

The Declining Value of Money: A Review of Consumer Prices

The upward trend in consumer prices that set in in most countries of the world in 1955 or 1956 was examined in a study published in the International Labour Review early in 1957.¹ Against a background of information on consumer prices before, during and immediately following the Second World War the present article follows the further evolution of this trend up to the latest month in 1958 for which data are available for each of a large number of countries, and shows, in particular, the part played by each of several commodity groups in the continued rise in the cost of living.

The current wave of world inflation is now three years old. It is a mild inflation compared with those experienced in wartime, but it has reduced the purchasing power of wages, social security benefits and other income used to procure the necessities of life by 10 to 20 per cent. or more in most of the countries of the world.

Increases and decreases in consumer prices reflect a variety of causes which are purely national or regional in character and may bring about divergent price movements in closely adjacent areas. A crop failure, a boom in private investment, or large-scale deficit spending by government, for example, may boost prices in one country while its neighbours maintain price stability. Centrally planned economies may establish controls which insulate them from world price movements for long periods.

Other factors, however, may affect prices in many countries simultaneously and provide the impetus for trends of regional or world significance. As trade and communications expand and international division of labour becomes more prevalent, the influence of these factors increases. Economic recession in a few major countries may react unfavourably on many more. Widespread drought may cause shortages in many countries simultaneously. The most common and the most powerful of the causes of world-wide inflation, to be sure, is war or the threat of war.

PRICE MOVEMENTS SINCE THE FIRST WORLD WAR

It is thus possible to discern cyclical price movements which, while obscured in some countries by purely national or regional developments, are of very general significance. Available statistics amply demonstrate the widespread rise in consumer prices during and following the First World War. The high prices of 1920 established a peak that in many countries was not exceeded for at least two decades. Even in war-torn

¹ See "Upturn in Consumer Prices", Vol. LXXV, No. 2, Feb. 1957, p. 143.

countries such as Germany, France and Italy, in which inflation continued well beyond 1920, the influence of world economic trends was clearly apparent.

The depression years of the early 1930s witnessed price decreases in all countries for which statistics are available. From the relatively prosperous year 1929 to the year of lowest average consumer prices the drop in the United States was 24 per cent., that in the United Kingdom 15 per cent., that in Poland 42 per cent., that in India 27 per cent., to quote only a few examples.

After the outbreak of the Second World War prices soared again, and in many countries substantial increases continued throughout the post-war period. The smallest increase reported for the period 1939-53, from statistics of 60 countries and territories which have been analysed¹, amounted to 68 per cent. (Switzerland). Only 10 of these countries reported increases of less than 100 per cent., while the median increase over the 14-year period was about 250 per cent. All of the largest increases (those in excess of 2,000 per cent.) took place in eight countries which had been battlegrounds of war or revolution.

Following a spurt in many countries at the time of the Korean War, prices attained remarkable stability in much of the world by 1952, and this stability continued in many countries until 1955 or 1956. In the United States, Canada, Switzerland, France and the Federal Republic of Germany prices rose by less than 2 per cent. during a period of three years or more, beginning in 1952. In other countries such as Italy for example, which had seen prices more than double in the post-war period, control was regained by 1952 or 1953. Indeed, no pronounced inflation was reported for a period of two or more years around this time in North America, Europe, Oceania or Africa. A number of countries in South America and the Far East, however, continued to experience rapidly rising prices throughout these years.

THE CURRENT INFLATION

Causes of Price Upturn

The modest upturn of prices which became noticeable on a world-wide scale in the mid-1950s was distinguished from other recent inflationary movements in that it was not attributable to war. Instead, it began in a period of vigorous peacetime expansion. The circumstances of its origin have prompted some economists to question whether it is possible to avoid inflation during periods of rapid economic growth and full employment, particularly where producers and consumers are relatively unobstructed in determining what they will produce and what they will buy. This is a matter of considerable importance to wage and salary workers and their families, to whom economic expansion (with full employment) and price stability are both vital.

