



Provincial Department of Education Sabaragamuwa-  
Weekly School

Subject : Economics

Week : 4

Grade : 13

Prepared by : Zonal Education  
Office, Rathnapura.

**Competency 7.0 - Investigates the way of contribution of the banking system to the economic activities by identifying the behaviour of money and general price level.**

**Competency Level 7.4 : Analyses concepts theory and measures related to price level.**

There are three important forms relatively to the price of goods and services as,

1. Absolute price
2. Relative price
3. General price level

Concepts relatively to the general price level

1. Inflation
2. Deflation
3. Dis-inflation

- Continuous increase in general price level of an economy is known as inflation.
- Continuous decrease in general price level of an economy is known as deflation.
- Gradual decrease in the inflation rate value is known as disinflation.

There are two main approaches which explain reason for inflation.

1. Demand pull inflation
2. Costs push inflation

Price indices which use to measure the changes of general price level in Sri Lanka.

1. New Colombo Consumer Price Index
2. National Consumer Price Index
3. Producer's Price Index
4. Implicit Price Index/GDP deflator

## **Questions**

1. What are the two approaches of demand pull inflation.
2. What are the favourable and unfavourable effects of inflation.
3. Write four policy approaches that can be used to control inflation.