Global Inflation

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1. Introduction

In the interconnected global economy, real and financial phenomena go beyond the conventional political and economic boundaries. If something happens somewhere, it spreads everywhere in the world economy. It is an obvious fact that the world economy is still struggling with aftermath of the financial crisis which originally came up in the United States (US), and subsequently spread all over the world in a matter of few weeks. Now all the economic bubbles have burst up, and the world economy is heading for a long recessionary phase with an unknown point of recovery. The world has witnessed an unprecedented inflation in the recent past, mainly fuelled by rising of commodity prices. Now there are some signs of subsiding the waves of inflationary pressure in many parts of the world.

This article examines the global inflationary pressure and its spatial distribution in the recent past. It has not been spread every country and region equally in the same vigour. It is estimated that developed countries recorded comparatively low rates of inflation while the developing countries experienced high rates of inflation typically. In advanced economies, headline inflation has risen to 3.5 percent in May 2008 (12-month change), and, while core inflation remained at 1.8 percent. While the inflation has been marked and broader in emerging and developing economies, where headline and core inflation have risen to 8.6 percent and 4.2 percent, respectively, during the same period (IMF, 2008). Similarly, national inflation rates vary widely in individual cases, from declining prices in Japan to hyperinflation in Zimbabwe. In a few countries such as Somalia, there is no mechanism to record the general price movements

Inflation statistics for this article are mainly drawn from *World Economic Outlook 2008*, published by the International Monetary Fund (IMF). The data of 2008 and 2009 are projections made by the same report. These statistics are complemented by World Bank, Central Intelligence Agency (CIA) and other sources as shown in this article where necessary.

2. Spread of Global Inflation

The impact of rising prices of commodities, mainly foods and oil, felt to the world economy in the recent past. It is recorded that the commodity price increases were having a major impact on the global economy. Inflationary pressures around the world have intensified; purchasing power in commodity-importing economies has been eroded. Some low- and middle-income countries face difficulties in ensuring adequate food supplies for their poorest citizens. These countries are in danger of losing the gains in macro-economic stability achieved in recent years (IMF, 2008b).

It is pointed out that the consumer price inflation accelerated much more quickly in developing countries than in the advanced economies. In the majority of developing economies, most of the increase in headline inflation was attributable to the direct effects of higher commodity prices. However, the increases in core inflation (which excludes food and energy) were limited. Indeed, inflation in developing countries has remained relatively low over the past five years of rapid growth, despite substantial increases in oil and metals prices since 2003. The sharp rise in food and fuel prices in the first half of 2008 pushed median inflation in the developing world to 12 percent by July 2008, and more than 30 countries were facing double-digit inflation rates. The surge of inflation not equally distributed among developing regions. Some of the biggest surge in headline inflation was recorded in Sub-Saharan African countries with high poverty levels. However, that is largely because food represents more than 50 percent of consumption in many African countries (World Bank, 2009).

As shown in Table 1, major advanced economies and newly-industrialised Asian economies have managed to maintain low inflation rates while all other categories of countries are being affected adversely. Commonwealth of Independent States, Middle East, and African countries have become the most adversely affected groups of countries. More interestingly, inflation levels in Middle Eastern and Commonwealth of Independent States record high rates although these are world's major oil producing and exporting-regions.

3. Inflation in the Countries of G8 and Organisation of Economic Cooperation and Development (OECD)

The Group of Eight, formerly known as the G7, became G8 with Russia officially joined the group in 1997 after the disintegration of socialist block of countries. It is a forum for governments of eight nations of the northern hemisphere. The G8 is the most economically, militarily and politically powerful organisation in the world. They make up about 14% of the world population, but account for 65% of the world's economic output measured by gross domestic product. Except Russia, a transitional economy, the inflation in G8 economies is low even in 2008 in which food and oil prices escalated unprecedented manner (Table 3).These economies have managed to a considerable extent to absorb the shock waves of sky rocketing commodity prices and were able to keep the inflation at tolerable levels.

