**2.3 Measures of Economic Growth – Inflation**

a) The concepts of inflation, deflation and disinflation.

b) Calculating inflation using a consumer price index (CPI), including role of weighted basket of goods and services.

c) Limitations of the CPI as a measure of the rate of inflation.

d) The producer (wholesale) price index as an indicator of future trends in the rate of inflation.

e) Causes of inflation:

• demand-pull

• cost-push

• excessive growth of money supply.

f) Causes of deflation:

• falling aggregate demand (AD)

• increase in aggregate supply (AS)

• fall in the money supply

g) Effects of inflation and deflation on:

• Consumers

• the government

• firms

• workers

• income distribution

• investment

• competitiveness

• the current account of the balance of payments