CPI = 200   CPI = 204

2009 ————————————————→ 2019

$$\text{Inflation} = \frac{204 - 200}{200} \times 100 = 2\%$$

If your Nominal salary increase less than 2% between 2009 and 2019

Real Salary = 60,000

200

x 100 = 30,000

Real Salary = 60,600

204

x 100 = 29,706

Your Real salary decrease

Nominal Salary = 60,000

Nominal Salary = 60,600

Individuals whose incomes increase less than inflation, lose purchasing power

Employers who enjoyed sale prices rising faster than wages paid, gain purchasing power

True Cost of Inflation: Arbitrary redistribution of income from workers to employers

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CPI = 200

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2009 ⟶ 2019

Nominal Salary = 60,000

$$\text{Inflation} = \frac{204 - 200}{200} \times 100 = 2\%$$

Nominal Salary = 60,600

If your Nominal salary increase less than 2% between 2009 and 2019

$$\text{Real Salary} = \frac{60,000}{200} \times 100 = 30,000$$

$$\text{Real Salary} = \frac{60,600}{204} \times 100 = 29,706$$

Your Real salary decrease

Individuals whose incomes increase less than inflation, lose purchasing power

Employers who enjoyed sale prices rising faster than wages paid, gain purchasing power