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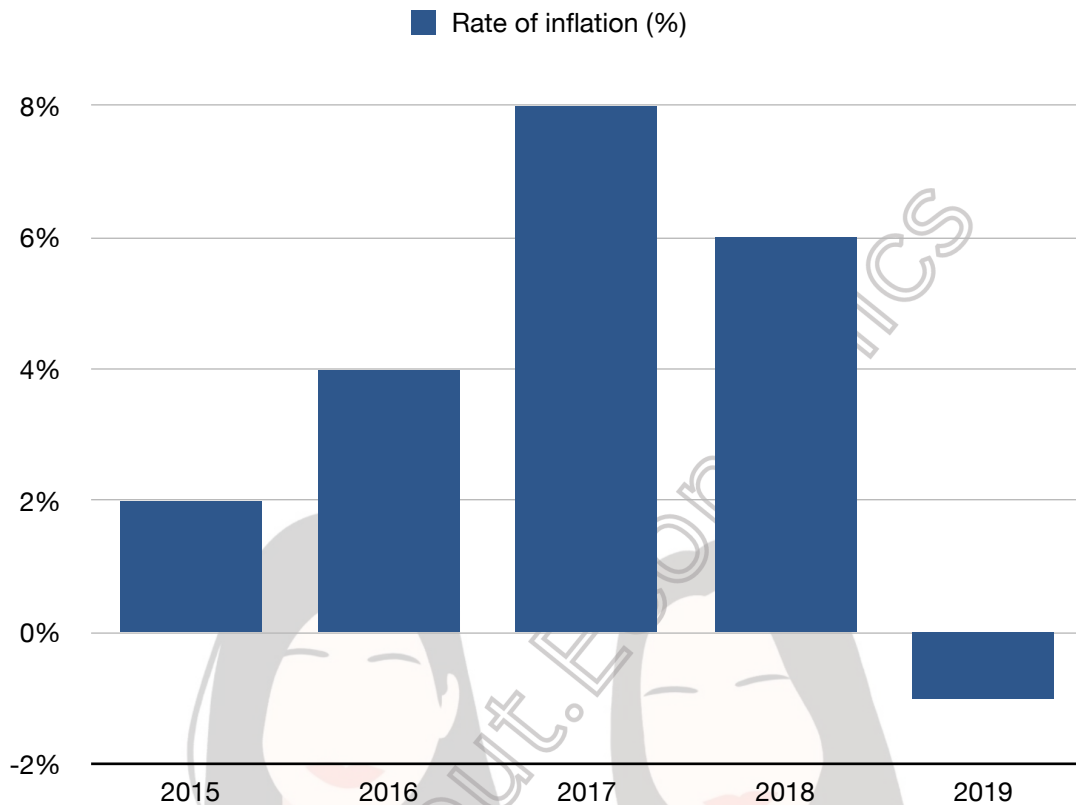Private class, Small Course, Online course :@Knockout.economics

CHAPTER 23 : Measuring inflation and unemployment

Key terms

1. Active population : those in work or actively seeking work, also known as the labour force.

2. Activity rate or participate rate : the number of those in work or unemployed divided by the population of working age, expressed as a percentage

3. Anticipated inflation : increase in prices that economic actors are able to predict with accuracy.

4. Consumer price index (CPI) : a measure of the price level used to measure inflation. It is produced to international standards.

5. Deflation : fall in the price level

6. Disinflation : fall in the rate of inflation

7. Employment rate : the number of those in work divided by the population of working age, expressed as a percentage.

8. Hyperinflation : large increase in the price level

9. Inactive rate : the number of those not in work and not unemployed divided by the population of working age expressed as a percentage.

10. Unemployment rate : the number of those not in work, but seeing work, divided by the labour force, expressed as a percentage.

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1. Concept of inflation, deflation and disinflation

■ Rate of inflation (%)

- From 2015, 2016 and 2017 : Inflation (The sustained increase in the general price level over the period of time) , There will be higher cost of living and lower purchasing power.

- From 2017 to 2018 : Disinflation (the falling rate of inflation, average price increase but in slower rate.)

• From 2018 to 2019 : Deflation (the opposite of inflation, the average price level of economic falls)

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2. Consumer price index (CPI)

: the average percentage change in price of all goods and services from one point in time

To another, usually each month and year on year.

Basket of goods	Weight	Average Price1(฿)	Average Price2(฿)	Weight average price1	Weight average price2
Food	50%	100	110	50	55
Accommodation	30%	120	125	36	37.5
Transportation	15%	150	155	22.5	23.25
Holiday	5%	180	186	9	9.3
	100%			117.5	125.05

Finding CPI = $\frac{(125.05 - 117.5)}{117.5}$ X 100

= 6.4%

Limitations

- It not include all goods and services

- Price must be obtained in different shop and area across country

- Different income groups have different weight income

- Sample of household does not accurately reflect household in general

- Not concern on quality of product / trends and technology

- People may change pattern of spending over the period of time

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3. Unemployment

: People who are willing and able to work but cannot get job

Unemployment Rate : <u>No. of unemployment</u> x 100
Labour force

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4. How unemployment is measured ?

4.1 The claimant count : measures of no. of people claiming benefits principally for the

reasons of being unemployed, based on administrative data from the benefit system.

4.2 The international labour organisation (ILO) and the UK survey

: It directly asks people if they meet the following criteria

- They need to out from work for 4 weeks

- They are willing and able to work in two weeks

- Part time unemployment is included