Funding the Future

Rachel Reeves' forecasts will all be wrong

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The FT has reported this morning in an email:

Oil prices surged as much as 13 per cent as the widening conflict in the Middle East threatened global energy supplies. Traffic through the Strait of Hormuz has dried up.

I did, of course, anticipate this yesterday afternoon.

I am also aware that there are those who say "so what?". They are looking at this oil price chart and saying the point we have reached is not so abnormal, so what is the big deal?

Source: Trading Economics, this morning

My answer to that is that the downward trend over 2025 (the Trump-created blip in April, apart) has been why inflation has declined, and the reversal in that context is significant, real, and will have an impact. External shocks are always what create tipping points when it comes to inflation.

There is one other thing to note. The Bank of England is forecasting very much reduced inflation at present, with stability around the 2 per cent target firmly fixed on its agenda. This could be seriously upset by what is happening, and if it is, that will make a complete mockery of the Office for Budget Responsibility forecasts that are being issued tomorrow, about which Rachel Reeves will speak in the Commons tomorrow lunchtime, which I will be discussing on Radio 2 tomorrow at around 1 pm with Jeremy Vine. Whatever she says might happen probably won't now.

Wars to save political skins by decapitating heads of state, whilst killing innocent victims, have consequences. One is that the economy might be heading into troubled waters, contrary to everything she wants to suggest.