

# DAILY ENERGY MARKETS FORUM

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#### Is the argument against the stimulus growing at all because of inflation?

We are seeing the beginning of inflation, but it has more to do with bottlenecks. There is a difference between inflation as a general increase of the price level feeding into itself and shifts in relative prices such as what we're seeing in lumber, driven by the US housing boom. That has been more directly linked to monetary policy. The supply disruptions we are seeing today are coming from the onset of general excess demand coming out of the pandemic and the unprecedented spending by governments in many countries, particularly in the US. The demand wave is hitting an economy which had no investments for two years so it will be overwhelming and will drive prices up.

#### Are oil markets being impacted by inflationary worries?

When people are worried about inflation, they traditionally hedge with real estate, commodities and precious metals. Oil has not been very popular as an inflation hedge because it's so much more subject to political decision. We have today a center of gravity, which is somewhere between \$60 and \$65, being defined by OPEC's willingness and ability to hold the line and by the slowness of shale and other producers' return to the market. We should see that continuing - the world is too choppy right now for anyone to derail it by big experiments. There are also big divisions in growth rates between countries. While that won't dent aggregate global growth numbers, it will keep the rich countries on their toes in terms of any further virus resurgence emanating from poorer countries such as Brazil or South Africa. So, expect a very confused discussion, at least until the picture of the virus and bottlenecks becomes clearer over the summer. ■

*\*Paraphrased comments*

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