**Cost-push and Demand-pull Inflation Notes:**

 **Cost Push Inflation**

AD

**Output and employment (Real GDP)**

AS

AS1

**Price Level**

Y1

Y

PL1

PL

 **Demand Pull Inflation**



**Output and employment (Real GDP)**

Y1

AD

AD1

AS

**Price Level**

PL1

PL

Y

**CAUSES OF INFLATION: COPY** notes

**Causes of Cost Push Inflation**:

* Wages and salary increases
* Increase in raw materials
* Government changes (indirect taxes or fees)

**Causes of Demand Pull Inflation**:

* Rising household incomes due to direct tax cuts, increased transfer payments and wage increases
* Increased investment by business due to lower interest rates or more confidence in the future prospects of the country
* Export boom due to the depreciation of the exchange rate OR
* Expansionary fiscal policy i.e. a Government budget deficit