Rising commodity prices have contributed for inflationary pressure in both advanced and developing countries. However, in many emerging and developing economies have recorded higher inflationary rates compared to advanced countries as they have maintained loose monetary and fiscal policies. Tightening monetary policies combined with greater fiscal restraint and, in some cases, with more flexible exchange rate management are required, in order to reverse the recent build-up in inflation in these economies (IMF, 2008).

Table 1
Inflation rates around the world from 1990 to 2009

Region	Inflation rate (%)					
	1990-99	2005	2006	2007	2008	2009
Major Advanced Economies	2.6	2.3	2.4	2.2	3.5	1.7
Newly Industrialised Asian Economies	4.7	2.2	1.6	2.2	4.8	3.5
Africa	24.9	7.1	6.3	6.2	10.2	8.3
Central and Eastern Europe	60.1	5.1	5.4	5.6	7.8	5.7
Commonwealth of Independent States*	24.1	12.1	9.4	9.7	15.6	12.6
Developing Asian Countries	8.7	3.8	4.2	5.4	7.8	6.2
Middle East	10.9	6.2	7.0	10.6	15.8	14.4
Western Hemisphere**	98.4	6.3	5.3	5.4	7.9	7.3

Source: IMF, World Economic Outlook, Washington, DC, October 2008.

* *Association of sovereign states formed in 1991 by Russia and 11 other republics that were formerly part of the Soviet Union.*

** *Mainly Latin American and Caribbean countries.*

Table 2
Inflation rates in G 8 countries from 1990 to 2009

Country	Inflation rate (%)					
	1990-99	2005	2006	2007	2008	2009
Canada	2.2	2.2	2.0	2.1	2.5	2.1
France	1.9	1.9	1.9	1.6	3.4	1.6
Germany	2.4	1.9	1.8	2.3	2.9	1.4
Italy	4.1	2.2	2.2	2.0	3.4	1.9
Japan	1.2	-0.3	0.3	NA	1.6	0.9
Russia	20.8	9.7	9.0	14.0	12.0	7.7
United Kingdom	3.3	2.0	2.3	2.3	3.8	2.9
United States	3.0	3.4	3.2	2.9	4.2	1.8
Average including Russia	**4.9**	**2.9**	**2.8**	**3.4**	**4.2**	**2.5**
Average excluding Russia	**2.3**	**1.7**	**1.7**	**1.7**	**2.7**	**1.6**

NA=Not available
Source: IMF, World Economic Outlook, Washington, DC, October 2008

Table 3
Inflation in SAARC Countries from 1990 to 2009

Country	Inflation rate (%)					
	1990-99	2005	2006	2007	2008	2009
Afghanistan	NA	12.3	5.1	13.0	24.0	9.3
Bangladesh	6.4	7.0	7.1	9.1	10.1	10.0
Bhutan	9.8	5.3	5.3	5.2	7.7	5.0
India	9.5	4.2	6.2	6.4	7.9	6.7
Maldives	8.4	3.3	3.5	7.4	15.0	4.0
Nepal	9.8	4.5	8.8	6.4	8.0	8.5
Pakistan	9.6	9.3	7.9	7.8	12.0	23.0
Sri Lanka	11.2	11.0	10.0	15.8	23.7	20.0
Average	**8.1**	**7.1**	**6.7**	**8.9**	**13.6**	**10.8**

Source: IMF, World Economic Outlook, Washington, DC, October 2008.

OECD includes 30 industrialised democracies including members of Group of 8 countries except Russia. The average annual rate of inflation over the last three years of these countries was below 5% for all OECD countries, except Mexico and Turkey. Headline consumer price inflation among the OECD countries increased from a modest 2 percent in 2007 to 4 percent year-over-year pace in the third quarter of 2008, led by increases in the United States (4.9 percent), the Euro Area (3.9 percent), and the United Kingdom (5 percent) (IMF, 2009a).

