

INFLATION

FINANCE



INFLATION

Inflation is the sustained increase in the general price level of goods and services over time, eroding the purchasing power of currency. It is often measured as a percentage and can result from various economic factors, impacting consumers and businesses.

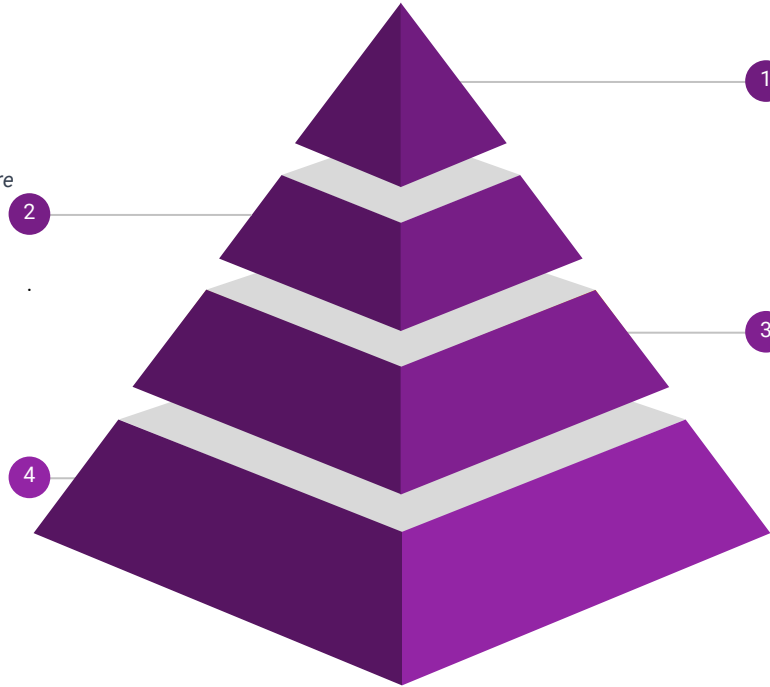


Demand pull inflation

This type of inflation happens when there is an increase in demand for goods and services that outpaces their supply. As demand rises, prices tend to go up.

Asset price inflation

Inflation is not limited to consumer goods and services. It can also affect the prices of assets such as real estate, stocks, and bonds. For instance, a period of low-interest rates may lead to increased demand for real estate, causing property prices to rise.



Cost push inflation

This occurs when the cost of production for goods and services increases, leading producers to pass on those increased costs to consumers.

Wage inflation

When the general level of prices in an economy rises, employers may need to increase wages to maintain the real income of their employees. This is known as wage inflation.

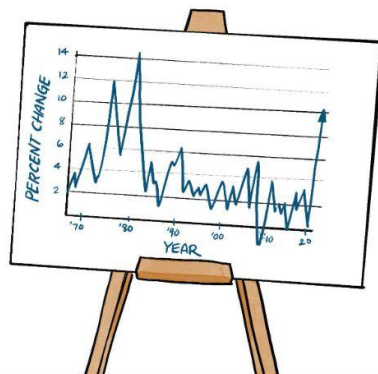
Case study



Venezuela's hyperinflation crisis serves as a stark case study. Mismanagement, excessive money printing, and economic instability led to an astronomical inflation rate, causing a collapse in the currency's value. Citizens faced soaring prices, scarcity of goods, and economic turmoil, illustrating the severe consequences of unchecked inflation.

1

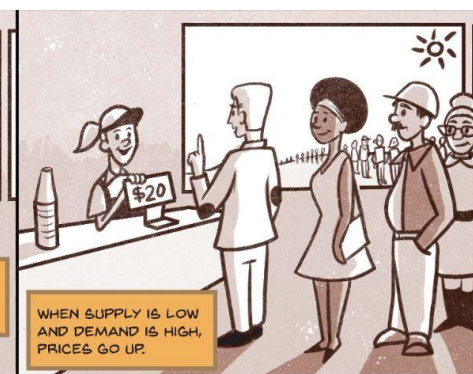
ALL OF THOSE FACTORS HAVE COMBINED TO INCREASE INFLATION TO ITS HIGHEST LEVEL IN FORTY YEARS!



2



WHEN SUPPLY IS HIGH AND DEMAND IS LOW, PRICES ARE LOW.



WHEN SUPPLY IS LOW AND DEMAND IS HIGH, PRICES GO UP.