It is impossible to ascribe the price increase of the mid-1950s to any single cause or development. In the *World Economic Survey, 1957*², economists of the United Nations have identified a number of contributing factors and have noted that the causes differ in different groups of countries.

¹ See "Recent Trends in Consumer Prices", in *International Labour Review*, Vol. LXX, No. 2, Aug. 1954, p. 212.

² United Nations: *World Economic Survey, 1957* (New York, 1958).

With regard to the industrial countries, the same survey notes that "the recent inflation developed in association with a boom which began in demand for consumer durables and housing and spread to private investment in plant and equipment". It finds little evidence, however, of an "excess of aggregate demand" which forced prices up because supplies of all kinds of goods were insufficient. But significant shortages of some classes of commodities, such as coal, steel and machinery, and an eventual increase in their price reacted on other commodities, either by increasing the cost of producing them or by restricting the possibilities of expanding their output and thus making way for higher profits through price increases independent of higher costs. The survey also presents certain evidence to show that wage increases tended to outstrip productivity during part of the period, thus increasing wage costs and consequently prices. In this connection the survey notes that part of the rise in wage costs occurred in response to other developments such as decontrol of rents, or government action increasing the price of foods.

Increasing costs, including wage costs and rising import prices, also contributed to inflation in the less developed countries, according to the *World Economic Survey*, but "excess demand, at both the aggregate and sectoral levels, has been a major force in the inflation occurring in primary producing countries". Industrial expansion was a background factor, for the determination to boost levels of living through capital formation and increased industrial production was strong in many of these countries and led to financial indiscretion in numerous cases. "The heavy reliance of governments upon deficit financing" says the survey "provides striking evidence of the determination of countries to develop their resources." Where incomes were increased without appropriate steps to augment food supplies, inflation was an almost inevitable result.

The survey also discusses inflationary pressures in the centrally planned economies of Eastern Europe and Mainland China. All of these countries have experienced inflation at one time or another since the Second World War. In recent years, the survey concludes, the predominant factor influencing prices (other than in China) has been the increasing share of the national product allocated to consumption. Judging from the somewhat incomplete information available, the recent trend of consumer prices in most of these countries has been downward.

The foregoing paragraphs, to be sure, have dealt only with causes of a more-or-less general nature, which have been important on a regional or world-wide basis. Other factors, such as marked government instability or crop failures, have been more influential in individual countries and partially account for notable exceptions to general price trends.

World Trend

The upturn in consumer prices became generally apparent in 1955.¹ Prices were edging up earlier in some regions, and individual countries exhibited marked variations from the general trend. Some of these variations will be noted in later sections of this article. The present section deals primarily with predominant tendencies.

¹ See "Upturn in Consumer Prices", *op. cit.*

For this purpose it has been possible to assemble consumer price statistics for some 91 countries and territories in most of the major regions of the world.¹ These statistics are very uneven in comprehensiveness and quality. In general, they reflect the prices paid by wage earners and middle-income groups. Most of them reflect price movements only in a capital city or other restricted area. Some apply only to the prices paid by special groups, such as the non-indigenous population. As a whole, however, they are believed to provide a reliable indication of the magnitude of price movements. Brief descriptive information regarding most of the indices appears regularly in the Statistical Supplement to the *International Labour Review*.

These data show that prices were rising even during 1953 and 1954, but only very slowly. The "median" increase—i.e. the middle increase about which the larger and smaller increases (and a few decreases) ranged in equal numbers—from 1953 to 1954, based on annual averages, was only 1.2 per cent. This was probably the smallest annual gain since the recession of the 1930s. From 1954 to 1955, however, the median increase was about twice as great and it continued to rise during the following two years.

