



# Economics lesson 2

## – Student worksheet

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### Learning aim:

To be able to understand price stability and inflation and how it is measured; and analyse the causes and consequences of inflation.

### What is inflation?

### Extension task

Consider the different types of inflation.  
Talk to the person next to you about it.

How is inflation measured?

What are the consequences of inflation?

*Clue: Think about the UK's cost of living crisis.*

### Scenario

The UK economy has been experiencing a cost of living crisis since late 2021. This has contributed to significantly high rates of inflation in the UK. In October 2022, the UK's inflation rate was at 11.1%. Sophia is a sole trader on a popular ecommerce website. She sells cards and gifts. The cost of living crisis has contributed to a significant rise in costs of production. Additionally, Sophia's business has been affected by the limited supply chains. These issues have predicted price changes for the future. Sophia has to make a huge decision on whether she buys her raw materials in bulk now or wait, taking into consideration whether inflation would continue to rise or fall.

#### Career spotlight:

A sole trader is someone who runs their own business as an individual. Their responsibilities will range from monitoring income and expenditure, ordering raw materials, negotiating with suppliers and formulating a marketing strategy. Sole traders are hard-working, tenacious and motivated individuals, with strong problem-solving skills and a passion for the sector they work in.

### Question 1

Using the table, calculate the annual inflation rate at December 2022 to one decimal place. Show your working.

Date	CPI
December 2021	114.7
December 2022	127.2

## Question 2

Explain two costs of inflation on Sophia's business:

### Question 3

Using the data given, explain whether Sophie should buy all of her raw materials in bulk now or wait and purchase at a later date. Write down your ideas in bullet form.

Year	Inflation Rate
2021	2.6%
2022	9.1%
2023	6.1%
2024	4.5%
2025	3.0%
2026	2.5%
2027	1.6%

Using the data given, explain whether Sophia should buy all of her raw materials in bulk now or wait and purchase them at a later date. Write down your ideas in bullet form:

