

Our View

Economic Chaos: Implications for Oil Prices

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Donald Trump has systematically destroyed all order in the global economy. His trade war will also cut US economic growth somewhat. The favors granted to large corporations such as Apple will increase market concentration in the United States and exacerbate income inequality, further depressing growth. US economic expansion will also be constrained by the One Big Beautiful Bill's reduction in support for lower-income individuals and ICE's aggressive pursuit of undocumented immigrants, which is eroding the US labor supply. The uncertainty created by Trump will chill private investment in the US and the world. The higher interest rates resulting from a loss of faith in the US dollar could further accelerate our decline.

India, once seen as a driver of global growth, will also suffer economic harm due to the tariffs imposed on it. Those levies have ruptured our economic relations with India and strengthened its reliance on China and Russia. US tariffs will cut into European Union growth.

Meanwhile, new US policies adopted to bolster fossil fuel use and restrict or kill private-sector renewable energy programs will "Make China Even Greater." By favoring hydrocarbons and shutting down wind and solar programs, the Trump administration will saddle the US with high-cost electricity. In contrast, China and other countries will expand those low-cost energy sources. The growing competitive advantage resulting from this dichotomy will make US products too expensive to be sold abroad. Manufacturers here will be left with protected but shrinking and more monopolized domestic markets.

These developments will directly affect fossil fuel demand and prices, particularly in the short term. Petroleum use will be repressed in the United States by the decreased economic activity, especially as income disparity widens. Oil consumption in India will be depressed by the Trump tariffs. Meanwhile, use in China, the beneficiary of Trump's chaos, will likely fall as well as that nation takes advantage of opportunities, especially regarding renewables, created for it by US policy changes.