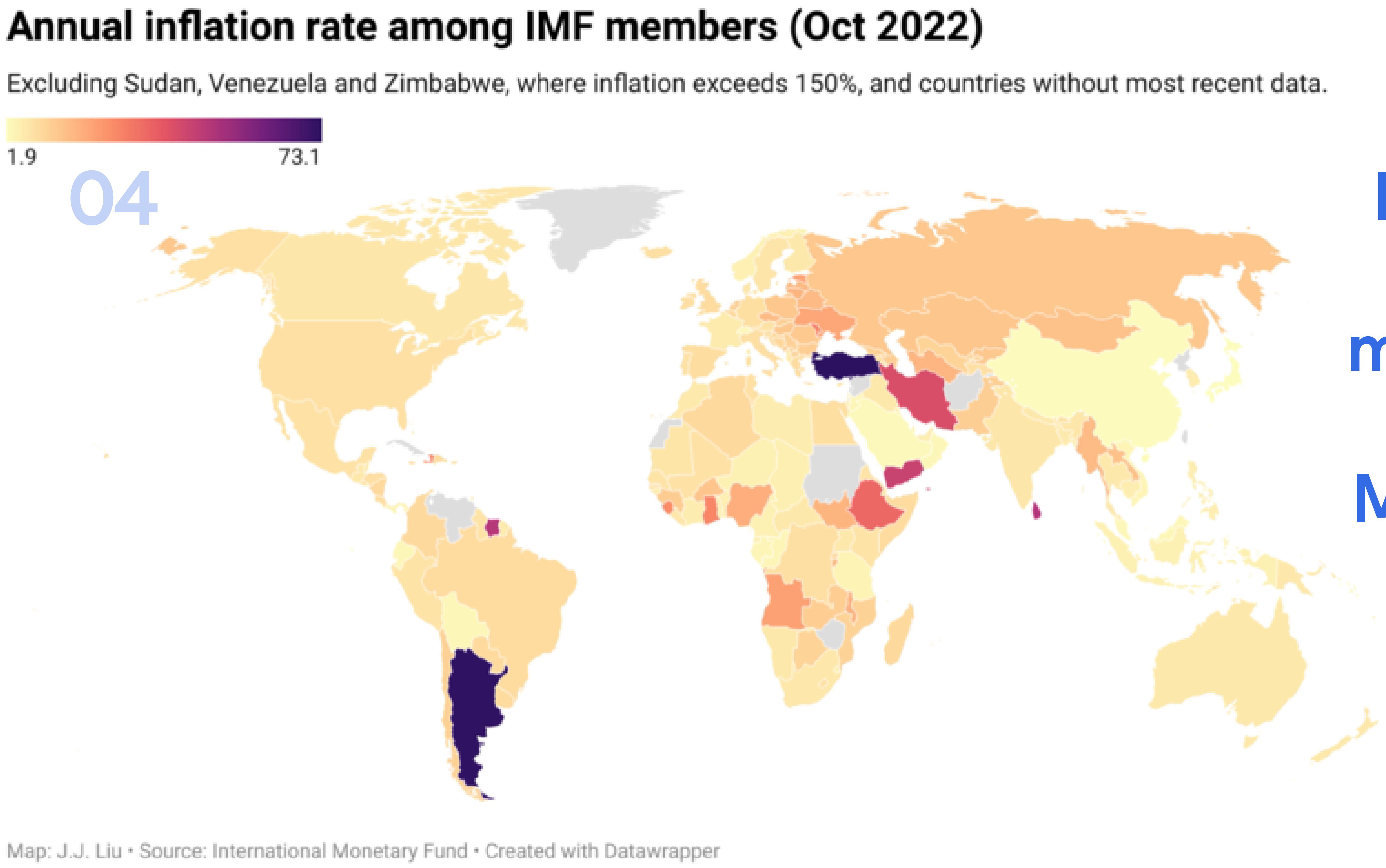
Inflation

Fayzullaeva Soliha SBHA20/22

02 Inflation is an increase in the general price level of goods and services in an economy

When the general price level rises, each unit of currency buys fewer goods and services; consequently, inflation corresponds to a reduction in the purchasing power of money.

The opposite of inflation is deflation, a decrease in the general price level of goods and services. The common measure of inflation is the inflation rate, the annualized percentage change in a general price index.



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Inflation rates among members of the International Monetary Fund in October 2022.

