

Inflation is at a 23-month high. In 2012, panic cost savers six years

Published by OneRightAI · 5 min read

Maxim: *Ride out inflation with patience and prudence.* — Monika Halan

Rising prices tempt households into dramatic moves: dumping deposits, piling into gold, stopping SIPs. The last time India went through this, the dramatic moves were the expensive ones.

Inflation punishes the unprepared, but it punishes the panicked more.

The warning in May

In May 2026, retail inflation looked tame. Consumer prices were up just 3.48% on a year earlier in April. But Monika Halan, writing in a [column republished on her website](#), pointed to the number underneath: wholesale inflation had jumped to 8.3% from 3.88% a month earlier, with fuel prices up almost 25%. The government had so far absorbed much of the cost of dearer oil. "It is only a matter of time before the higher fuel costs are passed on," she wrote, under the headline that gives this piece its maxim.

She was right. In September, retail inflation rose to 5.54%, a 23-month high and the fourth straight month above the Reserve Bank's 4% target, [Deccan Herald reported](#). Wholesale inflation reached 11.39%, with fuel and power prices up almost 26% on a year earlier, according to [commerce ministry data](#). With Brent crude above \$100 a barrel amid conflict in West Asia and the repo rate at 5.25%, the real return on safe money is close to zero, [an analysis in The Hindu noted](#) in September.

That is the moment households start making big decisions. History suggests they should make small ones.

The last time: 2010 to 2013

India has been here before, and worse. Between 2010 and 2013, inflation ran high for years. Real returns on household financial savings turned negative, financial savings weakened and gold demand rose, RBI research cited in the same Hindu analysis found; it estimated the link between gold imports and households' inflation expectations at 0.83, a very close relationship. In March 2013, the then RBI governor, Duvvuri Subbarao, said he was worried that high inflation was pushing people towards gold instead of bank deposits, [Reuters reported](#).

The instinct made sense. Gold had risen year after year. Its average price in India went from about ₹15,756 per 10 grams in 2009–10 to about ₹30,164 in 2012–13, according to [RBI data compiled by Factodata](#). Deposits, meanwhile, were losing to prices.

Then the trade turned. Gold's average price fell in each of the next three years, and in 2017–18 it was still around ₹29,300, below the 2012–13 level. Only in 2018–19 did it edge past where the crowd had bought. Six years of waiting, for a household that bought gold to beat inflation, while inflation itself kept eating away at the purchasing power of that money.

Gold was not a bad asset; it went on to rise sharply after 2019. The mistake was the timing and the size: moving savings in a rush, at the peak of fear, into whatever had already done well.

Patience and prudence, in practice

Halan's two words describe two different disciplines.

Patience is about what not to do. Do not stop equity SIPs because prices are rising; over long periods, businesses can pass on higher costs in a way that a fixed deposit cannot. Do not sell long-term holdings to buy the asset that is in the headlines. Do not lock all your safe money into long-term deposits at today's rates out of fear, or keep it all short out of hope; staggering maturities avoids betting on either.

Prudence is about what to check. Look at your real return, after inflation and tax, on every safe holding. Review your monthly budget, because fuel and food inflation hit household cash flow before they show up in portfolio returns. Keep a fixed, modest allocation to gold rather than a reactive one, and rebalance back to it when it drifts. If you have floating-rate loans, plan for the possibility that rates rise.

Picture a retired couple living on the interest from their fixed deposits. For them, a 5.54% inflation print is not an abstraction. When prices rise faster than their after-tax interest, the deposit is quietly shrinking even though the passbook balance looks the same. The prudent response is not to move everything into equities or gold overnight. It is to count how many years of expenses sit in safe instruments, keep that cushion intact, and let only money they will not need for a decade or more take on market risk. For them, patience means accepting a slower fix rather than a dramatic one.

There are limits to what any household can control. Inflation may ease if oil cools, or it may stay higher for longer. The 2010–13 episode lasted years. Nobody, including the RBI, knows how this one ends. That uncertainty is the argument for plans that work across outcomes, not for bets on one.

If you do one thing: Write down your current asset mix and the real return on each part of it. Then commit, in writing, to changing that mix only at a scheduled annual review, not in response to a monthly inflation number.

Inflation is a slow tax, and it rewards slow responses. In 2010–13, the households that moved fastest, buying gold at the peak of fear, waited longest to be made whole. Keep your plan, check your real returns, and keep your nerve.

Sources

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