3

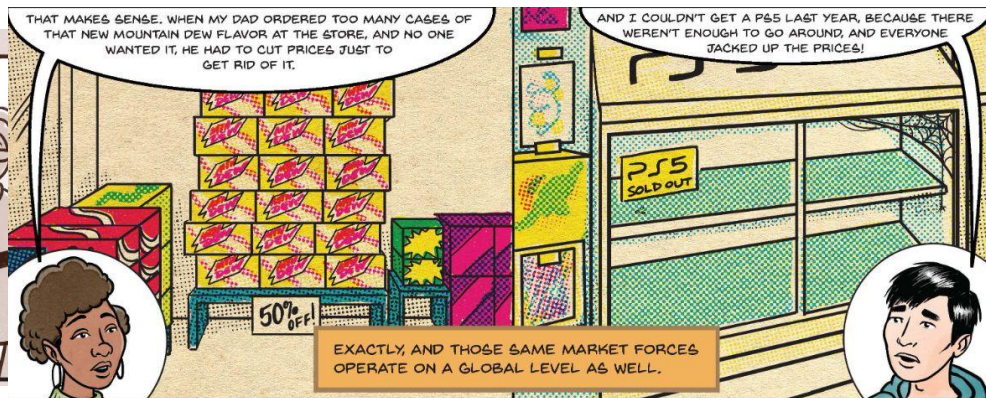
FUNDAMENTALLY, PRICES COME DOWN TO TWO THINGS: SUPPLY AND DEMAND.



SUPPLY IS HOW MUCH OF A COMMODITY IS AVAILABLE TO SELL--

--AND DEMAND IS HOW MUCH PEOPLE WANT IT.

4



THAT MAKES SENSE. WHEN MY DAD ORDERED TOO MANY CASES OF THAT NEW MOUNTAIN DEW FLAVOR AT THE STORE, AND NO ONE WANTED IT, HE HAD TO CUT PRICES JUST TO GET RID OF IT.

AND I COULDN'T GET A PS5 LAST YEAR, BECAUSE THERE WEREN'T ENOUGH TO GO AROUND, AND EVERYONE JACKED UP THE PRICES!

EXACTLY, AND THOSE SAME MARKET FORCES OPERATE ON A GLOBAL LEVEL AS WELL.

Hyperinflation



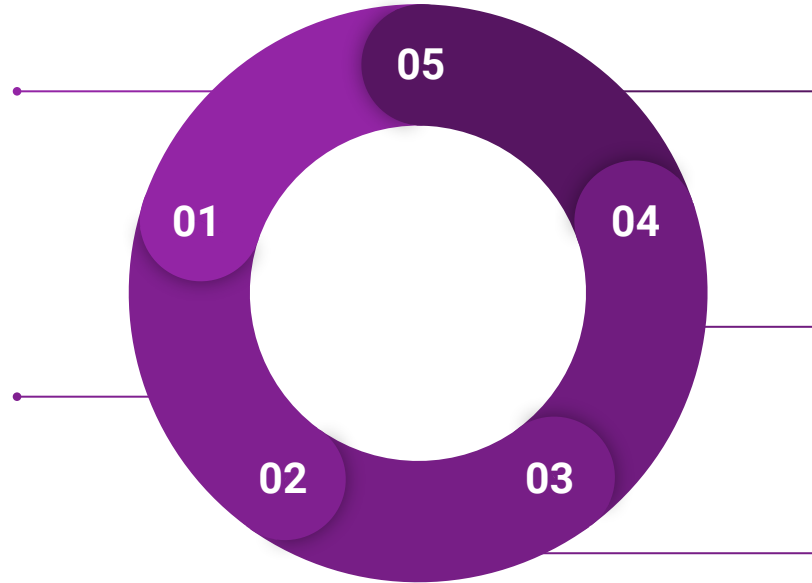
Hyperinflation is an extreme and rapid increase in the general price level of goods and services within an economy. It often results in the devaluation of the national currency, causing a breakdown in economic stability and severe financial hardships for the population.

Rapid price increase

Prices of goods and services rise at an astronomical rate, often on a daily or even hourly basis.

Economic chaos

Hyperinflation can lead to economic chaos, as individuals and businesses struggle to cope with the rapidly changing prices and economic uncertainty.



Loss of Confidence in the Currency

People lose confidence in the stability of the national currency, leading to a rapid decline in its value.

