

PRINCIPLES OF ECONOMICS

Lecture 42 INFLATION

November, 2015



TOPICS TO BE DISCUSSED

1. Inflation

- Meaning
- Types of Inflation



INFLATION

- Inflation refers to an increase in overall level of prices in the economy
- Inflation rate is the annual percentage change in the aggregate price level
- Inflation leads to decreased purchasing power and high cost of living

Example: Rs. 100 does not buy as much as it could buy 10 years ago because prices of everything has increased

TYPES OF INFLATION

- **Creeping Inflation:** or mild inflation is when prices rise 3% a year or less. It is Good for the economy
- **Walking Inflation:** inflation is between 3-10% a year. It is harmful to the economy because it increase economic growth at faster rate. Demand exceeds supply
- **Galloping Inflation:** When inflation rises to ten percent or greater. Money loses value so fast that it becomes difficult to keep up with costs and prices

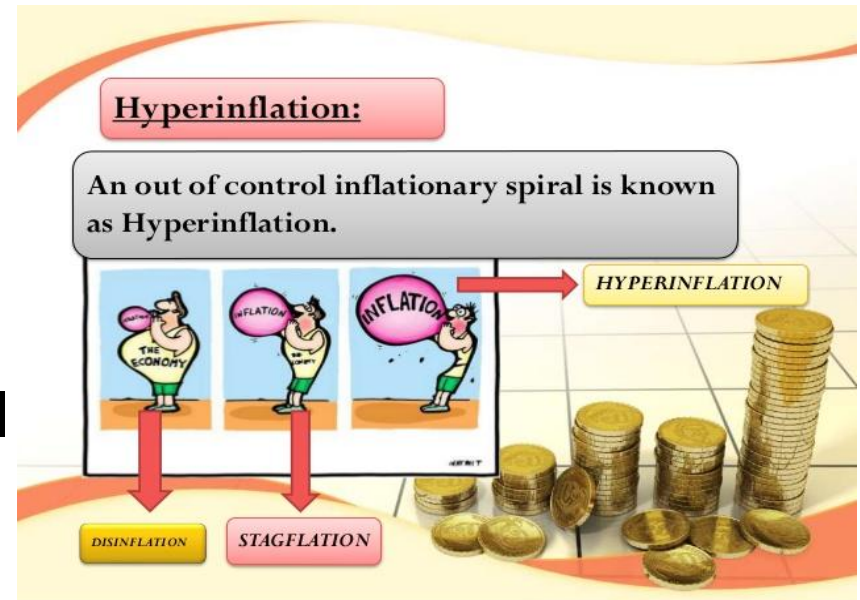
HYPER INFLATION & STAGFLATION

Hyper inflation

- Rapid increase in prices
(More than 50%)
- Increase in prices- out of control

Stagflation

- A combination of inflation and unemployment
- Slow economic growth and relatively high unemployment accompanied by inflation.



CONCLUSION

- Inflation leads to depreciation of money value
- Creeping inflation is good for the economy
- Hyperinflation is not good for the economy

Thank You 😊