

STUDENT'S WORKSHEET · BUSINESS ENGLISH

Why do prices rise? Inflation explained

LEVEL
C1 · Advanced

TIME
60 min

SKILLS
Reading · Speaking · Grammar · Vocabulary

Learning objectives

In this lesson, you can:

- understand an expert explanation of inflation and its causes
- use cause-and-effect language and nominalisation
- explain economic concepts clearly to non-experts
- discuss how inflation affects business decisions

Key vocabulary

consumer price index · basket · core inflation · purchasing power · cost-push · demand-pull · money supply · expectations · monetary policy · volatile

Materials

- this worksheet
- article: *Inflation: Prices on the Rise* (International Monetary Fund, Finance & Development)

1 Warm up

SPEAKING

Look at the pictures. What can you see? How are they connected to the topic? Then answer the questions with your teacher.



PICTURE A · shopping in a supermarket



PICTURE B · fuel prices

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1. Which prices have changed most in your country recently?
2. How does inflation affect your company or your salary?
3. Who do you think is responsible for controlling inflation?

2 Vocabulary preparation

VOCABULARY

Part A: Match the words with the definitions.

core inflation (n) | volatile (adj) | basket (n) | purchasing power (n) | money supply (n) | consumer price index (CPI) (n)

1. _____ an index that measures the average change in prices consumers pay for goods and services
2. _____ the fixed set of goods and services used to measure price changes
3. _____ inflation excluding prices that change a lot, such as food and energy
4. _____ likely to change suddenly and unpredictably
5. _____ the amount of goods and services that money can buy
6. _____ the total amount of money circulating in an economy

Part B: Nominalisation. Write the noun form.

Example: prices rise → *a rise in prices*

1. inflate (v) → _____
2. measure (v) → _____
3. expect (v) → _____
4. grow (v) → _____
5. produce (v) → _____
6. deflate (v) → _____

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3 Main input: read and learn

READING · GRAMMAR

The International Monetary Fund (IMF) publishes short explanations of key economic ideas. Read the sections "Measuring inflation" and "What creates inflation?".

ARTICLE

Inflation: Prices on the Rise

International Monetary Fund · Finance & Development · Ceyda Oner · two sections, about 600 words (3 minutes) · free

https://www.imf.org/en/publications/fandd/issues/series/back-to-basics/inflation

Read "Measuring inflation". Answer: What does the consumer price index (CPI) measure? If the CPI rises from 100 to 110, what is the inflation rate?

Language focus: cause and effect, and nominalisation

Expert texts often express causes and effects with nouns and precise verbs.

Function	Language	Example
cause → effect	lead to, result in, give rise to, trigger	Loose monetary policy can lead to persistent inflation.
effect ← cause	stem from, result from, be driven by, be due to	High inflation often stems from excessive money supply growth.
nominalisation	verb → noun phrase	Prices rise when demand exceeds capacity. → A rise in prices follows when demand exceeds capacity.

Careful: *lead to / result in* go from cause to effect; *stem from / result from* go from effect back to cause.

Practice: Complete the sentences with *lead to, stem from, result in, driven by* or *due to*.

1. Persistent high inflation often _____ loose monetary policy.
2. A natural disaster can _____ higher production costs.
3. In 2008, rising food and fuel prices were partly _____ global trade.
4. Demand that exceeds productive capacity can _____ demand-pull inflation.
5. Higher oil prices may _____ cost-push inflation.

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4 Reading comprehension and analysis

READING

Part A: Read again. Are the statements true (T) or false (F)? Circle.

1. Consumer price inflation is the percentage change in the CPI over a period. T / F
2. Core inflation includes food and energy prices. T / F
3. The CPI basket is never changed. T / F
4. The GDP deflator is a better measure of the cost of living than the CPI. T / F
5. Supply shocks such as natural disasters can cause cost-push inflation. T / F
6. If people expect higher prices, this can help to keep inflation going. T / F

Part B: Complete the table with the mechanism or an example from the text.

Cause	How it works / example
Lax (loose) monetary policy	
Supply shocks (cost-push)	
Demand shocks (demand-pull)	
Expectations	

Part C: Analyse and apply.

1. Explain the difference between cost-push and demand-pull inflation, with an example from your country.

2. Why would a central bank care about people's expectations, not only about current prices?

3. How should your company respond to a period of high inflation (prices, salaries, contracts)?

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5 Speaking practice and discussion

SPEAKING

Part A: Choose TWO cue cards. Talk about each card with your teacher for 1–2 minutes.

Cue card 1: Prices in my country

- Recent changes
- Main causes
- Who is most affected?

Cue card 2: Salaries and inflation

- Annual increases
- Negotiations
- Real income

Cue card 3: Central banks

- Interest rates
- Credibility
- Independence

Cue card 4: Pricing strategy

- Passing on costs
- Customer reaction
- Contracts

Cue card 5: Personal finance

- Savings
- Debt
- Investments

Part B: Answer the questions with your teacher. Give reasons and examples.

1. How have prices changed in your country in recent years, and what do you think caused it?
2. How should companies adjust salaries during periods of high inflation?
3. Who loses most when inflation is high: savers, borrowers, pensioners or workers? Why?
4. Should central banks raise interest rates quickly to control inflation, even if growth slows? Discuss.
5. How can a business protect itself from rising costs without losing customers?

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6 Lesson takeaway and wrap-up

REVIEW

Complete the sentences. Then tell your teacher.

1. Three cause-and-effect expressions I'll use: _____
2. The idea from the text I could explain to a colleague: _____
3. In my country, recent inflation stems mainly from _____
4. One decision at work that inflation affects: _____

Takeaway: Inflation is a rate of change, not a price level. It can stem from excessive money growth, supply shocks, strong demand or expectations — and the right response depends on the cause.

+ Optional extension / homework

WRITING

Write a briefing note (200–250 words) explaining inflation to a new member of your finance or sales team. Define it, explain two causes with examples and say why it matters for your company. Use cause-and-effect language and at least three nominalisations.

Alternative activity:

Prepare a three-minute explanation of the current inflation situation in your country for a foreign client, using reliable data from your central bank. Present it to your teacher in the next class.

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References

Oner, C. (2019, July 30). *Inflation: Prices on the rise*. Finance & Development, International Monetary Fund. https://www.imf.org/en/publications/fandd/issues/series/back-to-basics/inflation

Original materials: vocabulary, language examples and exercises were written for NATeacher for C1 learners.

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