

TEACHER'S GUIDE · 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

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Teacher's guide

Learning objectives. By the end of the lesson, the student can: understand an expert explanation of inflation and its causes; use cause-and-effect language and nominalisation accurately; explain economic concepts clearly; discuss business responses to inflation.
Total time: approx. 60 minutes — Warm up 6 · Vocabulary 7 · Main input 10 · Comprehension 14 · Speaking 18 · Wrap-up 5. The extension is optional homework.

▶. Main input: about the resource

Resource: *Inflation: Prices on the Rise*, IMF Finance & Development, "Back to Basics" series (Ceyda Oner, 30 July 2019). Free; no login. https://www.imf.org/en/publications/fandd/issues/series/back-to-basics/inflation

What to read: the sections "Measuring inflation" and "What creates inflation?" (about 600 words, 3 minutes at C1 reading speed). The introduction, "The good and the bad" and "How policymakers deal with inflation" are good extension reading. The concepts are permanent; for current data, use the student's central bank.

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Key information: Inflation is the rate of increase in prices over a period, usually a year. Consumer price inflation is the percentage change in the CPI (100 → 110 = 10%). Core inflation excludes government-set prices and volatile food and energy prices. The GDP deflator covers all domestic production (including e.g. military spending), so it is a poorer cost-of-living measure. The CPI basket is mostly constant but updated occasionally (e.g. adding new high-tech goods). Causes: persistent high inflation usually stems from loose monetary policy (money supply growing faster than the economy – the quantity theory of money); supply shocks (natural disasters, higher costs such as oil) cause cost-push inflation, and the 2008 food and fuel price rises spread across countries through trade; demand shocks (e.g. a stock market rally) or expansionary policies can push demand above capacity, causing demand-pull inflation; expected price rises are built into wages and contracts, making expectations partly self-fulfilling.

1. Warm up

6 mins.

Show the pictures. Ask the questions and encourage the student to give specific, recent examples.

Possible answers: "The pictures show everyday prices — groceries and fuel — which are the most visible signs of inflation."
Support: give phrases: *Prices have risen sharply in..., This is mainly due to...* **Challenge:** ask "Is some inflation good for an economy? Why?"

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2. Vocabulary preparation

7 mins.

The student completes Part A and Part B alone. Check together, say the words aloud and ask the student to repeat the difficult ones.

Part A

1. consumer price index (CPI)
2. basket
3. core inflation
4. volatile
5. purchasing power
6. money supply

Part B

1. inflation 2. measurement 3. expectation 4. growth 5. production / product 6. deflation

British and American English: the IMF generally uses American spelling (e.g. *stabilize*), while this worksheet uses British spelling (*stabilise, nominalisation*) — both are correct. Pronunciation: *volatile* /ˈvɒlətaɪl/ (British) vs /ˈvɑːlətl/ (American).

3. Main input and language focus

10 mins.

Open the article on screen. The student reads “Measuring inflation” for the gist questions, then “What creates inflation?”. **Answers:** the cost of a basket of commonly purchased goods and services, relative to a base year; 10 percent.

Present the language focus in 1–2 minutes: elicit the rule from the examples, then move to the practice.

Practice

1. stems from
2. lead to / result in
3. due to / driven by (accept either if justified)
4. result in / lead to
5. lead to / result in

Common mistakes: “result in” vs “result from” (direction of cause); “lead to increase” → “lead to **an** increase” / “lead to prices increasing”; “due to” + noun phrase, not a clause (“due to prices rise” → “due to **rising prices**”).

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4. Reading comprehension and analysis

14 mins.

The student reads again and works alone. Check together, asking the student to explain each concept in plain language.

Part A

1. T 2. F (it excludes them) 3. F (it is mostly constant but updated occasionally) 4. F (it includes all domestic production, e.g. military spending) 5. T 6. T (expectations are built into wages and contracts)

Part B

loose policy: money supply grows faster than the economy, so money loses value · cost-push: natural disasters, higher production costs such as oil; 2008 food and fuel prices spread through trade · demand-pull: a stock market rally or expansionary policy pushes demand above productive capacity · expectations: expected price rises are built into wages and contracts and become partly self-fulfilling

Part C

1. Cost-push comes from the supply side (higher costs, e.g. energy); demand-pull from demand exceeding capacity; accept relevant national examples. 2. Because expectations feed into wage and price setting and can sustain inflation. 3. Open answer with reasoned business measures.

Accept: clear paraphrases of the mechanisms; any relevant national examples in Part C. **Support:** draw a simple diagram: supply side vs demand side before Part B. **Challenge:** the student explains inflation to a non-expert in 60 seconds without jargon.

5. Speaking practice and discussion

18 mins (cue cards 6 · questions 12).

The student chooses two cards and speaks for 1–2 minutes on each. Then ask the five questions one by one. Let the student finish, then ask follow-up questions: “What’s the mechanism?”, “What’s the evidence?”, “What would happen if…?”

Model answer (Q4): “It depends on the cause. If inflation stems from excess demand, raising rates quickly may be justified; however, if it is driven by a supply shock such as energy prices, aggressive rate rises could lead to a sharp slowdown without solving the underlying problem.”
Evaluate: accurate economic concepts; cause-and-effect language; nominalisation; nuanced arguments; clarity for a non-expert audience.
Correction: note mistakes while the student speaks and correct 2–3 of them at the end, so you don’t interrupt fluency.

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6. Lesson takeaway and wrap-up

5 mins.

The student completes the sentences and says them aloud. Ask: "How would you explain inflation to a client in one sentence?"

Possible answers: "stem from, lead to, be driven by"; "Core inflation excludes volatile food and energy prices."; "In my country, recent inflation stems mainly from higher energy and food costs."

+. Optional extension / homework

Check: 200–250 words; accurate definitions from the text; clear cause-and-effect relationships; nominalisation used naturally; appropriate register for a colleague.

✓. Did the student reach the objectives?

- Can the student explain how inflation is measured (CPI, core inflation, GDP deflator)?
- Can the student distinguish the four causes in the text?
- Does the student use cause-and-effect language and nominalisation accurately?
- Can the student discuss business responses to inflation with reasoned arguments?

✓. Resource verification log

Resource	Institution / URL	Type · length	Checks (21 Oct 2026)	Result
Inflation: Prices on the Rise (Back to Basics)	International Monetary Fund (Finance & Development) https://www.imf.org/en/publications/fandd/issues/series/back-to-basics/inflation	Explainer article · two sections, about 600 words (3 min at C1 reading speed)	Page loads; content matches the exercises; free, no login; suitable for C1; international organisation, not a language school	**Approved**

Photos: credits listed in the references (Unsplash). No image links are included in the worksheet.

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

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