The modest magnitude of the current price rise has caused it to be described as "creeping inflation" in contrast with the "galloping inflation" experienced by many countries in wartime. The following figures represent the median annual increase in the 91 countries from 1952 to 1958:

Year	Median increase
1952-53	2.1 per cent.
1953-54	1.2 "
1954-55	2.4 "
1955-56	3.5 "
1956-57	4.0 "
1957-58 ¹	2.4 "

¹ Based on most recent monthly index for each country in 1958 compared with the index for the same month in 1957; data for earlier years are based on annual averages.

The highest median increase so far attained for any full year will be seen to be 4.0 per cent., or only about double the increase from 1952 to 1953, generally regarded as a year of considerable price stability.

The median figure of 4.0 per cent. was reasonably representative of the general magnitude of price increases from 1956 to 1957. About half (44) of the countries reported increases within the range of 2.0 to 5.9 per cent., while only five reported price decreases and only 12 reported increases of 10 per cent. or more.

The upward movement of prices definitely abated between 1957 and 1958, but the final picture for 1958 is not yet clear. The 1957-58 figures which have been used represent a comparison of *monthly* data, i.e. the most recent monthly figures available for each country at the time of writing compared with figures for the corresponding month of 1957. They are somewhat less stable than the annual averages used in the comparisons for earlier years. Moreover, they involve an overlap of many months with the year 1957.

¹ Comparable price data for Mainland China and most countries of Eastern Europe were unavailable for this analysis; but a brief comment on price trends in these countries is made in a later section.

TABLE I. MEDIAN ANNUAL INCREASES IN CONSUMER PRICES BY GEOGRAPHIC REGION, 1952 TO 1958

Region	Percentage increase					
	1952-1953	1953-1954	1954-1955	1955-1956	1956-1957	1957-1958 ¹
All regions	2.1	1.2	2.4	3.5	4.0	2.4
Africa	2.9	1.1	2.3	3.1	3.7	3.4
Far East	6.4	0.2 ²	0.5	5.7	4.7	0.4
Middle East	1.4 ²	1.2	3.2	6.9	6.6	2.0
Europe	0.9	1.0	1.9	3.8	3.1	2.6
North America ³	0.8	0.3	0.2 ²	1.5	3.4	2.2
Central America and Mexico	0.4	2.6	3.7	1.0	2.2	2.5
South America	7.3	8.7	8.8	6.8	15.2	10.8
Oceania ⁴	4.6	2.9	2.4	4.9	2.4	2.0

¹ Based on most recent monthly index for each country in 1958 compared with the index for the same month in 1957. ² Decrease. ³ Data presented relate to the United States; price trends in Canada were closely similar. ⁴ Unweighted average of data for Australia and New Zealand.

Regional Contrasts

The timing and the magnitude of the consumer price rise have varied considerably by geographic region. Median figures by year and by region appear in table I. It is evident from these crude figures that the largest increases occurred in South America, a region in which inflation has continued to flourish since the end of hostilities. Considerable inflation was also apparent in the Far East and the Middle East between 1955 and 1957, but prices in most of these countries have been brought under control during the past year. All the other regions showed a modest tendency to inflation after 1954 and all but Central America gave evidence of some abatement in 1957-58.

Europe.

Recent price rises have been moderate in most countries of Western Europe. From 1953 to mid-1958 increases as high as 25 per cent. were reported only by Finland, Greece, Iceland, the Saar, Spain and Yugoslavia. (See table II.) Increases of less than 10 per cent. during this period were experienced in Belgium, Luxembourg, Portugal and Switzerland.

For the most part the price rises in Western European countries were of domestic origin and can be explained largely in terms of the general causes discussed in an earlier section. A major economic boom was under way in the mid-1950s, with production mounting rapidly and unemployment at low levels. Special developments which had a noticeable influence during the period included devaluation of the drachma in Greece in 1953 and of the French franc in 1957, the abolition or curtailment of food subsidies in Finland and Ireland, and relaxation of rent controls in a number of countries. As is indicated below, rents rose more rapidly during this period than any other component of the cost of living, closely followed by fuel and light.

The Suez crisis had only a slight and transitory effect on consumer prices in Europe.

