Inflation and analyses of monetary policies

**Introduction**

The consumer price index presents the changes in prices of various products over time. The percentage change in the consumer price index indicates the inflation levels. Change in CPI is used in assessing the changes in prices. It indicates the changes in a country’s currency purchasing power. The US Bureau of Labor Statistics (BLS) has presented the changes in consumer price indexes used in this study. In the study, the changes in consumer price index between 1995 and 2015 are presented. The consumer price index of the apparels is presented.

Apparel consumer price index

The price index for apparels for the period 1995, 2005, 2010 and 2015 is as summarized in the table below. The percentage change is also computed.

|  |  |  |
| --- | --- | --- |
| CPI apparel |  |  change  |
| January 1995 | 132.2 |  |
| January 2005 | 120.3 | -9% |
| January 2010 | 119.91 | -0.32% |
|  January 2015 | 126.131 | 5.20% |

Between 1995 and 2005, the consumer price index of apparel declined by 9%. This is an indication that the price of clothes had declined by this percentage. Reduction in the price of goods increases their affordability something that reduces the overall level of expenditure on clothes and the cost of living. Between 2005 and 2010, the CPI further reduced by 3.2%. This indicates that the price of clothes continued declining something that pushed the overall cost of living down. It is evident that during this period, the price of apparel continued declining as the level of inflation declined. It is worth noting that inflation increases the price of goods thus pushing the purchasing power of such products down. Between 2010 and 2015, the CPI increased by 5.20%. This indicates an increase in inflation and the price of apparel. People could afford less clothing in 2015 as compared to 2010. They would thus be forced to direct more resources in purchase of clothes reducing their ability to buy other products, thus increasing the cost of living. It equally results in reduced standard of living.

Effect on income

The changes in inflation levels in the past five years has kept in pace with my income levels. I am generating more income from operations today as compared to the past five years. The implication is that while inflation levels have increased during this period. I can still afford apparel since the level of income has equally increased. Nevertheless, the increase in inflation seems to be higher than increase in income hence the cost of living have been slightly increased.

Effect on family members

When the inflation levels increases at a higher rate as compared to income levels. Fewer products will be affordable. At family level, it implies that the intended purchases become more expensive. Since the income levels do not much with inflation, the family members can afford fewer products as compared to how they afforded the same in the past. This would end up resulting in increased cost of living and hence a reduction in the standard of living of such individuals.

A change in the level of inflation affects the overall family income. For instance, the increased inflation between 2010 and 2015 has reduced the income of households in real terms. The implication is that the family members may need to work more to enhance their income levels in order to sustain their purchasing power. At the same time, increase in inflation without corresponding rise in income levels would result in family members directing the scarce resource sonly to the most basic items. Access to luxury among the family members would thus significantly decline.

Human resource manager use of CPI information

The Human resource manager utilizes the CPI data in identifying the actual value of the salaries and wages that they normally pay the employees. When the level of inflation goes up, the purchasing power of the salaries declines. Employees thus deserve an increase in the level of salaries in order to afford the same level of products that they previously afforded before the level of inflation went up. The human resource managers may also share the same information with other departments. For instance, increase in inflation levels in the organization results in increased cost of low materials and labor. The human resource managers may thus demand that the performance benchmarks in terms of revenues and prices be increased in order to meet the increased costs of operations.

CPI index is an important tool that the human resource managers may require in budgeting. In the department, it is evident that there are many items that the employees require. The change in their salary requirements due to inflation equally requires a change of budgets. CPI information aids in assessing the level of inflation and the subsequent level of expenditures in the organization, hence facilitating the decision making process in the human resource department

**Conclusion**

From the presentation, it is evident that consumer price index data is very important. It enables individuals to make decisions regarding their expenditures. It helps in identifying the changes in the purchasing power of currency and in the identification of the changes in the cost of living. Human resource managers can make use of the CPI data in their budgeting processes. An increase in inflation reduces the wages and salaries of the employees in real terms. The human resource manager may thus opt to increase the salaries and wages of employees in order to sustain their purchasing power.