Inflation

11-1. Definition of Inflation:It is defined as a continuous increase in general price levels for some set of goods and services in a given economy over a period of time.

11-2. Measures of inflation: Inflation rates are calculated for many different indicators, including:

Consumer price indicators (CPIs) which measure the price of a selection of goods purchased by a "typical consumer."

Cost-of-living indicators (COLI) which often adjust fixed incomes and contractual incomes based on measures of goods and services price changes.

Producer price indicators (PPIs) which measure the price received by a producer.

Wholesale price indicators , which measure the price of a selection of goods at wholesale.

The GDP Deflator is a measure of the price of all the goods and services included in Gross Domestic Product (GDP).

11-3. Related concepts:

· Elasticity is the ratio of the proportional change in one variable with respect to proportional change in another variable. disinflation, the reduction of the rate of inflation;

· hyperinflation, an out-of-control inflationary spiral;

· stagflation, a combination of inflation and rising unemployment.

· reflation, which is an attempt to raise prices to counteract deflationary pressures.

11-4. types of inflation: There are three major types of inflation:

11-4.1.Demand pull inflation: inflation from high demand for goods and low unemployment.

11-4.2.Cost push inflation: inflation caused by sudden decrease in the supply of goods, which would increase goods prices. Producers for these goods will increase the costs could then pass this on to consumers in the form of increased prices.

11-4.3. Anticipated: Prices rise because people expect them to rise.