Information on consumer price trends in the countries of Eastern Europe is not always comparable with the data discussed earlier in this article, and is not available until after considerable delay. As an exception, the data for Yugoslavia included in table II reveal an increase of 27.5 per cent. between 1953 and May 1958.

Price statistics for the U.S.S.R. and for one or more other Eastern European countries are based largely on the operations of state and co-operative stores. The data available to the end of 1956 are summarised in *World Economic Survey, 1957*.¹ In all these countries official price indices disclose declining prices from 1953 to 1956, ranging from about 5 per cent. in the U.S.S.R. to 23 per cent. in Bulgaria (both decreases representing state and co-operative trade, retail prices). Increases in productivity presumably played a significant part in these declines, for it is customary in these countries to distribute a good portion of the benefit from increased productivity in the form of lower prices, rather than through higher wages, the predominant formula under free enterprise.

North America.

The United States and Canada² shared in the world inflationary movement, although the price increases experienced in these countries were not very great and seemed disturbing largely because they were seen against a background of unusual stability. Both countries had enjoyed a period of almost stationary prices which began in about 1952 and continued until mid-1956. From 1956 to 1957 consumer prices in both countries rose slightly more than 3 per cent., and in the 12 months ending August 1958 the increase was slightly above 2 per cent. Rising prices brought wage increases to hundreds of thousands of workers whose employment contracts included "escalator" clauses. The wage increases sometimes contributed to further price rises. It is of interest to note that consumer prices in both countries continued to rise even under conditions of advancing recession and as unemployment reached its highest levels for many years.

The major industrial countries of the world, most of which are to be found in the two regions discussed above, justify brief special attention. Chart 1 traces consumer price movements in seven industrial nations, including Japan, from 1952 to mid-1958. All these countries experienced a period of economic expansion around the mid-1950s and all felt considerable inflationary pressure. The most notable features of the price movements among these countries during the past 18 months are the dramatic rise of prices in France and the irregular decline in Japan.

In most of the industrial countries monetary or other controls, applied by strong governments, were helpful in limiting price increases.

Central America and Mexico.

Mexico, which has been enjoying a vigorous economic boom, witnessed an increase in prices amounting to nearly 50 per cent. between 1953 and early 1958. Inflation made little headway in Central America,

¹ Op. cit., table 37, pp. 117-118.

² Price trends in Mexico, which varied considerably from those in the United States and Canada, are considered with those in the countries of Central America.

