

- INFLATION

1) What is meant by inflation?

Inflation means increase in prices and fall in the purchasing value of money.

2) What are the 2 main causes of inflation?

The 2 main cause of inflation is cost push this is when the cost leads to increase in the price and the 2nd one is Demand pull this is when too much money chasing too few good and also business put their prices up.

3) What has happened to inflation over the past 12 months?

The rate of consumer price index (CPI) inflation slowed to 2.7% in August from 2.8% in July and The rate of Retail Prices Index (RPI) inflation, , rose to 3.3% in August from 3.1% in July.

4) What are the 2 main measures of inflation?

The two measurement of inflation are Retail price index which takes into account the importance of the items in the family budget and the second one is limitation of RPI this is a measure of expenditure by the average family but there is only a few average family so that is a disadvantage. Also the pensioners does not include in the limitation of RPI it has its own PRI.

5) What does the Bank of England do to try to control inflation?

The bank of England try to control the inflation because they set the inflation target so nothing gets out of hand and if they do they could try and control