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TODAY'S IMPORTANT CURRENT AFFAIRS

UPSC PRELIMS

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TODAY'S DROPS OF NEWS:

SUBJECT	IN NEWS
POLITY	---
ECONOMY	Retail Inflation eases to 8-year low of 1.54%
GEOGRAPHY	---
HISTORY AND ART & CULTURE	---
ENVIRONMENT	Natural farming gains traction in Himachal.
SCIENCE & TECH	---
MISCELLANEOUS	---

ECONOMY

In news: Retail Inflation eases to 8-year low of 1.54%

Inflation: Inflation is the persistent increase in the general price level of goods and services in an economy over a period. It reflects the decrease in purchasing power, meaning each currency unit buys fewer goods and services.

When measuring inflation, it's classified into types based on its speed (like creeping, galloping, and hyperinflation) or its causes (demand-pull, cost-push, and built-in inflation). Common measurement tools include the Consumer Price Index (CPI) and Wholesale Price Index (WPI).
Consumer Price Index is also called as Retail Price Index.

Causes:

- High consumer demand
- Increased money supply
- Rising input costs
- Supply chain disruptions
- Government policies
- Currency devaluation
- Built-in inflation (wage-price spiral).

Effects:

- Reduced purchasing power- same quantity of money insufficient to purchase same quantity of products.
- Decreased savings value- rise in price of a commodity sweeps away the designated amount to save and to the extend where it can clear the existing saving in the course of autonomous expenditure.
- Lowered spending on non-essentials which is the driving force of the economy
- Disproportionate impact on low-income households because of the stagnated fixed income
- Higher interest rates due to central bank's (RBI) measure to control inflation
- Impact on investments - reduction in the investment due to low demand and lack of trust on the company's measures,
- Lowered exports- due to low production and the increase in input cost of the product.

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