TABLE II. ANNUAL PERCENTAGE INCREASES¹ IN CONSUMER PRICES BY COUNTRY, 1953 TO 1958

Region and country	1953 to 1954	1954 to 1955	1955 to 1956	1956 to 1957	Year ending latest month 1958		Whole period, 1953 to latest month 1958
					Month	Percentage increase ¹	
<i>Europe :</i>							
Austria	2.6	2.5	2.9	4.0	Aug.	0.9	14.2
Belgium	1.3	-0.5	2.9	3.1	Aug.	1.0	8.1
Denmark ²	0.9	5.8	5.6	2.4	July	0.4	16.9
Finland	-0.4	-3.0	11.4	11.3	Aug.	5.6	28.0
France	-0.3	1.1	2.0	2.8	June	17.6	22.0
Germany (F.R.)	0	1.9	2.7	1.8	Aug.	2.6	10.2
(W. Berlin)	-0.3	1.2	2.8	2.7	July	3.1	10.8
(Saar)	1.2	1.0	3.9	6.4	Aug.	14.3	30.0
Greece	15.1	5.7	3.7	2.2	July	1.2	31.0
Iceland	1.0	4.2	10.3	4.0	Sep.	6.8	29.9
Ireland ²	0.2	2.4	4.5	4.0	Aug.	2.1	17.0
Italy	2.7	2.8	4.9	2.0	July	6.6	20.2
Luxembourg	1.0	-0.1	0.6	4.5	Aug.	-0.8	7.0
Netherlands	4.0	1.8	1.9	5.6	July	0	15.8
Norway	4.4	0.9	3.8	2.7	Aug.	6.6	19.5
Portugal	-0.7	-0.1	3.2	1.4	Aug.	1.4	5.1
Spain	1.2	4.1	5.9	10.8	May	15.4	39.3
Sweden	1.0	3.1	4.5	4.3	Aug.	4.8	19.0
Switzerland	0.7	0.9	1.6	1.9	Aug.	1.7	7.5
United Kingdom	1.9	4.4	4.9	3.7	Aug.	1.8	18.6
Yugoslavia	-2.2	13.5	5.1	0.9	May	6.6	27.5
<i>North America :</i>							
Canada	0.6	0.2	1.5	3.1	Aug.	2.1	8.0
United States	0.3	-0.2	1.5	3.4	Aug.	2.2	8.3
<i>Central America and Mexico :</i>							
Costa Rica	2.6	3.7	1.0	2.0	May	2.7	12.7
Dominican Rep.	-2.0	0	1.3	4.9	June	0.4	3.2
El Salvador	3.8	4.0	3.1	0.2	May	3.8	.
Guatemala	2.8	1.7	1.0	-1.0	May	-1.0	4.3
Honduras	5.8	8.4	-3.5	-2.4	Apr.	0.5	10.5
Jamaica	-1.6	1.5	0.3	2.7	June	7.2	9.8
Mexico	4.9	15.9	4.9	5.9	Feb.	19.0	49.1
Neth. Antilles	-1.3	4.5	1.4	2.9	Apr.	1.3	8.8
Panama ²	-0.5	-0.1	-0.4	0.1	June	-0.5	-1.2
Puerto Rico	2.9	-1.1	1.3	4.0	May	2.5	9.9
Trinidad	0.7	5.0	0.9	2.2	Aug.	5.3	15.6
<i>South America :</i>							
Argentina	3.8	12.3	13.4	24.7	July	31.4	120.1
Bolivia	124.4	80.0	178.7	126.6	Apr.	-5.3	.
Brazil	18.4	19.6	22.0	19.3	Apr.	12.1	129.3
British Guiana	3.4	2.5	2.1	1.5	Aug.	1.2	10.9
Chile	72.2	75.2	56.0	33.2	Aug.	10.8	673.1
Colombia	8.7	0	6.5	15.2	July	13.7	54.3
Ecuador	3.7	2.4	-4.6	1.1	June	0.8	3.1
Paraguay	19.9	23.8	21.5	15.3	Nov. ³	14.8	117.2
Peru	5.4	4.7	5.4	7.4	June	7.9	34.5
Uruguay	11.8	8.8	6.8	13.8	Apr.	24.4	71.2
Venezuela ⁴	1.7	-1.2	-1.2	-2.9	Mar.	-1.1	-5.4

TABLE II. ANNUAL PERCENTAGE INCREASES¹ IN CONSUMER PRICES BY COUNTRY, 1953 TO 1958 (*concl.*)

