

Multi-Decade High Inflation causes Scottish Savers Stock up on Gold Coins

A leading bullion company based in London has reported a surge in orders from Scottish investors as savers look to protect their wealth which has been consistently eroded by rapidly increasing consumer prices. Just this week gold set a new record high against the US Dollar and the pound as demand remains strong for gold bullion bars and coins amongst investors, institutions and central banks.



Photo by Nicholas Cappello on Unsplash

Gold has always been considered as a great asset to own to preserve one's wealth over time as the impact of inflation does not affect gold the same way that it does cash. As cash loses value over time, you need more pounds to buy the same items which gives the impression that prices are rising when it is the value of the pound that is falling. This phenomenon is widely known as 'inflation'.

What is causing rising prices?

As governments spend more than they receive in tax receipts, the deficit is funded by the central bank issuing new currency which devalues the banknotes already in existence. This process is known as [seigniorage](#). This is why prices seem to rise over time, the value of the pounds in your bank account are slowly being eroded by consistent issuance of new pounds into the system, causing more of these weaker pounds to buy the same products or services.

A situation arises where the goods and services available in the economy are relatively fixed in number through time but the amount of money in the economy that is being used to

purchase those goods and services increases over time. Therefore, you have a scenario where more money is chasing the same amount of goods and services. The way in which the balance is restored is by prices adjusting higher and giving the impression of 'inflation'.

How does gold help?

Gold cannot be printed by a central bank and has a supply limited by geology. Each time there is a financial crisis, such as the one seen in 2008 and the fallout from the 2020 lockdowns, governments increase their spending to support the wider economy. This process increases the pace of currency debasement and is a big reason to why consumers are paying much higher prices on the high street to what they did in previous years.

With saving rates offered by banks significantly below the rate of inflation, savers are being penalised for holding their cash in the bank because the interest earned is not enough to keep pace with price rises of consumer goods. Gold, however, helps to reduce this as its price rises against depreciating currencies. Gold is often considered a 'constant' by holding its value against currencies as they come and go in and out of circulation around the world.

Savers seek sanctuary in gold coins

[Bullion dealer](#) Auronum has reported a surge in gold sovereign, gold bars and silver coins since the beginning of the year from Scottish investors as more Scots are becoming aware of their savings being eroded by a falling pound.

The increase in the price of gold helps to offset the rise in prices of consumer goods, therefore protecting one's wealth from inflation. The Bullion company has confirmed that demand is strongest for gold sovereigns and even at higher price points demand is outstripping supply.

With the immergence of collapsing US and European banks bringing a renewed threat to the global economy, many professional traders and investors are betting on gold and silver prices continuing to rise as silver reaches a new 52-week high and gold prices break into uncharted territory against most major currencies.

A repeat of the global financial crisis would require governments to increase their spending as unemployment claims increase and tax receipts fall. This will very likely result in a renewed round of money printing, or 'quantitative easing' as referred to by economists and politicians.

What can be done to protect my savings?

There are several things that Scottish households can do to reduce the impact of high inflation on their savings. The first is to hoard non-perishable products that will be needed for years to come. It is a simple strategy but a highly effective one.

If prices of cleaning products, clothes, batteries and things like toothpaste and deodorant are going to increase 4-6% annually, then why not buy several years' worth of supply with cash that is earning little interest in the bank before the price of those goods rise?

For higher capitalised savers the obvious solution is to buy gold bars and coins to store wealth. Gold sovereign coins are very popular because their price point is just below £400 per gold sovereign which means that they are easy to sell and only one or two can be sold at a time for when only a little cash needs to be raised.

Similarly, one ounce gold bars are very popular choices with Scottish savers as they have the benefit of being low premium and extremely easy to sell back to bullion companies at market reflective rates. These are considered the default choice for many international gold buyers given that the smaller bars

command a higher premium per gram.