

Inflation is the hot topic in all the news coverage right now. Here's my learnings on this important topic:

1. Inflation simply means the value of that money goes down and will buy you less of goods and services next year. What that decrease in value is varies and depends on many factors.
2. Inflation data is best measured and captured in America since 1913 when the consumer price index was introduced for the first time. Many countries followed that model.
3. Inflation is good and bad depending on where you sit and how you view it. As an employee, it hurts your spending, as an employer, it pushes up the wage bill, as a government, you start to initiate measures to dampen growth, etc. etc.
4. The prices in the US, the largest consumption economy in the world that accounts for close to 30 % of all household consumption globally have gone up. Prices in the US are up 6.2 % last month vs same period last year, a fifth straight month of 5 % plus inflation. The average household spend in the US on groceries has gone up from \$674 to \$849, the worst hot is Atlanta.
5. The current inflation in the US is the highest in 31 years, last high inflation was 1990. High inflation means real growth is down, in many cases real interest rates are down. If inflation exceeds interest earned on a savings account then the investor is losing value. Social security payments in most countries are linked to the CPI, in a way inflation proof.
6. Everything seems to be up, gasoline prices, second hand homes, second hand cars, food.
7. Consumers tend to save more in periods of high inflation, they tend to postpone big ticket purchases. Consumers as investors tend to invest in gold, real estate and the stock market to offset higher inflation.
8. Venezuela has currently the highest inflation at 9986 %, which means eggs, bread and milk will cost more every morning afternoon and evening compared to the previous day. When South America had high inflation, many companies introduced a new measure – TRIP – Trading results Inflation proofed
9. Central banks used to have an inflation target every year and still talk of containing inflation. Rich country or poor country, inflation is a politicians challenge. President Biden is seen as a weak president with the current inflation in the US.
10. Look at it from another angle – the corporation – 66 % of US companies have reported best profits this year with high inflation. Inflation has given them the right to take price increases, something they had not done in a while. Widespread inflation helps take price increases. Most companies raise prices ahead of their inventory costs and hence tend to make more profit.
11. Inflation tends to push up interest rates too and this dampens growth.
12. The profits of US companies as a percentage of US GDP is the highest in 2021 after 1960, after nearly 60 years. There was one quarter in 2012 which was better, but results in 2021 are the best in 60 years for US companies.
13. This inflation is demand led and cost push , both are playing significant roles.
14. In many industries , the company or brands take up prices, steel, mattresses etc. have taken 3 price increases so far. Where the middle man margins are high, then discounting tends to drop, that squeezes the middleman, but the consumer doesn't feel a price increase.
15. Most economists expect this to last for a few months, global inflation is more than 3.6 % right now, one of the highest in the world, it is expected to be closer to 3.2 % next year.

Feedback welcome

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