

February 11, 2020

Inflation Video Transcript

Hi, I am CeeBee.

I'm here to teach you about important topics that affect the economy and you.

Here's our first video on inflation.

Extempo

D people want to know what's d situation
What's d deal with this thing called inflation
Some countries it high and some it low
So what going on in my sweet Trinbago
Well d Central Bank is here for you
To break it down between core and headline too
And now you'll understand why your doubles cost \$5
Versus the \$3 you paid back in '95

What is inflation?

Inflation is the general upward movement in the prices of goods.

The price fluctuations of these goods are measured using the Retail Price Index and it is the movement of this index that we cite as inflation.

A positive inflation rate means prices have increased while a negative inflation rate means prices fell.

Generally, when we speak of inflation we are referring to what is known as 'headline inflation'. Core inflation excludes the volatile price movements and in Trinidad and Tobago, this is food.

Now you may ask, what causes the prices of goods to change? In general there are two main concepts that affect prices. One, when there is too much money chasing too few goods, technically referred to as demand-pull inflation. For example, the cost of fish that increases during lent when there is a higher demand for fish.

And two, when there are price increases to the inputs needed to produce a good, technically referred to as cost-push inflation. For example, the market vendor who raised his price of vegetables. He grows his own vegetables to sell and it was costing him more to get them to the market as his transport costs went up, now that gasoline prices are higher. The transfer of higher costs to the customers via the increase in vegetable prices is what is known as cost-push inflation.

Inflation can affect the purchasing power of money which essentially is the amount of goods and services that our money can buy. That is, it decreases the amount of goods and services one is able to afford. For example, the price your grandparents paid for their house when they first bought it would not be the same price they would pay if they were buying it today.

Why does inflation matter? Sure, it sounds great to never have an increase in the prices of goods but some level of inflation is needed to promote growth in the economy.

One of the Central Bank's main objectives is to maintain a low and stable rate of inflation which is done through the use of its monetary policy tools.

You can learn more about monetary policy and the Bank's other objectives by visiting our website. We look forward to feedback, so please leave comments below on this and any topic you'd like to see us address.

Share your feedback with us. Email info@central-bank.org.tt

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