



What is inflation?

KS2

KS3

Ages 7-14 ⌚ 3 min read

Remember when your mum or dad used to say a Mars bar cost 20p? Now it's closer to a quid. That's not a coincidence — that's **inflation**.

Inflation is when prices go up over time. Not just one thing — *everything*. Food, clothes, haircuts, even the price of a bus ticket. When inflation happens, the same £10 note in your pocket buys less stuff than it did last year.

Think of it like this: imagine you have 10 tokens at a fairground, and every ride costs 1 token. You can go on 10 rides. Now imagine next year, every ride costs 2 tokens. Same 10 tokens — but now you can only go on 5 rides. Your tokens lost power. That's exactly what inflation does to money.

So why does inflation happen? Usually because there's more money chasing the same amount of stuff. When people have more money to spend, shops and businesses realise they can charge a bit more — and so they do.

Governments and banks try to keep inflation under control. In the UK, the Bank of England aims for around 2% per year. A little inflation is actually fine — it's a sign the economy is ticking along. Too much? That's when things get tricky.

The upside (yes, there is one)

If you owe someone money, inflation works in your favour. If you borrowed £100 when £100 could buy loads of stuff, but you pay it back years later when £100 buys less — you've kind of got away with it a bit. This is why governments are sometimes not that bothered about a bit of inflation when they have big debts.