

Negativity appears to be the tone this week with concerns growing over the growing levels of inflation around the globe, fears of recession and a consequential flight of monies to safety, wherever that may be.

Wheat markets appear ever so slightly more resilient than corn and soybeans, both of which have seen more significant price declines. Doubtless the fundamental input coming from the fast-approaching US harvest has had an effect, but the gloomy macro-economic picture seems to have overtaken crop fundamentals.

We are looking at a Putin induced period where huge and potentially permanent damage is being inflicted upon the western way of life. We risk ending up with calamitous poverty, civil disobedience, a new socialist government by next year, a break-up of the UK, nationalisations, price and incomes policies, punitive wealth taxes and eventually a complete economic and financial meltdown and an ignominious IMF bailout. The situation in the EU is, if anything, worse.

Cheap and plentiful energy is essential to our consumerist societies. We cannot be delusional about the scale of the developing catastrophe. Household energy and vehicle fuel costs will jump from 4.5 per cent of household spending in early 2021 to some 13.4 per cent by April next year, much higher than at any time during the past 50 years, including the 1970s, according to Carbon Brief. Households may face a rise in energy costs of £167 billion, or 7 per cent of GDP, taking total expenditure to £231 billion, more than government spending on health, and that is before the hit to business is accounted for. The rise for consumers alone is more than the combined defence and education budgets.

This is equivalent to a Depression-style shock. Pay rises will protect some workers at the expense of investors, but – until and unless energy prices fall again – our national living standards will slump massively. The nation is sending tens of billions more abroad to pay for energy imports. There was little the West could do other than rely on hostile OPEC nations in the 1970s, the last time an energy war almost destroyed us; but it was an unforgivable error for Europe to become so reliant on Russian supplies, and to fail so miserably to increase domestic energy production. The French even allowed their nuclear plants to break down.

Plans, or options, include targeted help to those on lower incomes, freeze all energy prices, cut taxes dramatically or help some or all businesses. All and any such plans necessitate increased Government borrowing on top of an already Covid induced level of public debt.

Paradoxically, Putin's activity is strengthening the US's position as "leader of the West". The US emerged better from Covid. Its interest rates have gone up faster, bolstering the dollar. Its health care system hasn't fallen over like the NHS. But it is its energy policy, "Fracking", as the Republicans advocated in the early 2000s, has been the real triumph.

Why did Britain and Europe allow themselves to become Putin's hostages?

This unashamed rant has been building for some weeks and we will return to our more usual commentary next week. Meanwhile we will continue to watch fundamentals but look much more closely at the macro-economic picture until such time as it feels as if has a lesser influence on financial and commodity markets.