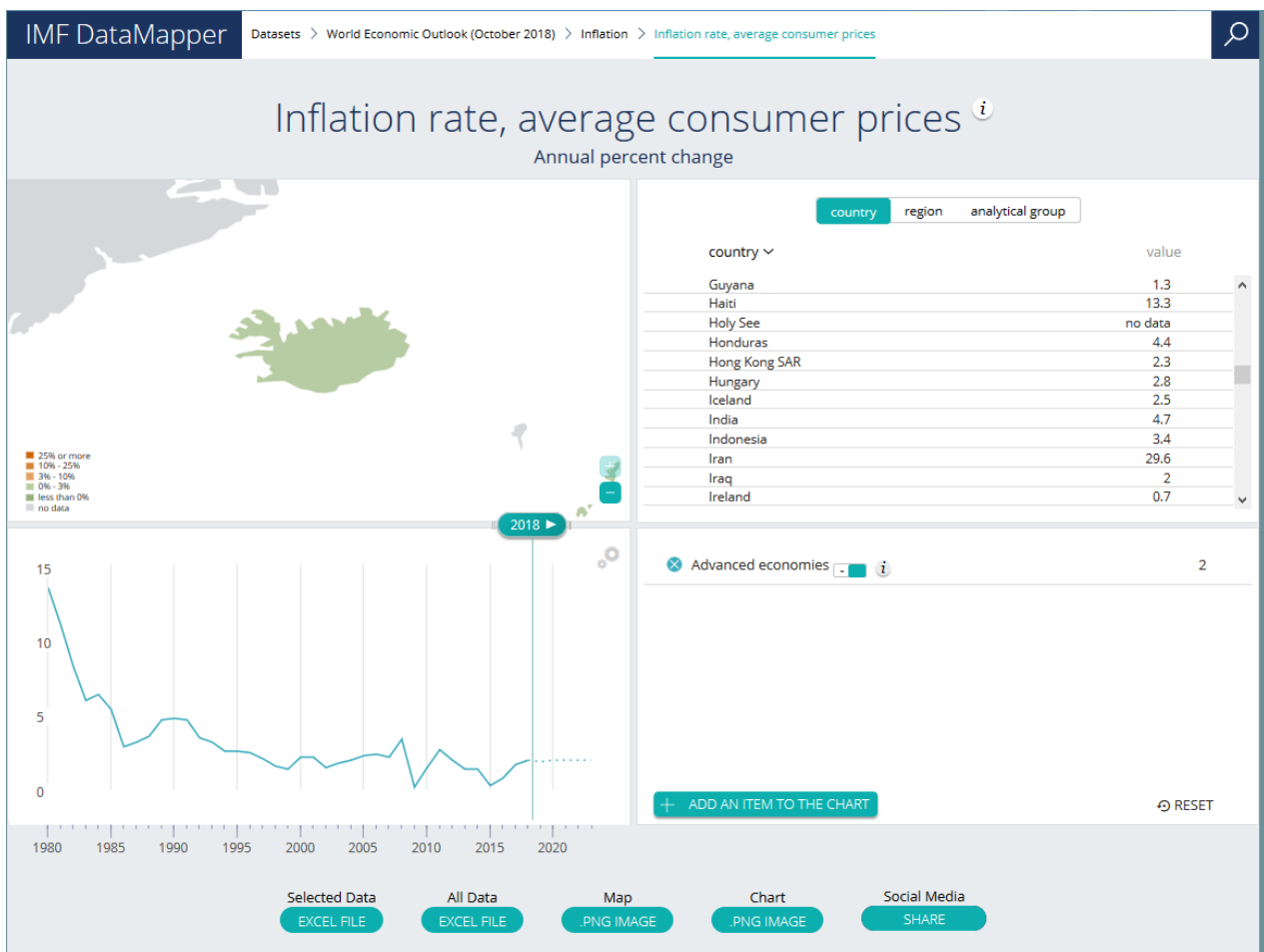## Inflation at the global level

Prices in Australia rise over time as they do in most countries. Governments in all countries have a goal of keeping the rise in prices low. Our performance in achieving this goal can be judged by comparing the inflation rate in Australia to that in other countries.

