

## O'zapft is! The gold/Oktoberfest beer ratio revisited

The long hot summer nights are a thing of the past. The time of the autumn folk festivals is dawning. The most famous of these festivities is the *Oktoberfest in Munich*, which has taken place on the Theresienwiese since 1810, attracting millions of guests to the Bavarian capital every year. At "d'Wiesn", as it is popularly called, millions of litres of special *Oktoberfest* beer will certainly be filled again this year from 22 September to 7 October. We at Incrementum do occasionally enjoy the Oktoberfest beer. We are particularly interested in our popular gold/*Oktoberfest* beer ratio, which combines both treasures.

The gold/*Oktoberfest* beer ratio, that we are featuring in our annual [“In Gold we Trust”-reports](#) for many years already, expresses how many *Maß* of beer, the traditional Bavarian one-liter beer mug, can be bought with an ounce of gold. This ratio thus reflects the development of the purchasing power of gold in comparison to the purchasing power of the Euro at the *Münchner Wiesn*.

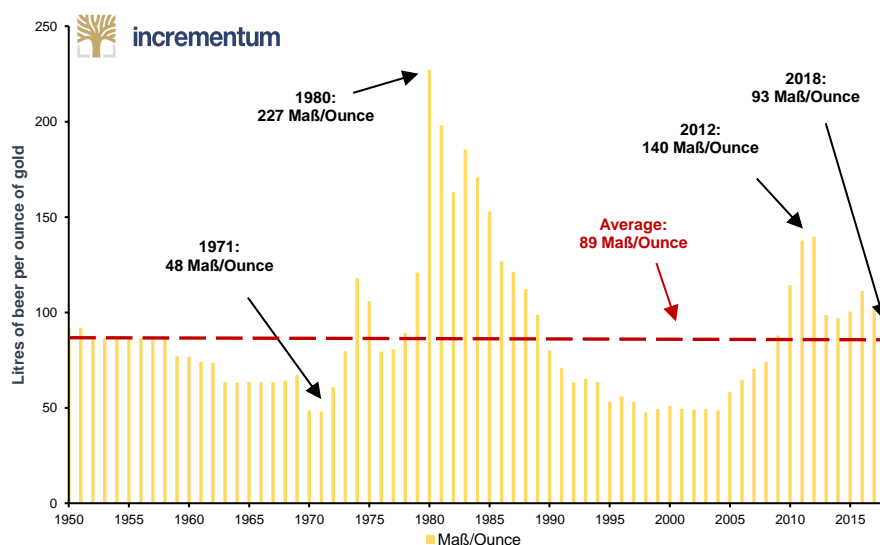
**In 2018, the Oktoberfest beer inflation rate amounts to 2.8% as compared to “only” 2.4% last year.**

**“Beer inflation” revisited:** The price of a *Maß* of beer has risen again this year, on average to 11.10 EUR<sup>1</sup> compared to 10.80 EUR<sup>2</sup> last year, resulting in an *Oktoberfest* beer inflation rate of 2.8%, while 2017 it was “only” 2.4%. Again, prices increased significantly more than the general price level. Last year's proposal by the second mayor of Munich and *Wiesn* boss Josef Schmid (CSU) of a beer price brake capping the price at EUR 10.70 for three years was not only rejected by the city council, but the beer price in euros continues to have only one way to go, namely upwards. For comparison: In 1950 the guests had to put only 0.82 EUR<sup>3</sup> on the counter for one *Maß*. **Since 1950 the inflation rate for *Oktoberfest* beer amounts to on the average 3.9% per year.**

**1 ounce of gold buys 2018 93 Maß beer and thus 4 more than compared to the long-term average.**

But how many *Maß* of beer does an ounce of gold buy? For the gold investor, this price is certainly of greater interest than the price in euros, as it shows how the purchasing power of gold has developed over time.