The major contributory factor for inflation in OECD was the soaring commodity prices, especially food and energy. Consumer prices of energy in the OECD area were up by 12.3% in October 2008 as compared to 18.9% in September 2008, and those of food by 6.5% in October 2008 as compared to 6.8% in September, 2008. Excluding food and energy, consumer prices rose by 2.2% in October 2008 as compared to 2.4% in September 2008 (OECD, 2008).

Consumer prices in Mexico rose by 6.23 percent in the 12 months through November 2008, the fastest inflation rate since June 2001, according to the Central Bank. The increase in the inflation rate, up from 5.78 percent in October, was driven by higher costs for food and energy.

4. Inflation in the South Asian Region

Inflation in the region of South Asian Association for Regional Cooperation (SAARC) has been fairly high (Table 3) compared to the member countries of other regional organisations and advanced economies. Inflation in Sri Lanka has always been above the regional average while Afghanistan, Bangladesh and Pakistan are also recording high price levels in the region.

5. Inflation in Oil-Exporting and Importing Countries

By the mid July 2008, oil prices had risen well above (about 30%) the previous peaks recorded in December 1979, but have fallen since then. The rise in oil prices since the early 2007 mirrored a noticeable tightening in market balances in a context of low inventories and little spare capacity (IMF, 2008a).

The most striking feature of the change in the global inflation climate in the recent past has been the upward pressure on oil, food and other commodity prices. The contribution of oil prices are more important in this trend, compared to 2000 levels, oil prices have increased by five-fold and food and other commodity prices have doubled (Sentence, 2008). Therefore, Oil has been the largest contributory factor for inflationary pressure in some countries of the world. However, the major oil-importing countries have managed to keep their inflationary rates at low levels (Table 4) as a result of implementation of prudent economic management policies. If China and India were excluded from this group, the average inflation level would have been much lower.

Table 4
Inflation in top ten oil-importing countries from 1990 to 2009

Country	Inflation rate (%)					
	1990-99	2005	2006	2007	2008	2009
United States	3.0	3.4	3.2	2.9	4.2	1.8
Japan	1.2	-0.3	0.3	na	1.6	0.9
China	7.5	1.8	1.5	4.8	6.4	4.3
Germany	2.4	1.9	1.8	2.3	2.9	1.4
South Korea	5.7	2.8	2.2	2.5	4.8	4.0
France	1.9	1.9	1.9	1.6	3.4	1.6
Italy	4.1	2.2	2.2	2.0	3.4	1.9
Spain	4.3	3.4	3.6	2.8	4.5	2.6
India	9.5	4.2	6.2	6.4	7.9	6.7
Taiwan	2.9	2.3	0.6	1.8	4.2	2.5
Average	**3.8**	**2.1**	**2.1**	**2.4**	**3.9**	**2.3**

Source: IMF, World Economic Outlook, Washington, DC, October 2008 and http://internationaltrade.suite101.com

The average inflation in top ten oil-exporting countries is very much higher (Table 5) than the corresponding values of ten top oil-importing countries (Table 4). Table 5 shows that the higher inflationary pressure in Russia, Iran, Venezuela, and Nigeria has mainly contributed for this unusual trend. Prices of Saudi Arabia, the largest oil exporter in the world market, Kuwait, Mexico and Algeria are at tolerable levels while Norway, the most advanced economy in the group, has managed to maintain prices at a commendable low level.

An IMF survey suggests that the inflation has been low in such oil exporting countries as Bahrain, Kuwait, and Saudi Arabia because these countries have open trade systems, flexible labour markets, less binding capacity constraints, and limited pass-through of higher fuel costs to domestic prices. However, the inflation is high in Iran, Libya, and Qatar because of pressures from increased domestic demand, including from hikes in public sector wages, and supply constraints. In most countries, the recent increases in food prices are beginning to exert additional inflationary pressures (IMF, 2007).

Inflation has been an irritating factor in Iran for a long time. Monetary policy in Iran has not been successful in meeting the inflation and monetary targets set in the Iranian Five-Year Development Plans. This is mainly due to the monetary impact of government spending out of oil revenue. Although the attainment of the inflation targets has improved somewhat recently, the objective of a gradual disinflation to single-digit levels has not been achieved. Moreover, the implicit intermediate target of monetary policy, money growth, has been systematically missed (Bonato1, 2007).