One source of this data is the World Economic Outlook using the IMF DataMapper.

Source: https://www.imf.org/external/datamapper/datasets/WEO

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Finding out

- Go to the IMF DataMapper website, select 'Inflation' then select 'Inflation rate, average consumer prices'. Choose Australia **and** four other advanced economies. As you select the country it will be shown on the map and added to the graph.

- Describe how similar the inflation rates are for the countries that you have selected.

- Rate each of the five countries for its **current** performance in terms of inflation (use a 'five star' system where 1 star is very high and 5 stars is low. One way of assigning ratings is to compare the rate for the country to the average rate for the advanced economies. Add the advanced economies group to your graph by selecting it from the list on the 'analytical group' tab.

- Brainstorm **five** other countries that you think may have had inflation issues during this period (the countries that most often have inflation issues are emerging economies or developing economies).

- Deselect the five countries that you had selected, then click the 'analytical group' tab and choose 'emerging market and developing economies' to see these countries on the map. Mouse over the map to see the names of the countries and their current inflation rate. Choose **five** countries from this group and generate a graph.
  Note: some countries cannot be used as they have no available data or data only for a few years. Other countries have had such high inflation rates for part of the period that the graph is not easily read (e.g. select Ukraine and view graph that is generated)

- Some countries have periods when the inflation rate is less than zero. Think of a simpler way to say the prices are increasing at a negative rate?

- Use the 'All Data' Excel File button, at the bottom of the screen, to view all the available inflation data in a spreadsheet. Click the 'Sort' button and select the column which contains the data for last year. For easier viewing, highlight all the columns from B to the one before the column that you want, right click and select 'Hide'.

  o Use the sort function, to help you find the five countries where the inflation rate was lowest last year **and** the five countries where the inflation rate was highest.

- Create an infographic to show the top 5 and bottom 5 countries - think of what information/data to include, how you might show the separation between countries, and how you might show that this is only 10 of over 200 countries.

Teacher notes

Purpose

This 'bite' aims to enable students to investigate how much inflation varies between countries and consider possible reasons for this variation.
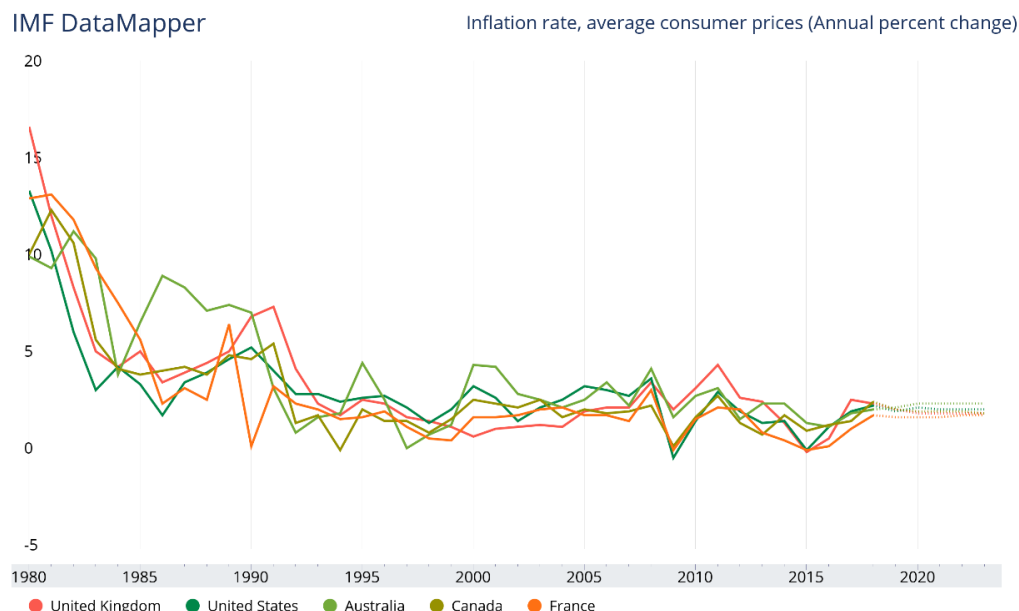
Prior knowledge

