

## The Social Burden of Accelerated Inflation: A Review and Analysis

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Inflation refers to an increase in the general price level within an economy. However, given the vast number of goods and services involved, it is impossible to precisely describe changes in the overall price level. Statistical agencies categorize goods and services into a consumer basket and track this to estimate inflation. This basket reflects the spending practices of the average consumer by including the most frequently purchased items.

Inflation dynamics are assessed through changes in the price index derived from this basket. In the current period, inflation has been accelerating following an unconventional and large-scale monetary policy easing.<sup>2</sup> In May 2025, annual inflation reached 3.5%, up from 2% in the same period the previous year. Since March, actual inflation has exceeded the 3% target.

Inflation, an economic phenomenon with adverse consequences, disproportionately affects low-income individuals.<sup>3</sup> Rising prices result in an uneven income distribution, often transferring wealth from the poor to the rich and deepening inequality.<sup>4</sup> Moreover, a rapid increase in the price level can suppress investment activity and productive growth, which is a cause for concern as it ultimately hinders long-term economic development.<sup>5</sup>

The social burden of the increase in the consumer price index varies depending on the dynamics of the commodity groups in the total basket. Food, with the largest share (30.4%) in the consumer basket, is an important component for most households, but it is especially essential for poor households. The poorer the household, the larger the share of food consumption. Therefore, the increase in consumer prices, especially the increase within the food commodity group, imposes a heavier social burden on relatively

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<sup>2</sup> Shamugia, E. (2025). Rising inflation and counterproductive monetary policy. In *Gnomon Wise*. <https://gnomonwise.org/en/publications/analytics/267>

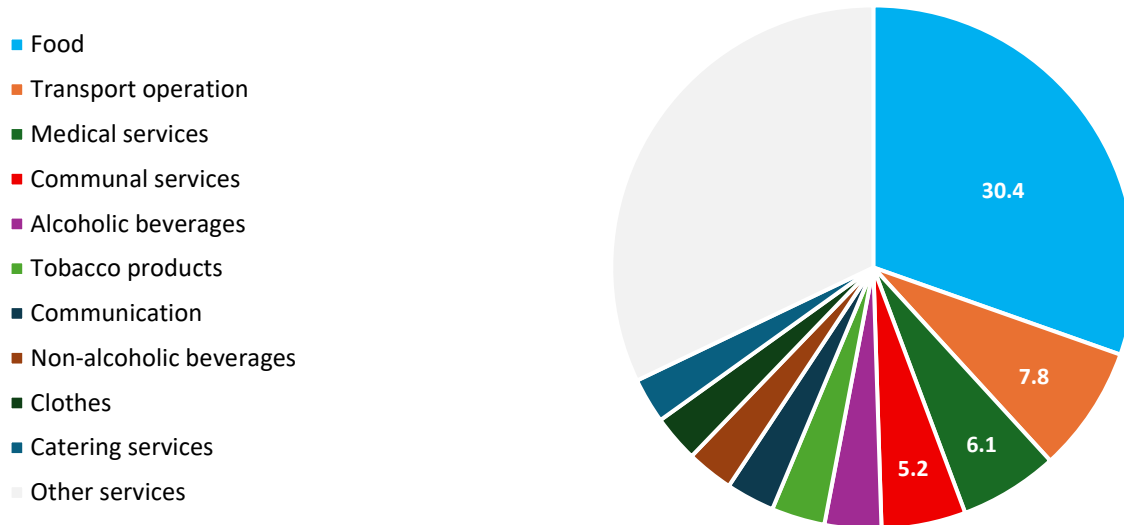
<sup>3</sup> Easterly, W., & Fischer, S. (2001). Inflation and the poor. *Journal of Money Credit and Banking*, 33(2), 160. <https://doi.org/10.2307/2673879>

<sup>4</sup> Sintos, A. (2023). Does inflation worsen income inequality? A meta-analysis. *Economic Systems*, 47(4), 101146. <https://doi.org/10.1016/j.ecosys.2023.101146> ; Albanesi, S. (2006). Inflation and inequality. *Journal of Monetary Economics*, 54(4), 1088–1114. <https://doi.org/10.1016/j.jmoneco.2006.02.009>

<sup>5</sup> Fischer, S. (1993). The role of macroeconomic factors in growth. *Journal of Monetary Economics*, 32(3), 485–512. [https://doi.org/10.1016/0304-3932\(93\)90027-d](https://doi.org/10.1016/0304-3932(93)90027-d) ; De Gregorio, J. (1993). Inflation, taxation, and long-run growth. *Journal of Monetary Economics*, 31(3), 271–298. [https://doi.org/10.1016/0304-3932\(93\)90049-l](https://doi.org/10.1016/0304-3932(93)90049-l)

poor households as access to the most important goods decreases. This highlights the significant role of food prices in the consumer basket and the impact of inflation on the most vulnerable households.