In Russia, rising export prices have accelerated the growth prospects; subsequently domestic demand has risen at a rate of about 15 percent a year in recent years. It is more than double the estimates of potential growth. As a result, inflation has moved up sharply, well beyond what can be justified by increases in food and energy prices. The worldwide rise in commodity prices is fuelling Russia's already-booming economy. Surging commodity prices have directly boosted domestic inflation in Russia, especially with food items representing over 40 percent of Russia's consumption basket (IMF, 2008c).

Prices in Venezuela have risen speedily as the government pumps more oil income into social programs, reinforcing government's political support and helping to drive 8.4 percent economic growth in 2007. Similarly, its currency controls have also driven up prices, because these practices are forced some businesses to pay for imports with dollars bought on the black market at premium exchange rates (International Herald Tribune, January 2008).

Table 5

Inflation in top ten oil-exporting countries from 1990 to 2009

Country	Inflation rate (%)					
	1990-99	2005	2006	2007	2008	2009
Saudi Arabia	1.2	0.6	2.3	4.1	11.5	10.0
Russia	20.8	9.7	9.0	14.0	12.0	7.7
Norway	2.4	1.6	2.3	0.8	3.2	2.7
Iran	23.5	10.4	11.9	18.4	26.0	28.0
Venezuela	46.1	16.0	13.7	18.7	27.2	33.5
United Arab Emirates	3.6	6.2	9.3	11.1	12.8	10.8
Kuwait	3.6	4.1	3.1	5.5	9.0	7.5
Nigeria	28.5	17.8	8.3	5.5	11.0	11.1
Mexico	20.1	4.0	3.6	4.0	4.9	4.2
Algeria	17.3	1.6	2.5	3.6	4.3	4.0
Average	**16.2**	**8.3**	**7.5**	**9.8**	**14.1**	**13.9**

Sources: IMF, World Economic Outlook, Washington, DC, October 2008 and http://internationaltrade.suite101.com

6. Inflation in Grain-Exporting and Importing Countries

Average inflation in ten wheat-importing countries is somewhat low, and this is mainly due to the low inflation rates in developed countries in this category. Japan is exceptional in this category, not only because of its very low inflation but also deflation at times. Inflation in emerging and developing economies in this category is fairly high (Table 6).

The Japanese has been in the grip of deflationary forces for over a decade. Even after an economic recovery which began in 2002, the lingering deflationary mindset has meant firms have struggled to raise prices or pay better wages. In the decade to 2007, prices fell on average by 0.2% a year (The Economist, July 2008).

Table 6

Inflation in top ten wheat-importing countries from 1990 to 2009

Country	Inflation rate (%)					
	1990-99	2005	2006	2007	2008	2009
Egypt	10.7	8.8	4.2	11	11.7	16.1
Spain	4.3	3.4	3.6	2.8	4.5	2.6
Italy	4.1	2.2	2.2	2.0	3.4	1.9
Algeria	17.3	1.6	2.5	3.6	4.3	4.0
Japan	1.2	-0.3	0.3	NA	1.6	0.9
Brazil	325.4	6.9	4.2	3.6	5.2	5.1
China	7.5	1.8	1.5	4.8	6.4	4.3
Indonesia	13.6	10.5	13.1	6.2	9.8	8.8
Nigeria	28.5	17.8	8.3	5.5	11.0	11.1
Mexico	20.1	4.0	3.6	4.0	4.9	4.2
Average	**43.3**	**5.7**	**4.4**	**4.4**	**6.3**	**5.9**

NA= Not available

Sources: IMF, World Economic Outlook, Washington, DC, October 2008 and http://internationaltrade.suite101.com

According to Tables 7, average inflation in top wheat-importing countries is high compared to top wheat-importing countries (Table 6). This is mainly due to poor economic management in transitional economies and Argentina where inflation rates really high.

