



Truss insists on tax cuts instead of 'handouts' to help households

◆ Radical economic reform plan ◆ BoE performance attacked ◆ Long-term growth push

GEORGE PARKER AND SEBASTIAN PAYNE

Tory leadership frontrunner Liz Truss has rejected "handouts" as the best way to help households through the worst income squeeze in 60 years, instead promising tax cuts and radical economic reform.

In an interview with the Financial Times yesterday Truss defied the "abacus economics" of the Treasury, insisting she would press ahead with tax cuts despite claims they will fuel inflation, already forecast to top 13 per cent.

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Asked how she intended to help households facing spiralling fuel bills this winter – the energy price cap could rise by more than £2,000 in less than a year – Truss insisted the answer was tax cuts and supply side reforms.

"Of course I will look at what more can be done," she said. "But the way I would do things is in a Conservative way of lowering the tax burden, not giving out handouts."

Truss has already promised to reverse an increase in national insurance rates, introduced by leadership rival and former chancellor Rishi Sunak, as well as a temporary removal of green levies from energy bills, worth about £150 per household each year.

But economists point out this will nowhere near cover the rise in average annual energy bills, which were capped



Liz Truss: the Tory leadership favourite wants to defy Treasury 'abacus economics' — Anna Gordon/FT

at £1,971 in April but which some forecasts say could top £4,200 in January.

The scale of the challenge to be faced by Truss or Sunak was set out by Andrew Bailey, Bank of England governor, this week. On Thursday, he warned of a 15-month recession, rising unemployment and spiralling price rises.

Truss's answer is to prioritise longer-term reforms to boost growth – including the reversal of Sunak's planned rise in corporation tax from 19 to 25 per cent. "It's completely counter-productive to be raising corporation tax," she said. "That will stymie growth."

Truss's reversal of the planned corporation tax increase would blow a £17bn hole in the public finances. The foreign secretary insisted she could afford tax cuts costing more than £30bn by using up "headroom" in current fiscal forecasts – even though economists believe a sharp economic downturn could wipe that out. She insisted she would stick to the current fiscal rules and "start paying the debt down after three years".

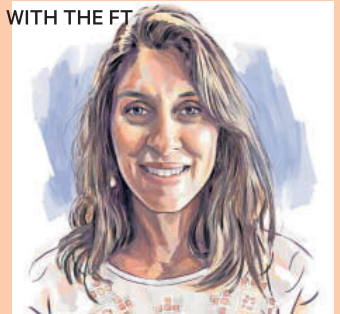
Truss took aim at the Bank of England's use of quantitative easing and its impact on inflation. She defended the bank's independence but said its mandate should be reviewed.

"One of the issues I want to look at is the control of the money supply and particularly the quantitative easing policy and the impact that's had," she said.

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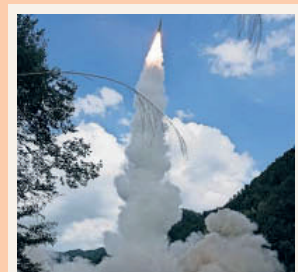
ROSIE HUNTINGTON-WHITELEY



Summer recipes

A picnic fit for the opera

FT WEEKEND MAGAZINE



China suspends military communication lines to US

China has stepped up its retaliation on the US following House Speaker Nancy Pelosi's visit to Taiwan this week by suspending routine communication channels with the Pentagon. As Beijing sent planes and warships to test the island's defences for a second day, it also halted bilateral climate talks and its co-operation with Washington on legal issues ranging from repatriation of illegal migrants to drug trafficking.

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Rare vintage wines pass the sniff test as investors seek hedges against inflation

OLIVER BARNES

The world's largest fine-wine trader is boasting surging sales as investors flock to rare vintages, in part as a hedge against rampant inflation.

Revenues at Bordeaux Index reached £80mn in the six months to June 30, up 37 per cent on the same period last year. That puts the London-headquartered company on course to beat 2021's record revenue of £126mn.

The merchant's online wine trading exchange, LiveTrade, was responsible for the majority of the growth, reporting sales 53 per cent higher than the comparable period last year.

