



Economics lesson 2

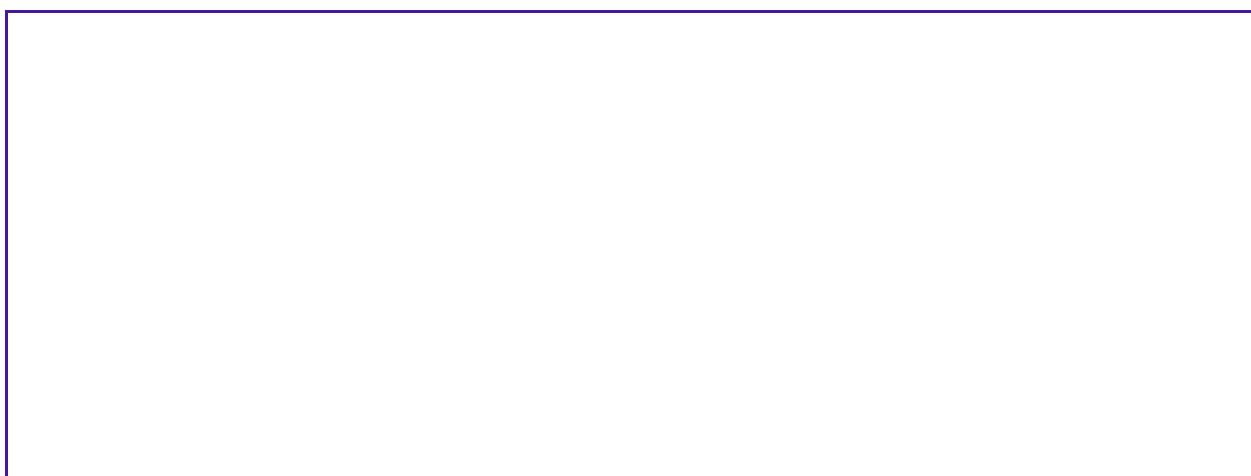
– Student worksheet

Lesson 2 – Student worksheet

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?

A large, empty rectangular box with a thin blue border, intended for the student to write their answer to the question 'What is inflation?'. It occupies the central portion of the worksheet.

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:

