

Lesson4: Inflation & Relative Clauses

Based on English for Business Studies by Ian Mackenzie

What Is Inflation?

Inflation, which is the rate at which prices rise over time, reduces the purchasing power of money. Consumers, who earn fixed incomes, find that the money they have buys fewer goods. The central bank, which controls monetary policy, may raise interest rates that make borrowing more expensive. Economists, who study inflation trends, warn that high inflation can lead to recession that harms economic growth.

What Is a Relative Clause?

A **relative clause** gives **more information** about a noun (person, place, thing). It starts with a **relative pronoun**:

Relative Pronoun	Used For	Example
who	people	Economists, who study inflation , warn about risks.
which	things/animals	Inflation, which reduces purchasing power , is a problem.
that	people/things (defining only)	The prices that companies charge have increased.
whose	possession	A consumer whose income is fixed suffers from inflation.
where	places	The market where goods are sold experiences price changes.
when	time	The period when inflation rises is called inflationary.

Types of Relative Clauses there are two types:

- **Defining Relative Clauses**

Feature	Description
Purpose	Gives essential information to identify the noun
Commas	NO commas
Can use "that"	Yes (for things)
Can omit pronoun	Yes (when it's the object)

Examples:

- "The interest rates **that the central bank sets** affect borrowing." (essential: which rates?)
- "Companies **that face high costs** raise prices." (essential: which companies?)
- "The goods **consumers buy** become more expensive." (pronoun omitted)

- **Non-Defining Relative Clauses**

Feature	Description
Purpose	Gives extra, non-essential information
Commas	YES (before and after the clause)
Can use "that"	NO
Can omit pronoun	NO

Examples:

- "Inflation, **which reduces purchasing power**, is a major concern." (extra info)
- "The central bank, **which controls monetary policy**, raised rates." (extra info)
- "Algeria, **where inflation reached 9.3%**, faces economic challenges."

Key Vocabulary

Term	Definition
Inflation rate	Percentage increase in prices over a period (usually a year)
Purchasing power	The amount of goods/services money can buy
Interest rates	Cost of borrowing money, set by central banks
Monetary policy	Government/central bank actions to control money supply
Core inflation	Inflation excluding volatile items (food, energy)