Table 7

Inflation in top ten wheat-exporting countries from 1990 to 2009

Country	Inflation rate (%)					
	1990-99	2005	2006	2007	2008	2009
United States	3.0	3.4	3.2	2.9	4.2	1.8
France	1.9	1.9	1.9	1.6	3.4	1.6
Australia	2.2	2.2	2.0	2.1	2.5	2.1
Canada	2.2	2.2	2.0	2.1	2.5	2.1
Argentina	59.3	9.6	10.9	8.8	9.1	9.1
Russia	20.8	9.7	9.0	14.0	12.0	7.7
Ukraine	28.2	13.5	9.1	12.8	25.3	18.8
Germany	2.4	1.9	1.8	2.3	2.9	1.4
United Kingdom	3.3	2.0	2.3	2.3	3.8	2.9
Kazakhstan	32.9	10.7	8.2	6.3	13.0	12.0
Average	**15.6**	**5.7**	**5.0**	**5.5**	**7.9**	**6.0**

Sources: IMF, World Economic Outlook, Washington, DC, October 2008 and http://internationaltrade.suite101.com

Table 8

Inflation in top ten rice-exporting countries from 1990 to 2009

Country	Inflation rate (%)					
	1990-99	2005	2006	2007	2008	2009
United States	3.0	3.4	3.2	2.9	4.2	1.8
Thailand	5.0	4.5	4.6	2.2	5.7	3.2
Paraguay	16.2	6.8	9.6	8.1	10.5	5.6
India	9.5	4.2	6.2	6.4	7.9	6.7
France	1.9	1.9	1.9	1.6	3.4	1.6
Spain	4.3	3.4	3.6	2.8	4.5	2.6
Uruguay	45.1	4.7	6.4	8.1	6.8	6.2
Pakistan	9.6	9.3	7.9	7.8	12.0	23.0
Italy	4.1	2.2	2.2	2.0	3.4	1.9
China	7.5	1.8	1.5	4.8	6.4	4.3
Average	**10.6**	**4.2**	**4.7**	**4.7**	**6.5**	**5.7**

Sources: IMF, World Economic Outlook, Washington, DC, October 2008 and http://internationaltrade.suite101.com

Average inflation rates in rice-exporting countries are not high (Table 8), and these rates would have been further low, if Paraguay, Uruguay, Pakistan and India recorded low inflation rates.

7. Corruption and Inflation

It is widely accepted that corruption creates a number of undesired socio-economic consequences, and unacceptable inflation could be considered as one of them. The empirical evidence suggests that the amount of corruption in a country is positively correlated with the variance of inflation. A study suggests that there is a positive relationship between corruption and inflation variability in a sample of 75 countries over 14 years (Miguel Braun and Rafael Di Tella, 2000).

Transparency International (TI), a Berlin-based voluntary organisation, publishes an annual Corruption Perceptions Index (CPI) ordering the countries of the world according to the degree to which corruption is perceived to exist among public officials and politicians. Table 9 was prepared taking into account the corruption perception index of Transparency International.

The inflation levels of the least corrupt countries other than Iceland are at commendable levels. All these countries belong to the major advanced economy group of the world and their macro-economic management is prudent compared to many other counties in the world.

Inflation has remained high in Iceland reflecting the depreciation of its currency after the burst of economic bubble and continued global inflationary pressure. It is argued that the key factor in

Table 9

Inflation in ten least corrupt countries from 1990 to 2009

Country	Inflation rate (%)					
	1990-99	2005	2006	2007	2008	2009
Denmark	2.1	1.8	1.9	1.7	3.4	2.8
Sweden	3.6	0.8	1.5	1.7	3.4	2.8
Singapore	1.9	0.5	1.0	2.1	6.5	3.3
Finland	2.1	0.8	1.3	1.6	3.9	2.5
Switzerland	2.3	1.2	1.0	0.7	2.6	1.5
Iceland	4.1	4.0	6.8	5.0	12.1	11.2
Netherlands	2.3	1.5	1.7	1.6	2.9	2.6
Australia	2.5	2.7	3.5	3.3	4.6	3.6
Canada	2.2	2.2	2.0	2.1	2.5	2.1
Luxemburg	2.2	2.5	2.7	2.3	3.7	1.8
Average	**2.6**	**1.7**	**2.3**	**2.2**	**4.9**	**3.8**

