Inflation

1. What is the difference between inflation and deflation?
2. Explain the problems a business might face if:
a. there is very high inflation of 25 % per year;

b. there is high inflation and it does not know whether inflation will rise or fall next year;

c. it has financial reserves of £2 million deposited in the bank and there is high inflation;

d. it is a major exporter and inflation is much lower in other countries;

e. prices in the economy are, on average, falling.

1. What strategies night a business use if inflation is high?
2. What is the rate of inflation (CPI) in the UK at present?
	1. Which businesses are likely to benefit from this and why?
	2. Which businesses are likely to lose the most from this and why?