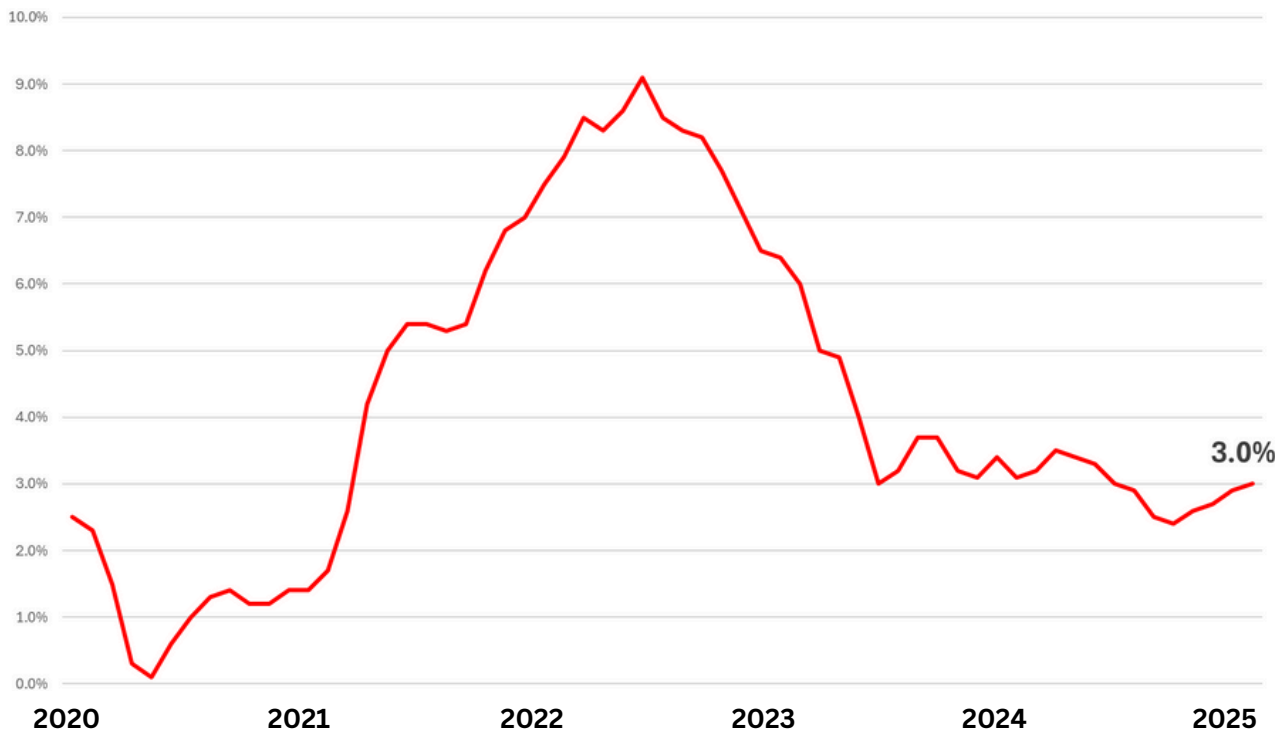


## Can't Buy Me Love .....or Cocoa anymore!

With Valentine's Day upon us, many people are likely wondering what gifts to buy. According to Statista, in recent years, the most popular gifts in the U.S. have been candy and greeting cards, followed by flowers and dining out. While some of these gifts, like a box of chocolates, may seem affordable, falling spending power and inflation have significantly affected the prices of both simple and luxury items over the past few years.

Currently, U.S. inflation rate stands at 3%, a slight increase from December 2024's rate of 2.9%. As illustrated in the chart below, inflation has generally been on a downward trend since the peaks experienced in the summer of 2022, largely due to the War in Ukraine and supply chain challenges. The current inflation rate is one percentage point above the Federal Reserve's target rate of 2%. However with only two interest rate movements forecast for 2025, the hope is that the rate of inflation will slow to near 2% towards the end of 2025 and into early 2026. While this is good news for consumers, the real story here is not the rate of inflation, but how much inflation has impacted upon the buying power of average Americans over the course of the last five years.

### US Inflation Rate (Jan 2020 - Jan 2025)



Source - Seaspray Private

Since January 2020, U.S. consumers have experienced a 26% decrease in their purchasing power due to inflation, as reported by Truflation. This translates to an average increase of \$1,326 in monthly spending per American since that time. The effects are even more significant for a suburban family earning an average salary of \$120,000. For them, inflation has led to a \$2,600 rise in monthly expenses, while also reducing their income by \$31,900, indicating that a suburban family would need to earn \$152,644 to maintain their purchasing power without considering inflation. Therefore, what this highlights is that while we talk about inflation rates falling, the real issue is the substantial impact inflation has had on the average American's finances over the past five years.