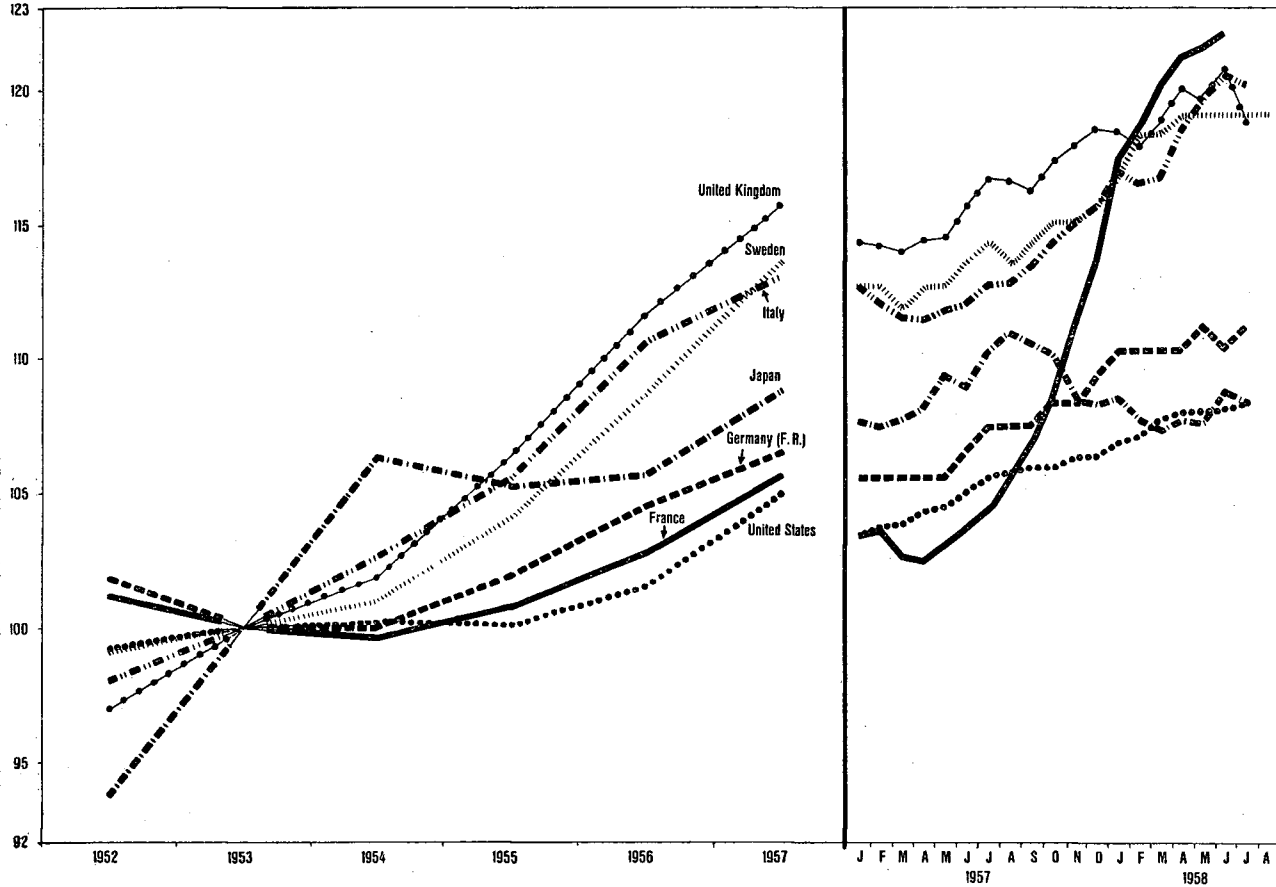
Region and country	1953 to 1954	1954 to 1955	1955 to 1956	1956 to 1957	Year ending latest month 1958		Whole period, 1953 to latest month 1958
					Month	Percentage increase ¹	
<i>Far East :</i>							
Burma	-4.0	1.9	13.1	7.4	July	-2.8	25.7
Cambodia	8.2	11.5	5.4	0	June	4.5	37.1
Ceylon	-0.5	-0.6	-0.3	2.6	July	-0.4	2.8
China (Taiwan) ⁵	1.7	9.8	10.6	7.5	May	-0.1	31.6
Hong Kong ⁵	-1.9	-3.4	2.6	0.8	May	-1.7	-5.2
India (27 centres)	-5.4	-4.9	9.6	5.5	July	4.8	10.0
Indonesia ⁴	6.3	32.4	14.4	9.9	July	46.7	142.0
Japan	6.4	-1.1	0.5	3.0	July	-1.7	8.3
Laos ⁵	22.6	1.5	12.9	23.5	May	8.2	81.1
Malaya ⁵ (Fed. of)	-6.0	-3.2	0.9	4.0	Apr.	0	-4.5
Pakistan (Karachi)	-1.8	-4.6	3.8	9.1	June	5.9	11.6
Philippines	-4.4	-0.7	0.8	2.4	July	6.0	3.2
Singapore ⁵	-7.4	-1.8	1.3	1.6	May	-1.9	-8.3
South Korea	37.1	68.4	22.8	23.2	July	-3.3	242.1
Thailand ⁵	0.2	4.6	6.0	5.3	Aug.	5.7	34.4
Viet-Nam	12.8	10.2	11.7	-4.8 ⁶	June	-5.7 ⁶	28.3 ⁶
<i>Middle East :</i>							
Cyprus	4.4	5.7	7.8	6.6	Aug.	4.5	31.9
Egypt	-4.1	-0.1	2.3	4.3	July	0.2	2.0
Iran	17.6	3.4	7.1	6.5	July	1.7	39.2
Iraq ⁵	-2.1	3.0	6.6	4.2 ⁶	Mar.	-3.5 ⁶	10.0 ⁶
Israel	12.2	6.0	6.4	6.4	Aug.	2.3	40.3
Lebanon ⁵	-4.7	1.5	5.9	6.6	Apr.	4.7	14.7
Syria ⁴	-7.8	-1.1	14.2	9.2	Mar.	-3.8 ⁶	13.0 ⁶
Turkey	8.8	8.9	14.2	11.7	Jan.	11.8	56.6
<i>Africa :</i>							
