BBC LEARNING ENGLISH

6 Minute English

Why are prices going up?

This is not a word-for-word transcript

Rob
Hello. This is 6 Minute English from BBC Learning English. I'm Rob.

Beth
And I'm Beth.

Rob
In this programme, we're talking about money – and Beth, as the old saying goes, money makes the world go round!

Beth
You mean it's very important and lots of things couldn't happen without it. Well, we all need money – but have you noticed how our money doesn't seem to buy so much these days?

Rob
Yes, I have Beth. It seems like consumers like us are being **hit in the pocket** at the moment – and by that, I mean we have less money to spend.

Beth
Now, I'm no economist, but I know this has a lot to do with **inflation** - the increase in prices of things over time.

Rob
It's a big problem globally, and Beth my question for you is about inflation. According to one report, what was the annual inflation rate in Venezuela between November 2017 and 2018? Was it:

a) 130%
b) 1,300% or
c) 1,300,000%?

Beth
I'll say b) 1,300%

Rob
OK. We'll find out if you're right later on. But let's talk more about money and inflation now. Around the world, prices of things are rising more than normal, and more worrying is that prices keep going up.

Beth
Two things in particular are increasing in price – energy, like gas and electricity, and food. These are things we need and depend on. So, what's causing the rises?

Rob
There seem to be two main reasons – the Covid pandemic and the war in Ukraine, which has reduced the supply in things we need. And when things are in short supply – available in limited quantities - prices go up.

Beth
The BBC World Service programme The Real Story discussed this in much more detail. One expert, economist, writer and broadcaster, Linda Yueh, explained how price rises could be around for a while…

Linda Yueh, economist, writer and broadcaster
Even if you take out some of these **volatile** items like food and energy, the **sustained** price increases we've had, it is actually getting passed through into how companies price their goods and services. and that's where it gets extremely worrying because that suggests that even if energy prices, food prices, come down, we could have inflation now in the system and I think that for advanced economies is worrying, for developing countries, that's hugely worrying.

Rob
Linda Yueh used some interesting language there. She talked about food and energy being **volatile** items – something that is volatile is unpredictable and can change suddenly. And that's what we've experienced with food and energy prices.

Beth
Yes, and she said these price increases have been **sustained** – so, continuing at the same level for a long period of time. But Linda Yueh says that even if energy and food prices eventually come down, companies will pass on the extra costs they have already faced by charging more for their goods and services.

Rob
And this could cause inflation – there's that word again. Continuing price rises aren't good for anyone but especially for people in developing economies –

countries which have industry that's less developed and have lower living standards.

Beth
Another possible consequence of inflation is **recession** – this economic term describes a situation where a country's production starts going down, people's incomes go down and unemployment goes up. This all sounds like a very bleak economic outlook. So, what can be done?

Rob
Well, that's the million-dollar question, and economists are trying to work it out. Speaking on The Real Story programme, economist Vicky Pryce gave an overview of how to control inflation.

Vicky Pryce, economist
One of them, something that is actually most **effective**, is by slowing down demand. And if you increase **interest rates**, what you do is you discourage people from borrowing, whether they are individuals or whether they are businesses - and of course the economy starts slowing down.

Rob
So, she says what is most **effective** – meaning what works well and gets the best results – is slowing down demand. Increasing **interest rates** can do this because people will borrow less money. Interest rates are fees banks and financial institutions charge you for borrowing money.

Beth
And if we borrow less money, we buy fewer things, which can reduce inflation. I think it makes sense now! And if you were in Venezuela in 2018, you would really want inflation to go down, wouldn't you?

Rob
Yes. Now, earlier I asked you what one report said the inflation rate was there between November 2017 and 2018.

Beth
And I said a very high 1,300%.

Rob
Well, it was even higher, Beth. According to a study by the opposition-controlled National Assembly, the annual inflation rate reached 1,300,000% in the 12 months to November 2018. This extreme financial situation was known as **hyperinflation**.

Beth
That's not good at all. In this programme, we have been talking about **inflation** – that's the increase in prices over time.

Rob
Other vocabulary we used included the expression **hit in the pocket** – which means you have less money to spend.

Beth
Volatile describes something that is unpredictable and can change suddenly.

Rob
Something that is **sustained** continues at the same level for a long period of time. And something that is **effective** works well and gets the best results.

Beth
And **interest rates** are fees banks and financial institutions charge you for borrowing money.

Rob
Well, we hope you've found our brief lesson about the economy useful. Thanks for listening. Goodbye for now!

Beth
Bye bye!

VOCABULARY

inflation
increase in prices of things over time

hit in the pocket
have less money to spend

volatile
unpredictable and can change suddenly

sustained
continues at the same level for a long period of time

effective
works well and gets the best results

interest rates
fees banks and financial institutions charge you for borrowing money