

Offset the economic damage

Sanctions come with a cost to those imposing them as well as to those suffering them. The West's sanctions on Russia will slow world trade, help keep energy prices high and add to the loss of real incomes. There will be a bit more inflation and a bit less growth as a result.

Central Banks have to grapple with emerging stagflation. It means they should not be too hawkish on curbing inflation when falling real incomes will start to do their work for them.

In the U.K. after a policy which was too inflationary there rests the danger of flipping to too tough a policy with too sharp a slowdown. The Bank is determined to over correct for its error of continuing to create too much new money last year. The negative impact of the war and sanctions reinforces the case to abandon the tax rises and cut VAT before they hit in April.