

INFLATION

The value of money in an economy is always changing i.e buying more or less depending on circumstances.

Inflation therefore reflects a period of rising prices. That is, when money buys less and less.

Or when rises in price becomes greater than productivity. **Inflation is a sustained increase in the general average in the prices of goods and services or a sustained fall in the value of money.** Note; Inflation does not mean high prices but a persistent or continues increase in the general price level.

A country is said to be experiencing inflation when we observe the following characteristics:

- Rise in the general price level for at least six months
- Instability for money to perform its function
- Increase in the cost of production of goods and services
- Excess in demand over supply
- A general fall in the level of productivity.

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