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% |

Effect on income

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.

How it has affected family five years

Human resource manager use CPI

126.131

119.910

120.300

132.200