Students need to have been exposed to the following syllabus content before undertaking this 'bite':

- Indicators of economic performance [the concept of inflation and its measurement]

They also need to be familiar with reading tables and line graphs and the characteristics of an infographic.
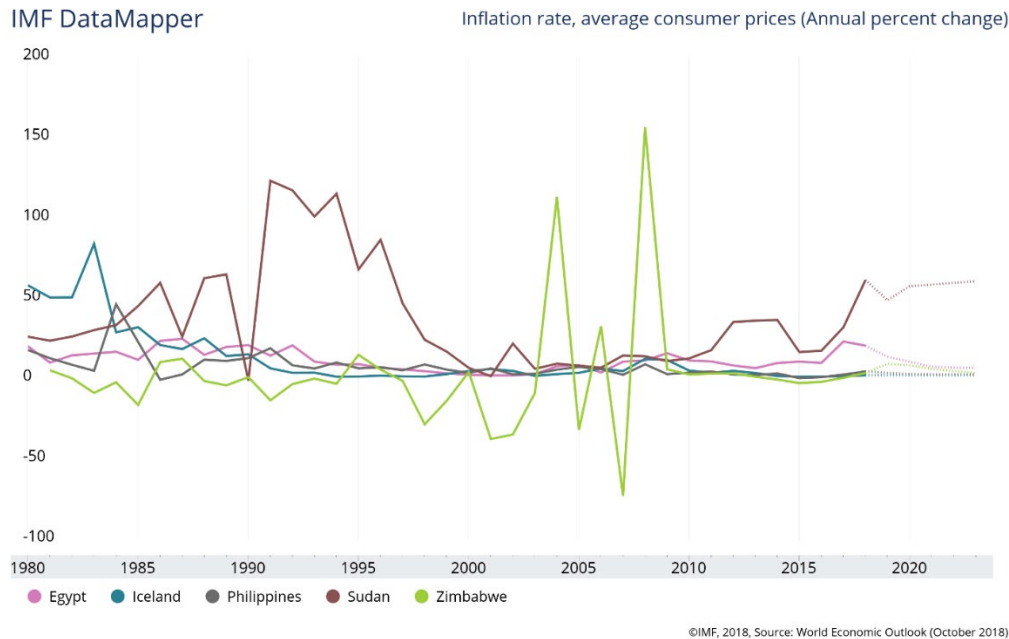
Answers

- The inflation rates for Australia and four other advanced economies are shown in the graph below which was generated using the **IMF DataMapper**.

IMF DataMapper   Inflation rate, average consumer prices (Annual percent change)

©IMF, 2018, Source: World Economic Outlook (October 2018)

Other countries with inflation issues need to be on separate graph with a different scale. Below is an example with five countries.

IMF DataMapper — Inflation rate, average consumer prices (Annual percent change)

©IMF, 2018, Source: World Economic Outlook (October 2018)

The similarity or difference between the inflation rates will depend on the countries selected. In general, most countries with advanced economies will have similar rates and a similar trend (but there are exceptions, such as, Hungary from the mid-80s to the mid 00s, Spain, Italy and Ireland in the early 1980s, Greece in the 80s and 90s). Typically, the developing countries for which data is available, have higher and more unstable rates that do not necessarily follow the pattern of the advanced economies.

- The star ratings will vary based on the countries selected. Determining cut-offs is a difficult task as it is subjective. When the graphs above were generated, the average rate for advanced economies was 2.0%. One possible set of ratings is Sudan and Egypt 1 star, Zimbabwe and Philippines 4 stars, France 3 stars and the remaining countries 5 stars.

- In 2018, the countries where inflation was lowest were: Qatar, Brunei Darussalam, Djibouti, Ecuador and Saint Kitts and Nevis and the countries where inflation was highest were: Venezuela, Republic of South Sudan, Sudan, Yemen, and Argentina

Follow-up

This activity could be repeated for unemployment and for economic growth.

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