Source: IMF, World Economic Outlook, Washington, DC, October 2008 http://www.transparency.org/

Table 10

Inflation in ten most corrupt countries from 1990 to 2009

Country	Inflation rate (%)					
	1990-99	2005	2006	2007	2008	2009
Congo, Democratic Republic of	848.4	21.4	13.2	16.7	17.5	15.1
Equatorial Guinea	6.1	5.7	4.5	2.8	6.4	5.5
Chad	4.1	7.9	7.9	-8.8	5.0	3.0
Guinea	8.5	31.4	34.7	22.9	17.9	9.3
Sudan	75.2	8.5	7.2	8.0	16.0	10.0
Afghanistan	NA	12.3	5.1	13.0	24.0	9.3
Haiti	20.7	16.8	14.2	9.0	14.5	11.5
Iraq	NA	NA	NA	NA	4.7	NA
Myanmar (Burma)	26.9	10.7	25.7	33.9	34.5	30.0
Somalia	NA	NA	NA	NA	NA	NA

NA – Not available.

Sources: IMF, World Economic Outlook, Washington 2008; DC, October 2008, CIA, Fact Book, https://www.cia.gov; http://www.transparency.org/

Iceland's failure has been the monetary policy pursued by its central bank, in particular inflation targeting. Such a policy has a sound foundation in economic theory and is often appropriate for large economies. Throughout the period of inflation targeting in Iceland, inflation was above its target rate, resulting in interest rates exceeding at times 15%. In a small economy like Iceland high interest rates both encourage domestic firms and households to borrow in foreign currency, and also attract currency speculators. The speculators and borrowers profited from the interest rate difference between Iceland and abroad as well as the exchange rate appreciation. The speculators and borrowers profited from the interest rate difference between Iceland and abroad as well as the exchange rate appreciation. These effects encouraged economic growth and inflation, further leading the central bank to raise interest rates. The end result is a bubble caused by the interaction between domestic interest rates and inflows of foreign currency (Danielsson, 2008).

Inflation levels in ten most corrupt countries in the world are really high (Table 10). In some countries, the relevant information is not available, and the reliability of even available information is disputed. In Somalia, business houses print their own currencies, so that inflation rates cannot be easily determined in that country.

8. Failed States and Inflation

According to the fund for peace, a failed state carries characteristics of ineffective central government, i.e., it has little practical control over much of its territory; non-provision of public services; widespread corruption and criminality; refugees and involuntary movement of populations; and sharp economic decline (fundforpeace.org). The economic management is weak in such a state, so that price level cannot be maintained at a desirable level. In certain countries such as Somalia, there are no independent authorities to issues legal currencies.

Table 11

Inflation in ten most failed states from 1990 to 2009

Country	Inflation rate (%)					
	1990-99	2005	2006	2007	2008	2009
Somalia	NA	NA	NA	NA	NA	NA
Sudan	75.2	8.5	7.2	8.0	16.0	10.0
Zimbabwe	28.1	237.8	1,016.7	10,452.5	NA	NA
Chad	NA	8	3	4	4	NA
Iraq	NA	25.4	33	64.8	4.7	NA
Congo, Democratic Republic of	848.4	21.4	13.2	16.7	17.5	15.1
Afghanistan	NA	12.3	5.1	13.0	24.0	9.3
Côte d'Ivoire	6.0	3.9	2.5	1.9	5.6	5.7
Pakistan	9.6	9.3	7.9	7.8	12.0	23.0
Central African Republic	3.5	2.9	6.7	0.9	8.5	6.7

NA – Not available.

