

Extra! Extra! Read All About It!

The My Money Weekly has a new activity!



What goes up doesn't always come down

Have you ever noticed that something you bought in a shop a few months ago is now a little bit more expensive?

Many of the things we buy slowly increase in cost over time, and the rate at which they increase is known as **inflation**.

On 20th May the Bank of England announced the latest inflation figures for the UK which showed the inflation rate was 1.8%. This means that on average the cost of the things we buy is rising by 1.8% every year.

More information at <http://www.bbc.co.uk/news/business-27483957>



Over time inflation can make a huge difference to the cost of items. For example, if you had bought a loaf of bread in 1984 it would have cost, on average, 38p, but the average price for a loaf of bread now is £1.16¹.

¹ https://timetric.com/index/uk_price_bread_white_loaf_sliced_800g/

So why is inflation important to you?

If the cost of the things you need to buy is increasing over time your **income** will also need to increase to allow you to carry on buying exactly the same things each year. If your income does not increase, or even goes down, then you might have to start making some changes to what you spend your money on.

For example → you receive £3 pocket money every week, and usually buy a magazine costing £3. If, in one year's time the magazine has increased in price to £3.05 but you still receive £3 pocket money, you can no longer afford to buy it each week.

Activity Ideas

Where does income come from?

Ensuring your income rises at least at the same rate as inflation means you can continue to buy the same things from one year to the next, but where does income come from? Discuss, or mind map the various sources. Ideas may include:

- Work
- Pocket money
- Gifts, such as birthday money
- Windfalls, such as a lottery win
- Interest from savings
- Benefits
- Pension



Create your own basket of goods

The government measures inflation by comparing the cost of a 'basket of goods' from one year to the next. The 'basket' contains all of those costs which a family might need to spend money on on a regular basis.

Try making either individual 'baskets', or a class 'basket of goods'. You could discuss which items would make up a basket of regular supermarket shopping, and also consider what other costs a family might have to regularly spend money on e.g. household bills, rent or a mortgage.

There may even be an opportunity to work out the price of each 'basket' by researching costs on the internet and finding the best deals.



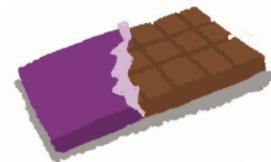
When inflation goes wild

Explore the phenomenon of hyperinflation (when a country experiences very high and usually accelerating rates of inflation and price increases) using the examples of Germany in 1923 or Zimbabwe from 2006. In both of these cases the cost of goods and services more than doubled every day.

- Discuss what life would be like if the price of goods doubled every 24 hours?
- How would it affect the way we live our lives?



For more ideas and activities about inflation and the cost of everyday items, see the My Money Week 2014 resources www.pfeg.org/MyMoneyWeek



Let us know what you're doing for My Money Week this year by tweeting @pfeg_org with the hashtag #mymoneyweek or share your story on our website at www.pfeg.org/MMW14form