### Gold/Oktoberfest beer ratio

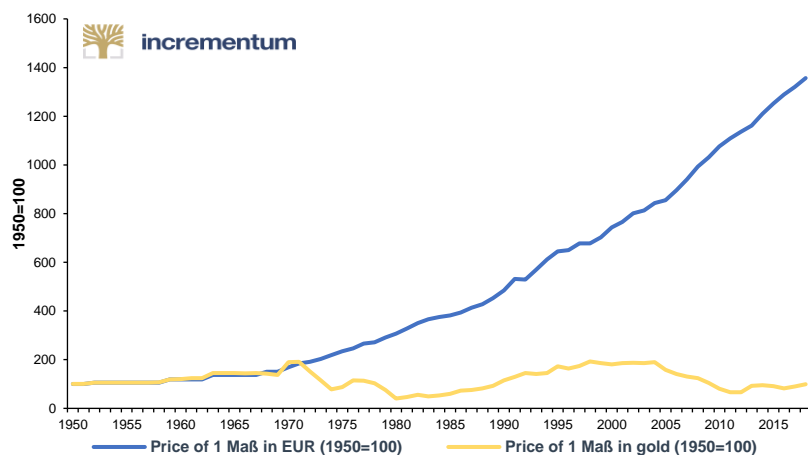


**The extremes of 227 resp. 48 Maß per ounce are currently not in sight.**

Whereas in 2017 one ounce of gold bought 102 Maß of beer, this year's equivalent is 93 Maß.<sup>4</sup> Rising beer prices and a falling gold price are forcing gold investors to be moderate this year. Measured against the historical average of 89 Maß, the "beer purchasing power" of gold is slightly above the long-term average. We are well away from the historic high of 227 Maß per ounce of gold in 1980. Despite the gold weakness in recent weeks, the low of 1971, when an ounce of gold bought only 48 Maß of beer, is also a long way off.

**The next chart shows how the price of beer in euros and gold has developed over the decades.**

**Development of beer prices in Euro resp. gold**



Source: Historical Archive Spaten-Löwenbräu, Haase-Ewert, ww.oktoberfest2018.de, Incrementum AG

**The steady loss of purchasing power of the euro is clearly visible, while gold has not lost purchasing power in the past seven decades, despite some fluctuations.** We do not consider it unlikely that the previous highs will be reached and exceeded again. This clearly does not mean that investors with an affinity for gold will have to drink more, even if the temptations of a bright blonde are in no way inferior to those of a precious metal shining in a similar color.

**The comparison with the gold/Oktoberfest beer ratio thus makes one thing certain: gold protects against paper money's ongoing loss of purchasing power - or expressed in Wiesen terminology: against dry throats.**

**Appendix: Price for 1 Maß in EUR and gold**

| <b>Year</b> | <b>Beer price in EUR</b> | <b>Maß/Ounce</b> |
|-------------|--------------------------|------------------|
| <b>1950</b> | 0.82                     | 91.9             |
| <b>1955</b> | 0.87                     | 86.7             |
| <b>1960</b> | 0.97                     | 76.8             |
| <b>1965</b> | 1.12                     | 63.5             |
| <b>1970</b> | 1.38                     | 48.5             |
| <b>1975</b> | 1.92                     | 105.8            |
| <b>1980</b> | 2.51                     | 227.1            |
|             |                          |                  |
| <b>1985</b> | 3.12                     | 153.0            |
| <b>1986</b> | 3.22                     | 126.8            |
| <b>1987</b> | 3.39                     | 121.2            |
| <b>1988</b> | 3.50                     | 112.1            |
| <b>1989</b> | 3.71                     | 98.8             |
| <b>1990</b> | 3.96                     | 80.0             |
| <b>1991</b> | 4.35                     | 70.8             |
| <b>1992</b> | 4.33                     | 63.3             |
| <b>1993</b> | 4.67                     | 65.2             |
| <b>1994</b> | 5.01                     | 63.6             |
| <b>1995</b> | 5.28                     | 53.3             |
| <b>1996</b> | 5.32                     | 56.1             |
| <b>1997</b> | 5.55                     | 53.0             |
| <b>1998</b> | 5.55                     | 47.7             |
| <b>1999</b> | 5.75                     | 49.4             |
| <b>2000</b> | 6.08                     | 51.0             |
| <b>2001</b> | 6.26                     | 49.5             |
| <b>2002</b> | 6.55                     | 49.2             |
| <b>2003</b> | 6.65                     | 49.5             |
| <b>2004</b> | 6.90                     | 48.6             |
| <b>2005</b> | 7.00                     | 58.1             |
| <b>2006</b> | 7.33                     | 64.8             |
| <b>2007</b> | 7.70                     | 70.4             |
| <b>2008</b> | 8.13                     | 74.2             |
| <b>2009</b> | 8.44                     | 87.9             |
| <b>2010</b> | 8.80                     | 114.2            |
| <b>2011</b> | 9.07                     | 137.7            |
| <b>2012</b> | 9.30                     | 139.8            |
| <b>2013</b> | 9.50                     | 98.6             |
| <b>2014</b> | 9.90                     | 97.0             |
| <b>2015</b> | 10.25                    | 100.5            |
| <b>2016</b> | 10.55                    | 111.4            |
| <b>2017</b> | 10.80                    | 101.9            |
| <b>2018</b> | 11.10                    | 92.8             |