Sources: IMF, World Economic Outlook, Washington, DC, October 2008 and http://www.fundforpeace.org

9. Economic Freedom and Inflation

The mainstream economics accepts that the market mechanism promotes economic freedom in all key areas. The Heritage Foundation and the Wall Street Journal have created the *Index of Economic Freedom* in 1995 based on mainstream economic ideas. It explains that the basic institutions that protect the liberty of individuals to pursue their own economic interests result in greater prosperity for a country. The *Index of Economic Freedom* covers 10 specific freedoms such as trade freedom, business freedom, investment freedom, labour market freedom and property rights in 162 countries (heritage.org and wikipedia.org). Natural prices reflect by all goods and services, if market forces are allowed to function freely. Accordingly, general price level of a country reflects the magnitudes of these freedoms.

Table12 shows the ten freest economies and their price trends. Overwhelming majority of these countries are former British colonies. The average price level and individual price levels of these top freest economies are at low levels compared to many other economies of the world.

Table 12

Inflation in top ten free economies from 1990 to 2009

Country	Inflation rate (%)					
	1990-99	2005	2006	2007	2008	2009
Hong Kong	6.8	0.9	2.0	2.0	4.8	4.3
Singapore	1.9	0.5	1.0	2.1	6.5	3.3
Ireland	2.4	2.2	2.7	2.9	3.5	2.4
Australia	2.5	2.7	3.5	3.3	4.6	3.6
United States	3.0	3.4	3.2	2.9	4.2	1.8
New Zealand	2.1	3.0	3.4	2.4	4.2	3.8
Canada	2.2	2.2	2.0	2.1	2.5	2.1
Chile	11.5	3.1	3.4	4.4	8.9	6.5
Switzerland	2.3	1.2	1.0	0.7	2.6	1.5
United Kingdom	3.3	2.0	2.3	2.3	3.8	2.9
Average	**4.1**	**2.3**	**2.7**	**2.8**	**4.9**	**3.5**

Source: IMF, World Economic Outlook, Washington, DC, October 2008 http://www.heritage.org/Index/

The repressed economy is the opposite of free economy. The inflation levels in top ten repressed economies are given in the Table 13. The general price levels of individual countries of this table are really high other than in Cuba and Libya. Prices are even not available in a country like North Korea.

10. Conclusion

Inflation came to a new height and became a huge challenge in the world economy during the last few years though now it has come down in many countries to a great extent after reaching its peak in the middle of 2008. However, its spatial distribution and severity varies from region to region and country to country.

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Table 13

Inflation in top ten repressed economies from 1990 to 2009

Country	Inflation rate (%)					
	1990-99	2005	2006	2007	2008	2009
Venezuela	46.1	16.0	13.7	18.7	27.2	33.5
Bangladesh	6.4	7.0	7.1	9.1	10.1	10.0
Belarus	168.8	10.3	7.0	8.4	15.3	9.6
Iran	23.5	10.4	11.9	18.4	26.0	28.0
Turkmenistan	8.0	10.7	8.2	6.3	13.0	12.0
Myanmar (Burma)	26.9	10.7	25.7	33.9	34.5	30.0
Libya	6.2	2.9	1.4	6.2	12.0	10.6
Zimbabwe	28.1	237.8	1,016.7	10,452.5	26,470	NA
Cuba	NA	3	7	5	3	NA
Korea, North	NA	NA	NA	NA	NA	NA

NA – Not available.

Sources: IMF, World Economic Outlook, Washington, DC, October 2008; http://www.heritage.org/Index/; Source of Cuba: *Index Mundi*, http://www.indexmundi.com

Inflationary pressure has become a major challenge in many developing countries while it became a transient macro-economic imbalance in many developed countries. The impact of world inflation will persist longer in developing countries than in developed countries; the poor of these countries would be bearing the heaviest burden of the inflation as they have got only a limited scope to change their economic behaviour. They do not have an effective safety net to cushion the severe impact the soaring prices. Now the world economy is almost in a recessionary phase and inflation rates in many countries are going down. At the same time a few countries in the world, especially among developing countries, are still experiencing higher inflation levels. This is mainly due to weak monetary and fiscal policies of those countries.

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