## US Truflation Aggregate Index (Jan 2020 – Jan 2025)



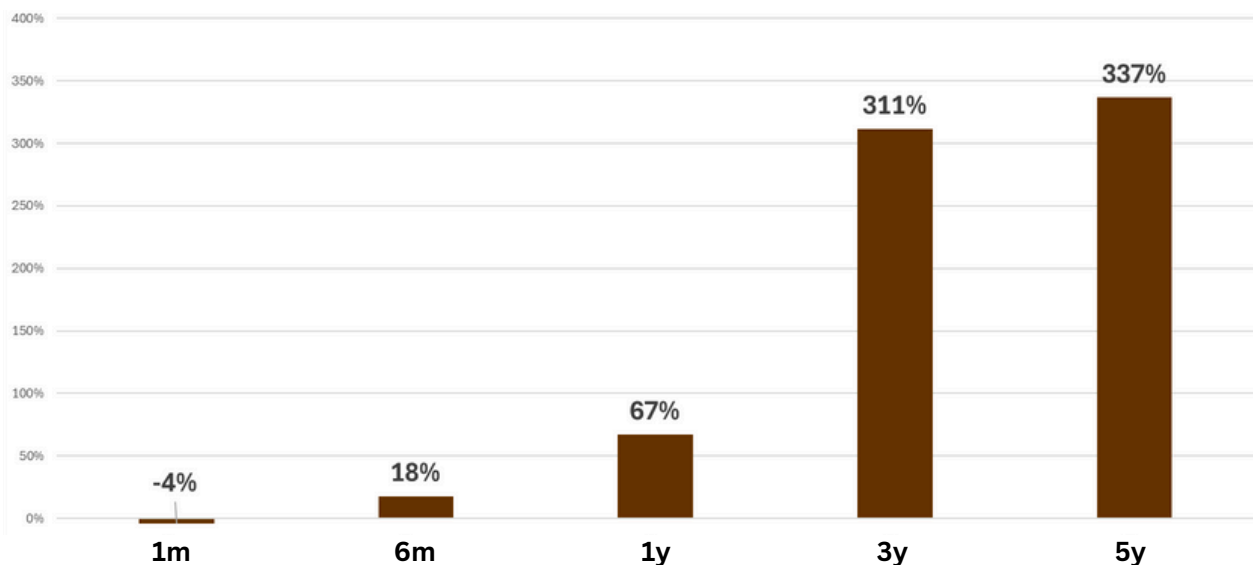
Source - Truflation



But what does inflation have to do with Valentines? As mentioned earlier, candy is among the most popular gifts for this occasion in the US, with chocolate often being the top choice. While many consumers think of chocolate as the final product, it actually comes from the cocoa plant, primarily cultivated in West Africa. The Ivory Coast and Ghana are the leading producers of cocoa globally, accounting for over 70% of the world's supply. However, in recent years, cocoa prices have surged to unprecedented levels due to climate change, which has caused unusually dry conditions in these regions resulting in a shortfall of beans.

Over the past five years the price of cocoa futures has increased by 337%, and as climate change continues to impact upon our world, prices could climb even higher. Cocoa futures reflect the price the market expects will be paid come the next harvest. Currently, cocoa futures are priced at \$10,140 per tonne, compared to \$2,680 in late February 2020.

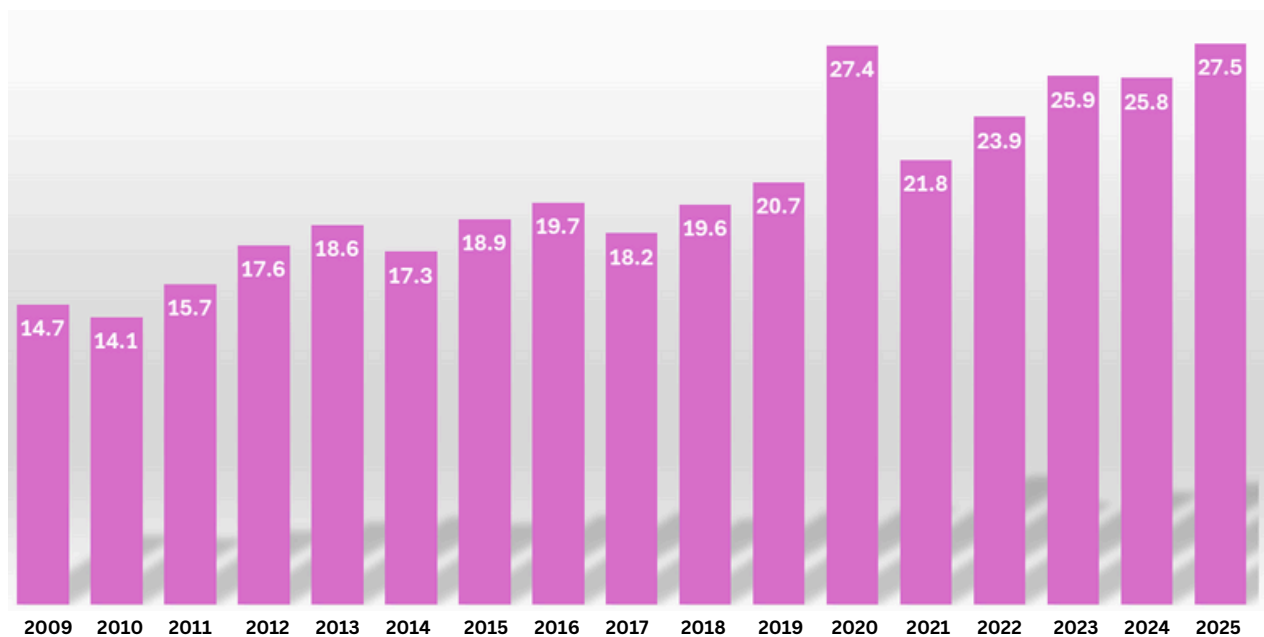
### Cocoa Price Increases



Source - Seaspray Private

Considering all of these factors, despite the inflationary impact on goods, consumers in the US are projected to spend record levels this year for Valentine's Day. Statista estimates that in 2025, spending will reach \$27.5bn to mark the occasion. This is quite the stat considering the inflationary effects discussed above, and highlights that American consumers are still spending despite the current economic and monetary headwinds.

### Total expected Valentine's Day spending in the United States from 2009 - 2025 (\$USbn)



Source - Seaspray Private - Statista