DIFFERENT TYPES OF INFLATION

IASGYAN PREDICT THE UNPREDICTABLE
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Context

Inflation is the decline of purchasing power of a given currency over time. A quantitative estimate of the rate at which the decline in purchasing power occurs can be reflected in the increase of an average price level of a basket of selected goods and services in an economy over some period of time.

What are the different types of Inflation?

01 **Creeping Inflation:** Creeping inflation can be defined as the situation, where inflation in an economy increases in a slow way. It is a type of mild inflation with rise in inflation at 3% or less a year. Creeping inflation is what the government needs to maintain a stable economy.

02 **Walking Inflation:** Walking inflation is also known as trotting inflation. The effects of walking inflation are a moderate rise in the prices of products at a rate of 3-10% a year. Walking inflation is a bad sign and the government must control it, else it can turn into galloping inflation.

03 **Core Inflation:** Core inflation or headline inflation is measured as the rise in prices of goods and services except food and energy.

04 **Credit Inflation:** Inflation which develops owing to excessive expansion of bank credit is called credit inflation.

05 **Hyperinflation:** Hyperinflation is experienced by an economy when there is a rapid rise in the price of goods at a rate of 50% a month. The main cause of hyperinflation is the rise of money supply in an economy which is not supported by GDP growth. This was happened in Zimbabwe in 2000 and Venezuela in 2010.

06 **Galloping Inflation:** Galloping inflation refers to a state in the economy when the prices of goods increase at a rapid rate of 10% or more. It has an adverse effect on the middle & low-income group. It causes serious economic imbalance and requires strict measures for control.

07 **Stagflation:** Stagflation is a condition in the economy where high inflation is accompanied by unemployment and stagnant economic growth. Stagflation is a rare phenomenon and was witnessed in the 1970s when the United States abandoned the gold standards.

08 **Cost-push inflation:** Cost-push inflation occurs when the rise in prices are due to an increase in the cost of productive services, like an increase in the cost of imported or indigenous raw materials, labor services and so on.

09 **Wage Push Inflation:** Wage-induced inflation arises when the prices rise persistently under the impact of an increase in wages.

10 **Demand-pull inflation:** Demand-pull inflation occurs when spending is more on a limited supply of goods that can be produced at full employment, which ultimately pulls up prices and wages.

11 **Deficit-induced inflation:** This inflation occurs when the price rises due to a deficit in government expenditure. For example, during war or development planning.

12 **Asset inflation:** An asset bubble, or asset inflation, occurs in one asset class. Good examples are housing, oil, and gold.

Related concepts

Shrinkflation: When the price stays the same, but firms reduce the size of the good – effectively a price increase.

Disinflation: a fall in the inflation rate. It means prices are increasing at a slower rate.

Deflation: a fall in prices – a negative inflation rate.