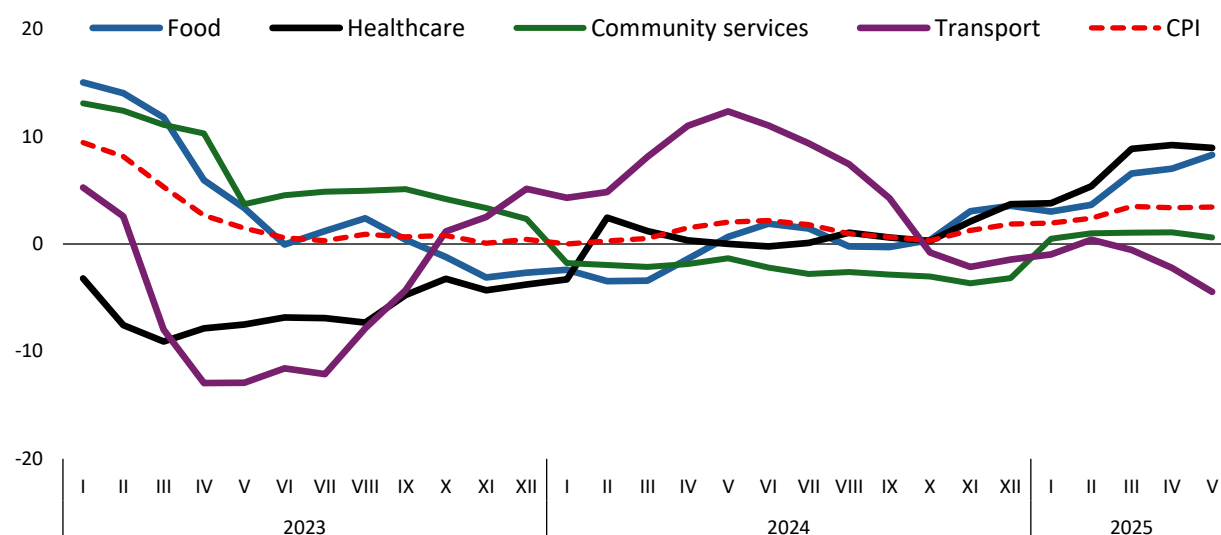
**Graph 1:** Distribution of consumer basket, %



Source: Geostat

In the current period, the rate of food price growth is significantly higher than that of the overall consumer basket. In May 2024, compared to the same month of the previous year, food prices increased by 8.3%. Since the end of last year, food prices have been rising at an accelerating pace, outpacing the growth rate of the total consumer basket.

A similar trend is observed in another major category: since the second half of 2024, the price growth rate for medical goods and services has been increasing, reaching 9% in May of this year. A relatively higher increase of 10.2% was recorded in outpatient medical services. Healthcare, like food, represents a significant and relatively inelastic component of household consumption, meaning demand is less sensitive to price changes.

**Graph 2:** Consumer Price Index and price changes of main commodity groups, %

Source: Geostat

However, during this period, a downward trend in prices was observed in one of the main categories of the consumer basket. From the fourth quarter of 2024 to the present, transport prices have been declining. In May 2025, the decrease amounted to 4.5%. This decline is largely attributable to the cost of operating personal transport, which fell by 7.4% in May. The primary expense in vehicle operation is fuel. In the same month, fuel prices dropped sharply, with gasoline prices decreasing by 10.1% and diesel prices by 13.5%.

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Due to the monetary policy pursued since the early stages, an increase in inflation was anticipated. In the current period, these expectations have materialized. Inflation has accelerated since 2025, exceeding the target rate. However, the social burden imposed by rising prices is greater than what is reflected in the overall consumer price index. Specifically, the increase in food prices significantly surpasses the general rise in consumer prices. The higher the share of food in a household's consumption basket, the poorer the household tends to be. Therefore, in the current period, the social burden of rising consumer prices falls disproportionately on lower-income populations.