Glossary:Inflation

Statistics Explained

Inflation is an increase in the general price level of goods and services. When there is inflation in an economy, the value of money decreases because a given amount will buy fewer goods and services than before.

Inflation in an economy is often calculated by examining a basket of goods and services and comparing the changes in the prices of that basket over time.

The **inflation rate** is the percentage change in the price index for a given period compared to that recorded in a previous period. It is usually calculated on a year-on-year or annual basis.

For an index value of 183.1 for January of this year, and an index value of 178.4 recorded in January last year, the annual rate of inflation of January this year would be:

$(183.1 / 178.4 - 1) * 100 = 2.6 \%$

Similarly, one may compile month-on-month rates of change or average annual rates of change.

Deflation is the opposite of inflation. It is a decrease in the general price level of goods and services and represents an increase in the value of money, where an amount of money can be exchanged for more goods and services.

Further information

- European price statistics - an overview, 2008 edition , chapter 1 (publication)
- Inflation (CODED - Concepts and Definitions Database)

Related concepts

- Consumer price index (CPI)
- Harmonised index of consumer prices (HICP)

Statistical data

- Consumer prices - inflation
- Inflation in the euro area