



## Inflation

### Description

#### Theme:

- Ipsos's latest "What Worries the World" survey of June 2022 revealed that inflation is now the world's biggest concern more than COVID-19. Many countries are struggling with high inflation rates.

#### What is Inflation:

- Inflation is the rate of increase in prices over a given period of time.

#### Reasons for high inflation in 2022:

- Lockdowns due to covid pandemic disrupted supply chains. Goods could not move freely and hence the availability of many goods was reduced and hence the prices increased. After the lockdowns are lifted, with time, the prices are supposed to return to normal but as the fuel, electricity and food prices are rising worldwide due to high demand and low supply, the inflation rate is still on the rise.
- Russia's invasion of Ukraine made the situation even worse because that created even more shortages of crude oil, wheat, edible oil and some other commodities. Due to Russia's invasion of Ukraine, it became almost impossible to import goods from Ukraine. Moreover, the sanctions on Russia following the invasion resulted in reduced imports from Russia, which is the world's third-biggest producer of crude oil and the second-largest producer of natural gas.

#### What can be done to control inflation:

- To control the rising prices, central banks raise interest rates. When the interest rates are raised, people and companies who took loans have to pay more interest and hence will



have less money to spend on things. This results in reduced demand and hence the prices will come down. But as a result, the economy slows down and companies may cut jobs to reduce costs. So, this can result in an increase in unemployment rates. But this is a very important move to control the inflation.

- Sometimes, governments subsidize food and other essential commodities to keep the prices affordable to common people.
- Improving the supply of commodities to fill supply shortages can also control inflation.

### **Conclusion:**

At present, the world's biggest concern is inflation. To tackle high inflation, central banks of many countries raised interest rates. Despite the move, inflation rates may continue to be high in the next few months.

### **Your Turn!**

What's your take on the current inflation rate? Express your point of view through the comment section below. And subscribe to our blog to read answers to the trending GD topics.

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### **References:**

- [Inflation: Prices on the Rise](#)
- [Inflation is the world's biggest worry, according to a new poll](#)

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