

EE-287 Engineering Economics

Lecture Title:

Types of Inflation

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Inflation?

In economics, inflation is a **sustained** increase in the general price level of goods and services in an economy over a period of time.

When the general price level rises, each **unit** of currency buys fewer goods and services.

Generally, inflation has four (4) main types and each one has its own effect

TYPES

1. Creeping Inflation.
2. Walking Inflation.
3. Galloping Inflation.
4. Hyper Inflation.



Creeping Inflation?

In Urdu, Creeping means “**Reengna**”.

Mild inflation: Prices increase by 3% per year or less.

Effect: Beneficial for economic growth.

How?

People and Organizations expect a further increase in prices, so they buy now!

Which drives the economic growth by circulation of currency.

Sometimes done deliberately by governments for stimulating the economy.



Walking Inflation?

In Urdu, Walking means “**Chalna**”.

High inflation: Prices increase by 3-10 % per year due to **corruption and debt**.

Effect: Harmful for the economy as it shoots up economic growth.

Why?

People and Organizations buy more than they need to avoid tomorrow’s much higher prices.

Which drives demand even further so suppliers and wages (**Thankwahain**) can’t keep up.

Result: Common goods and services are priced out of reach of most people.



Galloping Inflation?

In Urdu, Galloping means “**Sar pat dhorna**”.

More than **High** inflation: Prices increase more than 10 % per year due to **corruption, debt & incompetence**.

“Must be prevented at all costs”

Effects: Creates absolute HAVOC (**Bonchaal**) in the country’s economy.

Incomes can’t keep up with costs and prices.

Foreign investors avoid such a country depriving it of much needed capital.

Foreign remittances dry up as expats fear bank failures.

Result: Economy becomes unstable and government leaders loose credibility creating political instability as well.



Hyper Inflation?

In Urdu, Hyper means “**Inthiha ko choona**”.

More than **High** inflation: Prices increase more than 50 % per month due to **corruption, debt, incompetence & reckless printing of money**.

Sometimes done purposefully through intervention by hostile foreign countries through using their agents.

“**Very rare but happens**”

Effects: Breakdown of governmental machinery followed by military coup; **If not:** then consequently a civil war.

Result: Countries development shoved back decades.





Thank You for listening

