Types of Inflation:

1. ***Low and Stable rate of inflation:*** this type of inflation is desirable for an economy as it encourages investment. Higher prices increase suppliers' profit margins which encourages them to expand their operations to earn more profits and therefore as the result it increases local investment.

Stable rate of inflation is beneficial for an economy as it helps consumers and producers with their planning.

2. ***Accelerating Rate of Inflation:*** when rate of inflation in the following period is higher than the preceding period and since it is not stable it makes it difficult for consumers and producers to plan.
3. ***Disinflation / Decelerating Rate of Inflation:*** rate of inflation is lower in any given year compared to previous year. This is better than an accelerating rate of inflation as it results in smaller increases in prices during a certain time period.

4. ***HyperInflation:*** is when an economy's central bank prints excessive money and that causes more money chasing fewer goods/ services therefore bidding up product prices. This results in an abnormally high inflation rate which could b hundreds or thousands of percentage points.

5. ***Deflation:*** it is opposite of inflation and in this the price level decreases. On one hand, it is harmful for the economy as it shows lower consumer confidence and therefore lower consumer spending which results in lower investment and lower government spending. However, with lower prices consumer spending might pick up as it would be an incentive for them to consume more.

Costs / Problem of Inflation

1. ***Menu Cost:*** the costs that businesses face due to constantly updating their prices information on their menus, catalogs and website. It is more when the inflation rate of an economy is unstable.
2. ***Shoe Leather Cost:*** during times of inflation consumers are looking for highest yielding assets and therefore they will incur additional transaction costs when they move their saving from one asset like stock exchange / cryptocurrency to gold or real estate.

The time and the additional charges that consumers incur in the process are known as shoe leather cost.

3. ***Inflationary Noise:*** during inflation some producers confuse rise in product prices as increase in their product demand and therefore they start producing more which can result in unsold stock of goods. It distorts price signals making it difficult for producers to differentiate between inflation and demand for their products.
4. ***Erosion of Purchasing Power:*** during inflation consumers's purchasing power decreases and therefore they are now able to buy less compared to what they were able to before. The people with fixed income like retired individuals with fixed pensions and so on will be the ones most affected due to erosion of purchasing power.