

Macro Module 14 expected inflation rate practice exam questions

(The attached PDF file has better formatting.)

Question 14.1: Expected inflation rate

An economy has the following values.

- Population growth rate (n) = 0.55%
- $\partial y/y$ = growth rate of real income per worker = 1.37%
- Growth rate of money supply (μ) = 4.74%

What is the expected inflation rate π ?

Answer 14.1: $4.74\% - (1.37\% + 0.55\%) = 2.82\%$