Most economists agree that high levels of inflation as well as hyperinflation—which have severely disruptive effects on the real economy—are caused by persistent excessive growth in the money supply

Views on low to moderate rates of inflation are more varied. Low or moderate inflation may be attributed to fluctuations in real demand for goods and services, or changes in available supplies such as during scarcities

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Moderate inflation affects economies in both positive and negative ways. The negative effects would include an increase in the opportunity cost of holding money, uncertainty over future inflation, which may discourage investment and savings, and if inflation were rapid enough, shortages of goods as consumers begin hoarding out of concern that prices will increase in the future.

Today, most economists favour a low and steady rate of inflation.[Low (as opposed to zero or negative) inflation reduces the probability of economic recessions by enabling the labor market to adjust more quickly in a downturn and reduces the risk that a liquidity trap prevents monetary policy from stabilizing the economy, while avoiding the costs associated with high inflation

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History

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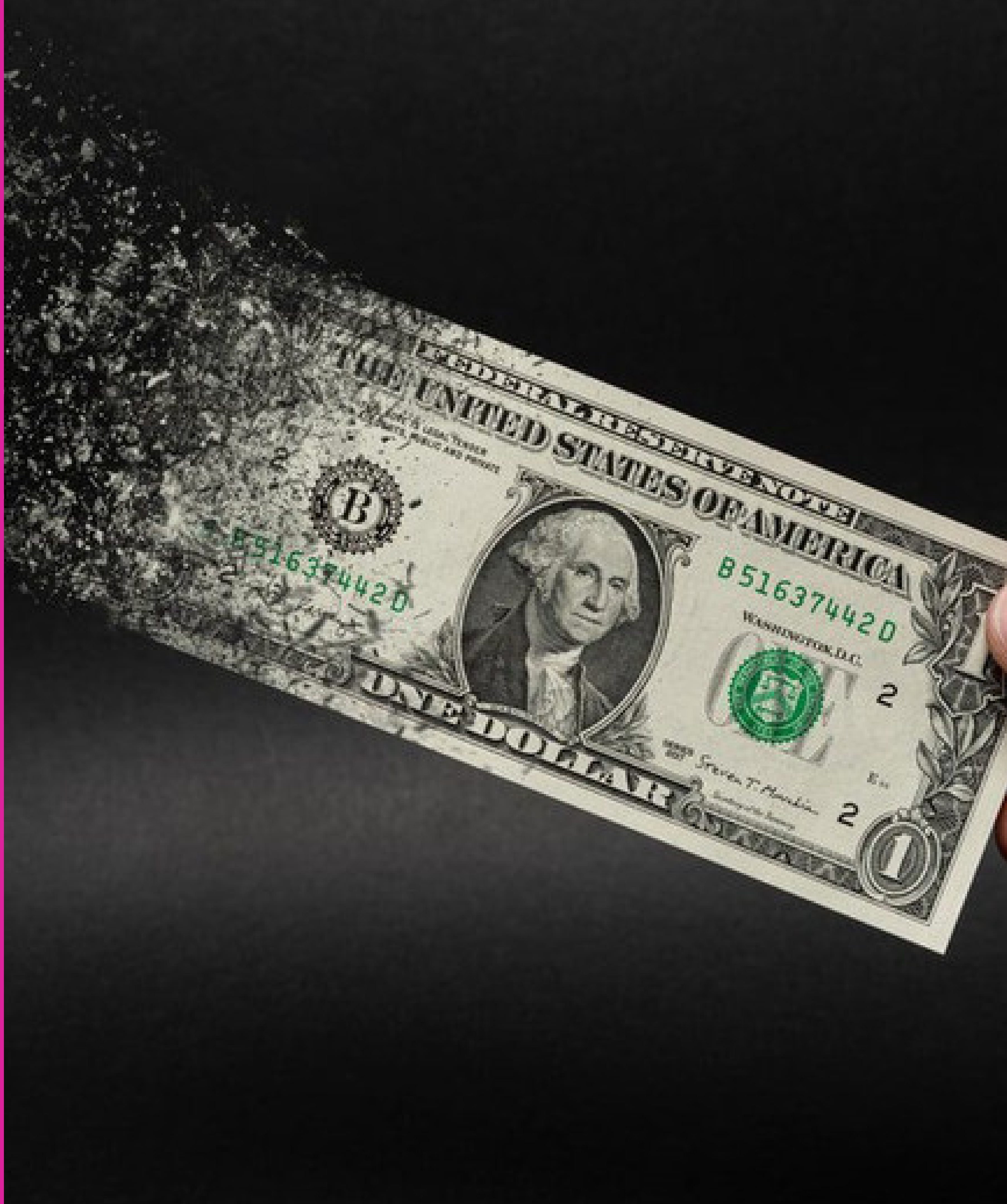
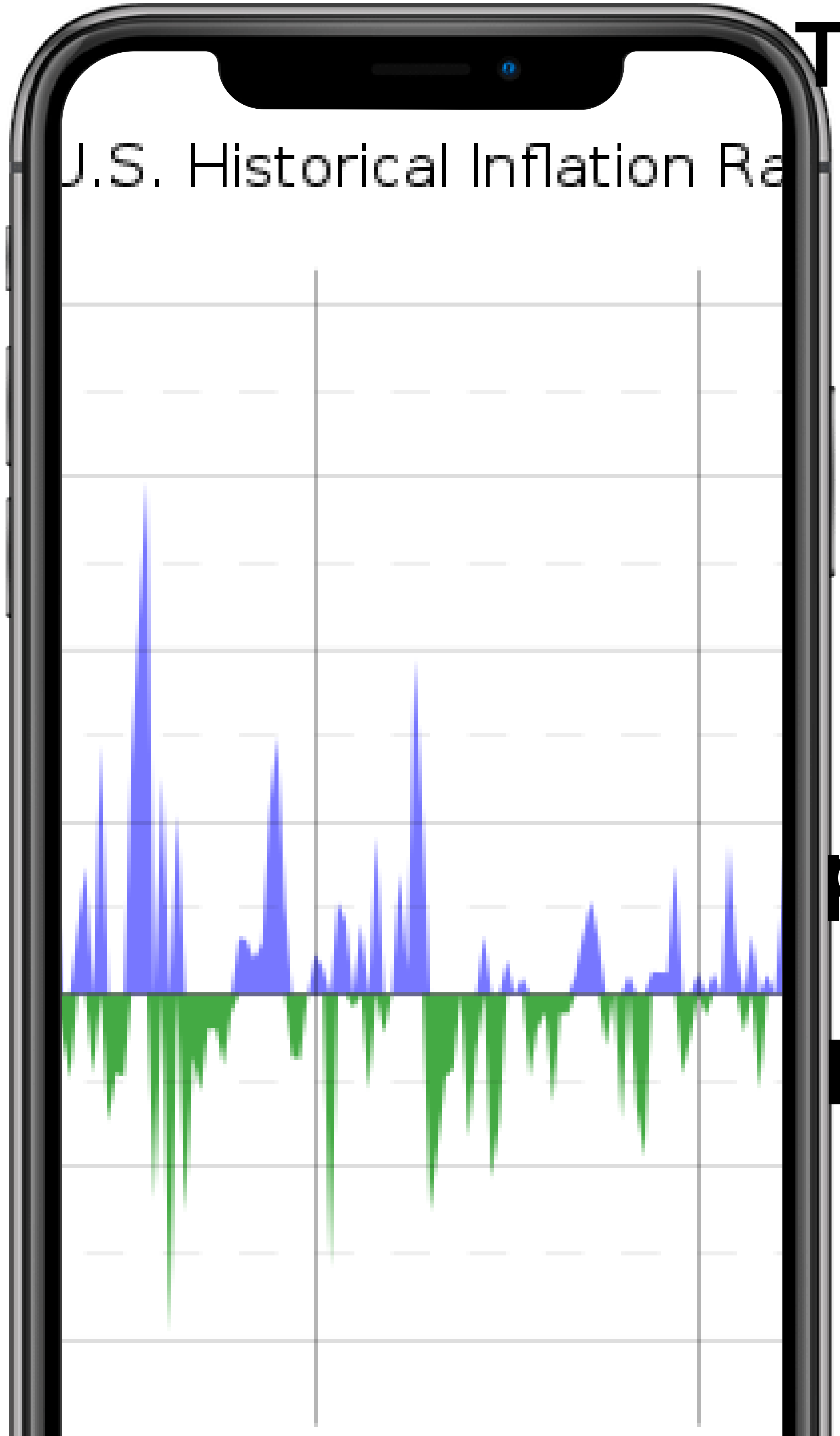
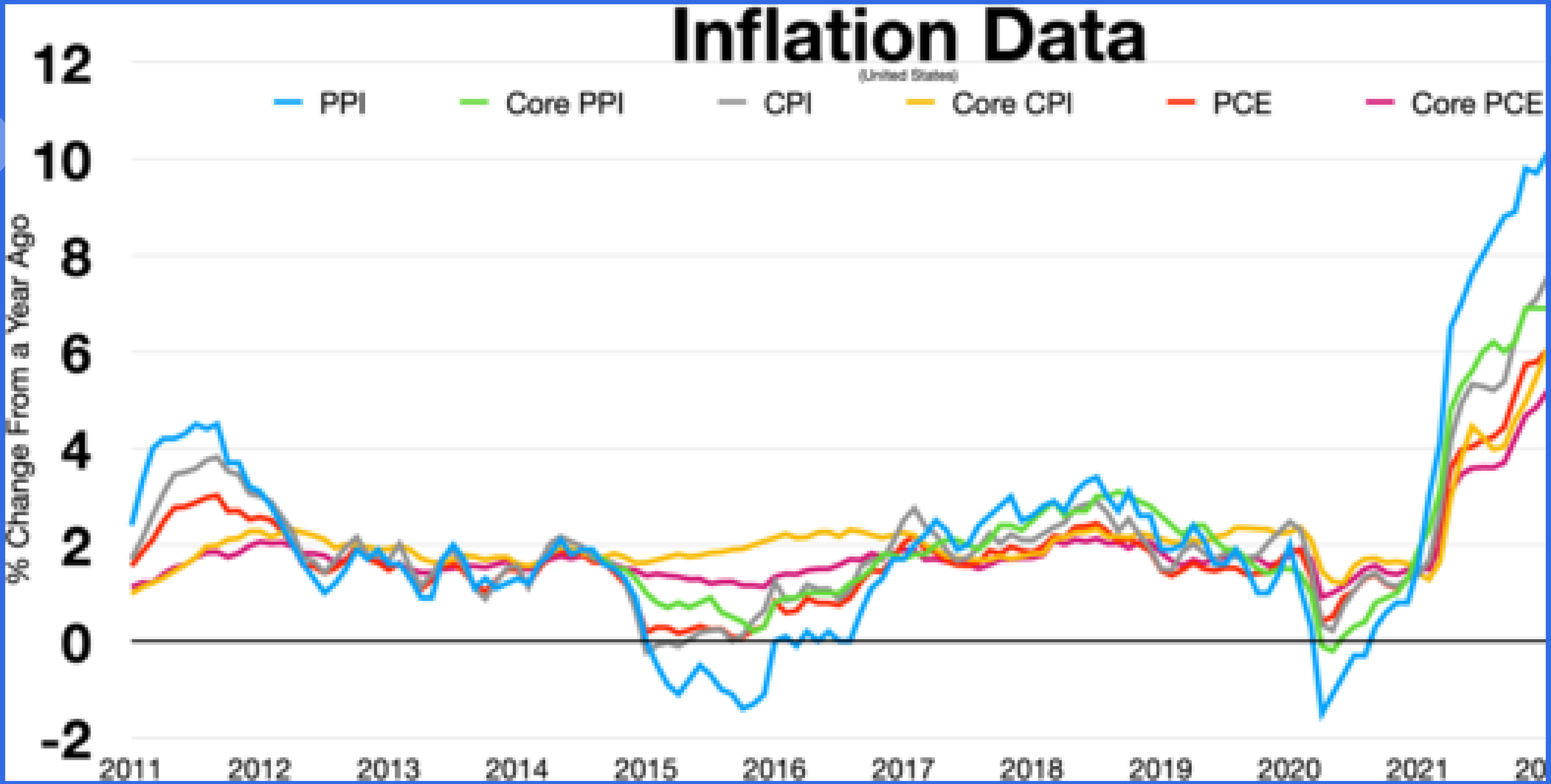




The adoption of fiat currency by many countries, from the 18th century onwards, made much larger variations in the supply of money possible. Rapid increases in the money supply have taken place a number of times in countries experiencing political crises, producing hyperinflations – episodes of extreme inflation rates much higher than those observed in earlier periods of commodity money



PPI is a leading indicator, CPI and PCE lag[41] PPI
Core PPI
CPI
Core CPI
PCE
Core PCE

Thank you