far right, but also the Communist Party) are in favor of this energy."

U.S. Inflation Has Turned Wage Gains into Losses

Rising inflation has driven down real wages for American workers for the past year, giving the lie to the universal media narrative that a "recovery" is lifting wage levels. The October consumer price index (CPI) from the Labor Department was accompanied by a press release on real wages. For all wage and salary earners, they are down by –0.6% from Oct. 2020 for the average hourly wage and by –1.6% for average weekly earnings. But for "production and non-supervisory employees," real wages are down by –0.9% for the year for the average hourly wage, and by a significant –1.9% from Oct. 2020 for the average weekly wage.

This triggered President Biden's odd statement that his "new priority" is "reversing [!] inflation," and he wants regulators to cut off speculation and drive down energy prices—as if he were in China, where it would be done! His fear is that the latest inflation surge threatens the $2 trillion "family spending bill" he wants passed immediately (the half which remains of the "Hyperinflation Act of 2021").

While energy, food, and used cars again drove the monthly CPI increase to +0.9% in October and +6.2% for the year, shelter cost inflation is essentially hidden by the Labor Department. As computed and publicized by the biggest rental ownership companies in the United States—the ones actually imposing the rent increases—the inflation in rents over the past year is +15–17%. But in the CPI, it is an absurd +3%, because of the nonsensical way the Labor Department claims to determine it.

U.S. West Coast Ocean Freight Breakdown Continues To Worsen

According to the ship-tracking site, *Marine Exchange*, the congestion of container ships at and outside the ports of Long Beach and Los Angeles has not been alleviated since President Joe Biden's "24/7 operations" order in mid-October; it has gotten still worse. *Marine Exchange* says there were 111 large container ships there on Nov. 10, 81 of which were "at anchor or loitering." There were 70 container ships at these ports in mid-September, and on Oct. 21 there were 107.

In the very detailed account by a long-distance trucker posted on *Zero-Hedge* Oct. 31, the much-discussed "shortage of truck drivers" servicing those ports' freight, is actually a shortage of truck drivers who want to have to do with port traffic, anywhere in the country. Most trucking companies and drivers, he said, "avoid port loading business like a plague" because the amount of unpaid time they spend waiting around the ports can bankrupt them.

This experienced trucker places the blame for the worsening transport breakdown exactly where it belongs—on the lack of infrastructure. There is, in almost all ports, he says, one crane for every 50 trucks looking for cargo. There is virtually vanishing rail capability to move freight from ports across the country, leaving it all to trucks. There is insufficient land-side space around ports, and around truck loading depots. This trucker has much more of interest to say, but the basic message is: America does not have the transportation infrastructure to ship its own freight.

Inflation of Fertilizer Prices Is Dangerous

The U.S. *Progressive Farmer* reports that the average retail price of anhydrous ammonia fertilizer set a record last week at $1,113 per ton, after increasing 38% from October. The seven other major fertilizers tracked by DTN for the first week of November saw increases ranging from 9% to 36% (in a month). These U.S. data are indicative of the steep inflation of fertilizer prices in much of the world.

A General Infrastructure Act Is Passed in the U.S.

The infrastructure bill that has just passed through Congress may not help President Biden at all with the latest, approximately $2 trillion spending bill he wants. The bill in fact was carved out of Biden's original $5–6 trillion mass of proposed Keynesian spending, by Senators led by Shelley Moore Capito, Joe Manchin, Cynthia Lummis, Kyrsten Sinema, and others of bipartisan inclinations. That carving-out was the reason for the first U.S. general infrastructure act since the American Recovery and Reconstruction Act of 2009 (ARRA).

This bill is to a large extent not seriously "paid for," although it includes a previously drafted five-year "highway bill" which has Federal gas tax and supplemental funding; and it is less "green" than the ARRA. Both of these characteristics were surprises. The largest investments include surface transportation improvements, $111 billion, including port improvements; Amtrak, including some high-speed rail development, $66 billion; public transit, $39 billion (about an average $1 billion per public transit system in the nation); airport improvements, $25 billion. Otherwise: broadband Internet, $65 billion, including direct household subsidies for Internet bills in rural areas; water infrastructure, $48 billion; clean drinking water infrastructure, $55 billion.

The Green New Deal section of this bill is $65 billion in electric grid spending, aimed to fund thousands of miles of high-voltage transmission lines to distant wind and solar mega-farms, and "smart grid" innovations whose purpose is to cut down the amount of electricity that business and household customers use.