Currency devaluation

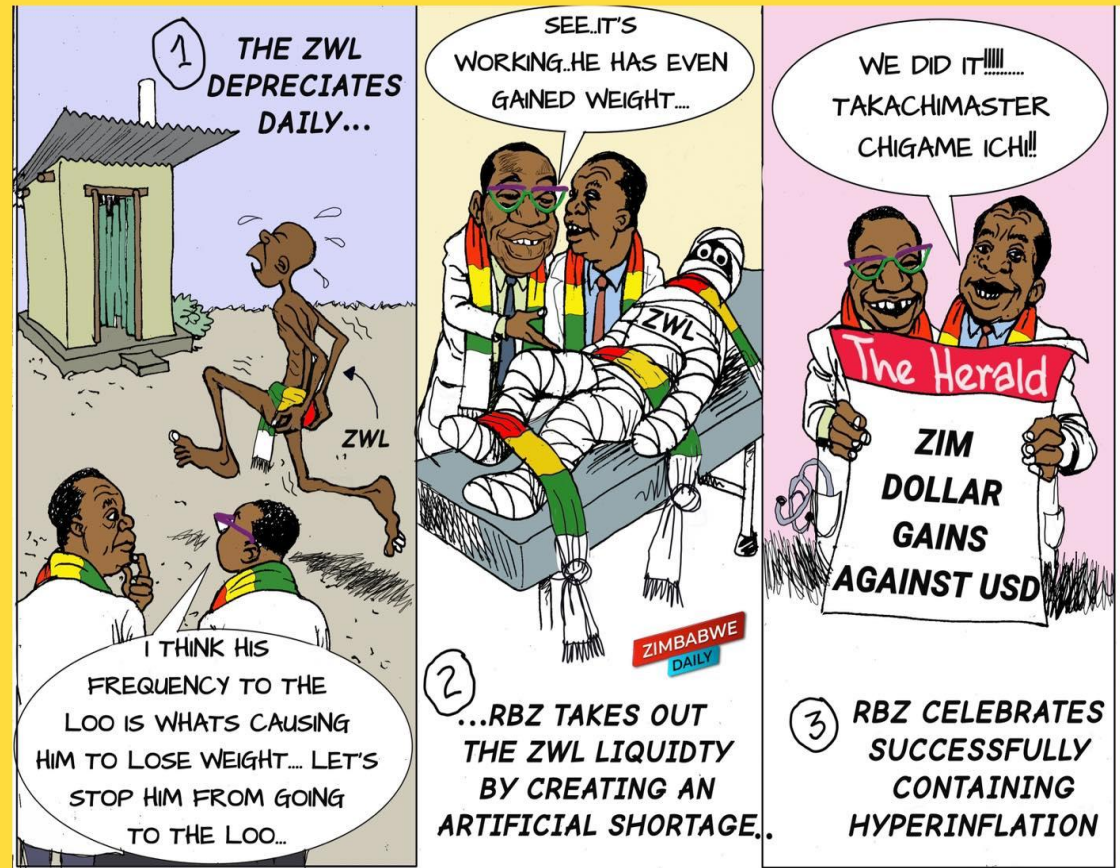
The value of the currency becomes almost negligible, and it may take large amounts of money to buy even basic goods.

Social unrest

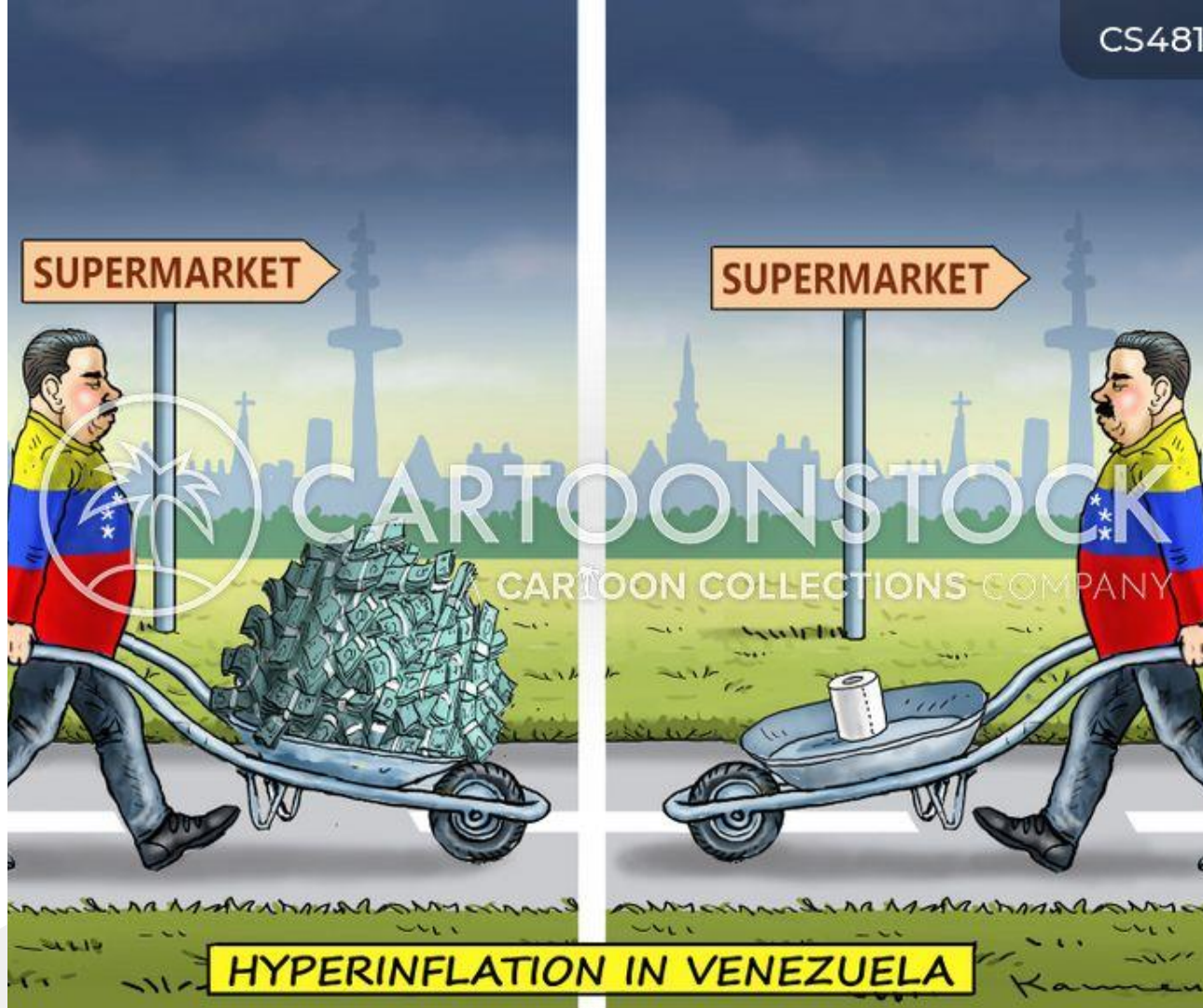
Civil discontent rises, fueled by inequality, injustice, and political dissatisfaction. Protesters demand change, challenging established norms. Governments respond with varying degrees of repression or reform.