More than 600 vintages are traded on the platform, varying in price from Tuscany's Tignanello 2019, at around £650 for a six-bottle case, to £13,000 for a dozen bottles of Champagne's Salon Le

Mesnil 2012 and as much as £54,000 for a 12-bottle case of Bordeaux-produced Château Pétrus 2018. Matthew O'Connell, chief executive of LiveTrade, said: "People still drink this stuff, but they are increasingly noticing the value of wine as a hard asset that has a proven track record of inflation resistance."

Inflation is nearing 10 per cent in many western economies. Earlier this week the Bank of England predicted that the UK inflation rate would reach 13 per cent by the end of the year.

Last month a magnum of Champagne Avenue Foch 2017, along with a non-fungible token including the intellectual property rights for the artwork on its label, was sold to two Italian investors for a record \$2.5mn. A cask of rare Scotch whisky from the Ardbeg distillery recently sold to a private collector in Asia for £16mn, smashing the previous

record of £1mn set only months earlier.

Last year fine wines were the top-performing "passion investment", according to the Knight Frank Luxury Investment Index, delivering an average return of 16 per cent, higher than art and coins. However, others in the industry are less bullish about the outlook for the rare wine market.

"There will be lots of high net worth individuals buying wine as a hedge against inflation, but there may be more people in the mid-wealth category who are less buoyant because of the cost of living crisis and are pulling back," said Miles Davis from Wine Owners, which runs a database tracking the value of fine wines.

"The wine market... [is] only a happy place to invest when things are going well and for a lot of people things aren't going well."

World Markets

STOCK MARKETS				CURRENCIES				GOVERNMENT BONDS					
	Aug 5	Prev	%chg	Pair	Aug 5	Prev		Yield (%)	Aug 5	Prev	Chg (b/p)		
S&P 500	4116.73	4151.94	-0.85	\$/€	1.017	1.021	€/\$	0.984	0.979	US 2 yr	3.21	3.06	0.15
Nasdaq Composite	12561.39	12720.58	-1.25	\$/£	1.206	1.211	£/\$	0.829	0.826	US 10 yr	2.85	2.69	0.16
Dow Jones Ind	32571.59	32726.82	-0.47	€/£	0.843	0.843	€/€	1.186	1.186	US 30 yr	3.09	2.98	0.12
FTSEurofirst 300	1713.01	1724.77	-0.68	¥/\$	135.345	133.135	¥/€	137.585	135.951	UK 2 yr	2.13	2.00	0.14
Euro Stoxx 50	3721.44	3754.60	-0.88	¥/£	163.220	161.233	£ index	79.537	79.926	UK 10 yr	2.05	1.88	0.17
FTSE 100	7439.74	7448.06	-0.11	Sfr/€	0.979	0.977	Sfr/£	1.162	1.159	UK 30 yr	2.43	2.28	0.15
FTSE All-Share	4111.51	4118.32	-0.17	CRYPTO				JPN 2 yr	-0.11	-0.10	-0.01		
CAC 40	6472.35	6513.39	-0.63		Aug 5	Prev	%chg	JPN 10 yr	0.16	0.17	-0.01		
Xetra Dax	13573.93	13662.68	-0.65	Bitcoin (\$)	22986.84	22619.86	1.62	JPN 30 yr	1.15	1.18	-0.03		
Nikkei	28175.87	27932.20	0.87	Ethereum	1668.08	1608.04	3.73	GER 2 yr	0.45	0.30	0.14		
Hang Seng	20201.94	20174.04	0.14	COMMODITIES				GER 10 yr	0.95	0.80	0.15		
MSCI World \$	2761.65	2755.25	0.23		Aug 5	Prev	%chg	GER 30 yr	1.16	1.03	0.13		
MSCI EM \$	984.59	985.81	0.89	Oil WTI \$	89.74	88.54	1.36						
MSCI ACWI \$	640.94	639.00	0.30	Oil Brent \$	95.48	94.12	1.44						
FT Wilshire 2500	5409.51	5414.27	-0.09	Gold \$	1783.20	1761.25	1.25						
FT Wilshire 5000	42241.34	42276.69	-0.08					Prices are latest for edition Data provided by Morningstar					

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