# სიახლე ქართულ ეკონომიკურ ტერმინოლოგიაში
# NOVELTY IN GEORGIAN ECONOMIC TERMINOLOGY

**Inflation and its Modifications (On the Terminological Aspect)**

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*The traditional inflation index regrettably fails in developing countries. Some of the commodity groups do not reflect the problems of the low income population. Agrarian inflation – agflation, becomes more and more popular in economics. The paper proposes a statistical indicator – munflation, which reflects price fluctuations on medication, utilities and nutrition. Additionally, for countries where import exceeds export by several times, obviously, it is necessary that price changes be calculated for imported goods and services (imflation).*

**Keywords:** *Inflation, agflation, munflation, imflation*
**JEL Codes:** *E31, I32, O13, P36, P46*

New terms emerge in the development of economic science. This process is the result of the enrichment of this field of science, the further result of the new understanding of economic development and the possibility for deepening research. One such phenomenon, in which a new understanding of economic processes is reflected, is inflation.As it is known, inflation as a macroeconomic indicator of the change in prices of the consumer basket is of particular importance in any country for the analysis of the existing macroeconomic situation and for its forecasting as well. Post-communist

Georgia has a negative experience when it gets into a hyperinflationary spiral (Gurgenidze, Lobzhanidze, Onoprishvili, 1994; Khaduri, 2005) which was overcome by the implementing of the complex economic reforms (Kakulia, 2008; Papava, 1996, 2011; Wang, 1999; Wellisz, 1999).

According to internationally recognized standards, the National Statistics Office of Georgia has been carrying out inflation (consumer price index) monitoring since 1992 in six cities (Tbilisi, Kutaisi, Batumi, Gori, Telavi, Zugdidi). This includes more than 1,700 retail outlets. The consumer basket, from which the average level of inflation is calculated, combines 12 commodity groups with appropriate specific weights. Among these groups are: food and non-alcoholic beverages (30,1%), alcoholic beverages, tobacco (6,4%), clothing and footwear (3,4%), housing, water, electricity, gas and other fuels (8,4%), healthcare (8,4%), transport (13,1%), communication (3,7%), furnishings, household equipment and maintenance (6,6%), recreation and culture (6,4%), education (4,7%), restaurants and hotels (4.1%), miscellaneous goods and services (4.9%) (GeoStat, 2019).

Although this basket is quite balanced and contains all the necessary products for human beings, most of these commodity groups do not actually reflect the population's real needs in Georgia as well as in any developed and especially poor countries. Namely, for Georgia, where poverty is the most acute problem for 30% of the population (NDI, 2017), the price dynamics of expensive alcoholic beverages, furniture, leisure and entertainment, hotels, cafes and restaurant services virtually has no importance. Therefore, the consumer basket comprehensiveness for people in poverty is the weak side of this basket because it does not adequately reflect the structure of their actual spending.

Hence, those modifications of the inflation index were put on the agenda which more adequately reflect the dynamics of the change in price level for important products for a relatively poor country.

The first step towards solving this problem was the introduction of the **agflation,** the agrarian inflation index (indicator for the average price change for agricultural products). The term agflation is relatively new and its introduction was associated with a significant increase in prices for fruit, eggs, grains and other food products in 2006-2007 (Charaia, Papava, 2018; Chorafas, 2011). The measurement of agflation is particularly important for developing and relatively poor countries which are characterized by the price rise in the main food products, such as in India (Suryanarayana, 2008).

It should be taken into account that agflation is not only a problem for developing countries but it is also experienced by the European Union (IMF, 2008).

A study of the problem has shown that the use of the agflation indicator alone together with inflation is not enough and it is necessary to use other indicators (Papava, Charaia, 2017). In particular, in relatively poor countries, the population attaches particular importance not only to the average level of prices but especially toward nutrition, medication and utilities (mainly water, electricity, gas and other.) Therefore, we have in-

troduced the **munflation** indicator. The first three letters of the word are "medication," "utilities" and "nutrition" (Charaia, Papava, 2017a, 2017b; Papava, Charaia, 2017).

For those countries where the import exceeds export several times, it is obviously appropriate to calculate not only the traditional inflation rate but also the consumer basket composed only by its imported goods and services which will be adjusted according to the change of the national currency exchange rate. This indicator is **imflation** and the name is derived from the combination of two terms: "import" and "inflation" (Charaia, Papava, 2017a, 2017b; Papava, Charaia, 2017).

The scope of usage of these new indicators created from the inflation index modification is quite extensive as they give the opportunity to make the analysis and prediction of economic developments from different angles. In addition, the issue of the improvement of the mechanism of inflation targeting by central banks should become the subject of a separate study (Charaia, Papava, 2017c).

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