CASE STUDY

Zimbabwe's hyperinflation in the late 2000s is a notable case study. Political turmoil, land reforms, and excessive money printing caused unprecedented inflation rates, leading to economic collapse. Prices skyrocketed, basic goods became scarce, and the country faced severe social and economic challenges.



**THIS IS
WHAT
HAPPENING
IN
VENEZUELA
PEOPLE PAY
IN CARTS
AND GET 1
ITEM**





Is inflation dangerous?

Inflation, when at moderate and controlled levels, is generally considered a normal and even necessary feature of a healthy economy. It becomes dangerous when it reaches higher levels, particularly when it becomes excessive or accelerates rapidly. Here are some reasons why inflation, especially at elevated levels, can be considered dangerous

ADVANTAGES OF INFLATION

01

Higher Profits

Inflation, usually, benefits the producers of products. They experience better profits since they can sell their products at higher prices.

02

Better investment return

During inflation, investors and entrepreneurs receive added incentives for investing in productive activities. Therefore, they receive better returns.

03

Increase in production

Once the producers receive the right investment, they create more goods and services. Hence, inflation leads to an increase in production of products/services.

DISADVANTAGES OF INFLATION

01

Reduced Purchasing Power

Inflation diminishes the value of money, reducing the amount of goods and services one can buy.

02

Uncertainty:

During inflation, investors and entrepreneurs receive added incentives for investing in productive activities. Therefore, they receive better returns.

03

Income Erosion:

Once the producers receive the right investment, they create more goods and services. Hence, inflation leads to an increase in production of products/services.



HOW TO AVOID INFLATION?

ANS - INVESTMENT

INVESTMENT





WHAT IS INVESTMENT

Investment involves the allocation of money or resources with the expectation of earning returns in the future. It encompasses various assets such as stocks, bonds, real estate, mutual funds, and cryptocurrencies, each carrying its own risk and return profile.

Investors engage in the financial markets to grow their capital through capital appreciation, interest, dividends, or rental income. The choice of investment depends on factors like risk tolerance, financial goals, and time horizon. Successful investing often requires diversification, thorough research, and a clear understanding of market dynamics to make informed decisions and manage risk.





Why invest?

Investing is an effective way to put your money to work and potentially build wealth. Smart investing may allow your money to outpace inflation and increase in value. The greater growth potential of investing is primarily due to the power of compounding and the risk-return tradeoff.



BENEFITS OF INVESTING ?

- Potential for long-term returns
- Outperform inflation
- Provide a regular income
- Tailor to your changing needs



WHERE SHOULD WE INVEST OUR MONEY?



Investing depends on individual goals, risk tolerance, and timeframe. Diversify across asset classes like stocks, bonds, and real estate. Consider low-cost index funds for long-term growth. Stay informed about market trends and economic indicators. Consult a financial advisor for personalized advice. Stay disciplined, avoid emotional decisions, and periodically review your portfolio to ensure it aligns with your financial objectives.



INVESTMENT OPTIONS IN INDIA

Stocks, Fixed deposit, Mutual funds, Senior citizen Savings Scheme, Public Provident Fund, National Pension Scheme (NPS), Real estate, Gold Bonds, REITS, Government bond are investment options in india.

