

Inflation: why prices rise

Why does the same money buy less as time goes by?

Name _____ Class _____ Date _____ Score: / 42

I can...

- [ ] I can explain what inflation is and what the 2% target means.
- [ ] I can work out percentage increases on prices.
- [ ] I can explain what inflation does to savings and wages.

Key words

Inflation: the rate at which prices rise over time.

Buying power: how much your money can buy.

Bank of England: the UK's central bank. It aims to keep inflation near 2%.

Cost of living: the cost of everyday things.

1 What is inflation?

5 points

Use the words in the box to finish the sentences. Use each word once.

two | power | less | prices | more | wages | ten

Inflation is the rate at which _____ rise over time. When prices go up, each pound buys _____, so money loses some of its buying _____. The Bank of England aims to keep inflation at about _____ per cent a year. If _____ rise more slowly than prices, people can afford fewer things.

2 Quick quiz

4 points

Circle one letter for each question.

a) Inflation is 3% this year. What does that mean, compared with a year ago?

(A) Prices are about 3% higher
(B) Everything costs exactly 3p more
(C) Prices are 3% lower
(D) All wages went up by 3%

b) Who has the job of keeping UK inflation close to its target?

(A) Supermarkets
(B) The Bank of England
(C) Schools
(D) The Post Office

c) A game cost £50 last year. Its price has risen by 10%. What does it cost now?

(A) £50.10
(B) £55
(C) £60
(D) £45

d) In which case is the worker getting better off?

- (A) Pay up 2%, prices up 4%
- (B) Pay up 5%, prices up 3%
- (C) Pay up 0%, prices up 2%
- (D) Pay up 3%, prices up 3%

3 Tia's shopping basket

10 points

Tia, 12, compares this year's shopping prices with last year's. Fill in the gaps.



Penny says: In October 2026, UK prices were 3.6% higher than a year before. The target is 2%.

Item	Price last year	Rise	Price this year
Loaf of bread	£1.00	6%	£1.06
Milk	£1.50	4%	_____
Pasta	£1.00	2%	_____
Cheese	£3.00	10%	_____
Apples	£2.00	5%	_____
Chocolate bars	£1.50	4%	_____
Total	_____		_____

a) How much more does the whole basket cost this year? 1 mark

b) What is the percentage rise for the whole basket? Is it above or below the 2% target? 2 marks

4 Savings and wages against inflation

8 points

Prices are rising by **4%** a year. Show your working.

a) Tia has £200 in an account paying 1% interest a year. How much interest does she earn in a year?

Working

Answer: _____

b) A bike costs £200 today. Its price rises by 4%. What will it cost in a year?

Working

Answer: _____

c) After a year Tia has £202. How much is she short of the bike's new price?

Working

Answer: _____

d) Tia's mum earns £2,000 a month. She gets a 3% pay rise. What is her new monthly pay?

Working

Answer: _____

5 How a price rise reaches you

6 points

These steps tell the story of a loaf of bread. Number them from 1 to 6.

- ☐ Families find their weekly shopping bill is higher.
- ☐ It now costs the bakery more to make each loaf.
- ☐ The bakery charges the shops more for its bread.
- ☐ Workers ask for a pay rise to keep up with prices.
- ☐ The cost of wheat and energy goes up.
- ☐ The shops put up the price on the shelf.

6 What would you do?

5 points

Read the story, then answer the questions.



Grandad Winston keeps **£500** in a biscuit tin at home. 'It is safe there,' he says. 'In ten years it will still be £500.' Tia has just learned about inflation.

a) Grandad is right that the tin will still hold £500. So what is the problem? 2 marks

b) What would you say to Grandad, and what would you do if the money were yours? Why? 3 marks

7 Odd one out

4 points

Circle the odd one out in each row. Say why.

Prices rising	Money buying less	The cost of living going up	Prices falling

Why? _____

A 3% pay rise	3% interest on savings	A 3% rise in pocket money	A 3% rise in prices

Why? _____

8 Before you go

One thing I learned today

_____

_____

One question I still have

_____

_____

How sure do I feel?

Not yet · Getting there · Got it



Take it home

Ask an older relative or neighbour what a loaf of bread, a bus fare or a cinema ticket cost when they were your age. How many times bigger is the price today?

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Inflation figure for October 2026. Education, not financial advice.