The Silent Thief

I find the concept of inflation both fascinating and deeply impactful. It's a subtle force that affects our daily lives more than we often realize. Over short periods inflation it may go unnoticed, but over time, its compounding effect can become a serious financial challenge if not properly managed.

"*Inflation is taxation without legislation*." – Milton Friedman

To illustrate this, I asked AI to look back at the price history of a standardised product: the McDonald's Big Mac. When it was first launched in 1967, it cost just $0.45. Today, the average price in the US is around $6. Without even considering "shrinkflation" (where the product size may have decreased over time), this price increase reflects an average annual inflation rate of 4.5% over 58 years.

Bringing the concept closer to home in South Africa, let's consider the price of 95-octane petrol. It's currently set to rise to R21.44 per litre (inland price). Twenty-five years ago, petrol cost around R3.37 per litre - an annualised increase of 7.7%. To put this into perspective: filling a 50-litre tank back then cost about R168; today, it costs around R1,072. Interestingly, during this same period, the price of oil in US dollars has increased by only about 4% per year. The difference? Exchange rate depreciation and taxes.

There's no escaping the fact that when governments and banking systems expand the money supply faster than productivity growth, the result is rising prices, not just for goods and services, but also for assets.

The best way to protect yourself from persistent inflation is simple, though not always easy: consistently save a portion of your income in assets that can outpace inflation over time. History has shown this to be one of the most effective financial strategies, and the future is unlikely to be any different.

Ian De Lange CA(SA)
Chief Investment Officer

If you have any questions, Ian and our team would love to hear from you on global@seedinvestments.co.za.

Pictured above : Ian De Lange with his boys, Andrew (left) and Jonathan (right)

Follow Ian De Lange on Social Media