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How is global inflation impacting the energy industry?

In contrast to the US government's own data with the 5% inflation figure recently reported, Fed Chairman Powell and Secretary Yellen continue to see deflation as a threat. I don't know why that is. Perhaps it is a fear of a Covid-19 comeback or some other factor derailing the economy. But right now, there is no real counterweight on asset inflation. Many investors hedge against inflation into commodities such as gold. How do companies prosper in this climate? They have to look into their pricing power and understand if they can set their own prices, control input costs, and drive towards lower labor intensity. The tech and automated industries are very strong on this point. Within the energy industry, the national oil companies have that type of bargaining power, but the private equity backed players and the international players perhaps don't.

Will the US' and UK's current lax position on inflation push commodities upward?

The global economy is undisputedly hot right now. The G7 countries can create fiscal and monetary expansion with the luxury of lockdowns. For example, the feeling in the UK is that the economy is doing well and "why don't we give it another four weeks?" These are also the countries that have a very effective vaccine expansion roll out scheme. Combined with China and India, all cylinders are firing with a range of activity. There is more money out there right now and it is supporting consumption. However, we still have a K-shaped economic recovery structure because developing countries have not had the same progress with vaccinations. They are also unable to pull off this developed country trick of buying their government's own debt without consequences. The inflation that is occurring really pinches on the lower income segments of those countries. Food and energy inflation will be a challenge for the world, especially Asia and Africa, which are very important regions for global growth prospects. ■

**Paraphrased comments*

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