Algeria	0.9	0.2	2.8	2.1	July	14.5	20.0
Belgian Congo ^{2 5}	0.1	0	0.3	0.6	Mar.	2.4	2.4
Cameroons ^{2 5}	0.6	1.2	3.3	6.7	May	12.1	24.7
French Eq. Africa ^{2 5}	0.6	-1.2	0.6	7.9	Apr.	14.5	20.6
French West Africa ⁵	-0.5	1.6	1.8	6.7	May	19.4	29.8
Ghana ⁵	1.5	2.8	3.9	0.9	Mar.	-1.9	9.4
Kenya (Nairobi) ^{5 7}	3.3	5.9	3.3	3.0	Apr.	1.4	17.6
Madagascar ⁵	1.1	2.9	0.1	4.4	July	7.7	17.4
Morocco	-1.0	3.0	7.1	3.7	Aug.	0.2	11.9
Mauritius ⁵	-0.8	-2.6	-0.8	-1.4	Mar.	-0.3	-2.7
Nigeria (Lagos) ²	5.0 ⁸	3.8	9.2	0	Apr.	3.4	23.0
Northern Rhodesia ⁵	3.2	3.9	3.1	4.2	July	3.4	19.0
Sierra Leone ²	5.6	-5.3	3.5	9.2	2nd q.	-7.8	10.4
Southern Rhodesia ⁵	0.2	0.9	3.8	2.9	Aug.	5.1	12.7
Sudan ⁵	7.8	2.3	-3.7	1.0	May	11.6	16.8
Tanganyika ^{5 7}	1.0	3.1	1.5	4.3	June	1.4	12.1
Tunisia	1.5	1.4	5.8	5.6	June	1.7	17.2
Uganda ^{5 7}	4.3	5.3	6.8	1.7	May	1.5	20.9
Union of S. Africa ⁵	1.8	3.1	1.9	3.0	July	4.4	14.6
<i>Oceania :</i>							
Australia ²	1.2	2.4	6.3	2.5	2nd q.	1.5	14.7
Hawaii	1.0	1.5	1.3	3.6	June	5.6	11.0
New Zealand ²	4.6	2.5	3.5	2.2	2nd q.	2.4	15.9

Note. A point (.) indicates "inapplicable or figures not available".

¹ Isolated decreases are indicated by a minus sign (-). ² Quarterly data. ³ 1957. ⁴ Index for food only. ⁵ Index for special group of population or labour force. ⁶ Provisional. ⁷ Bi-monthly data. ⁸ Based on data for less than full year.

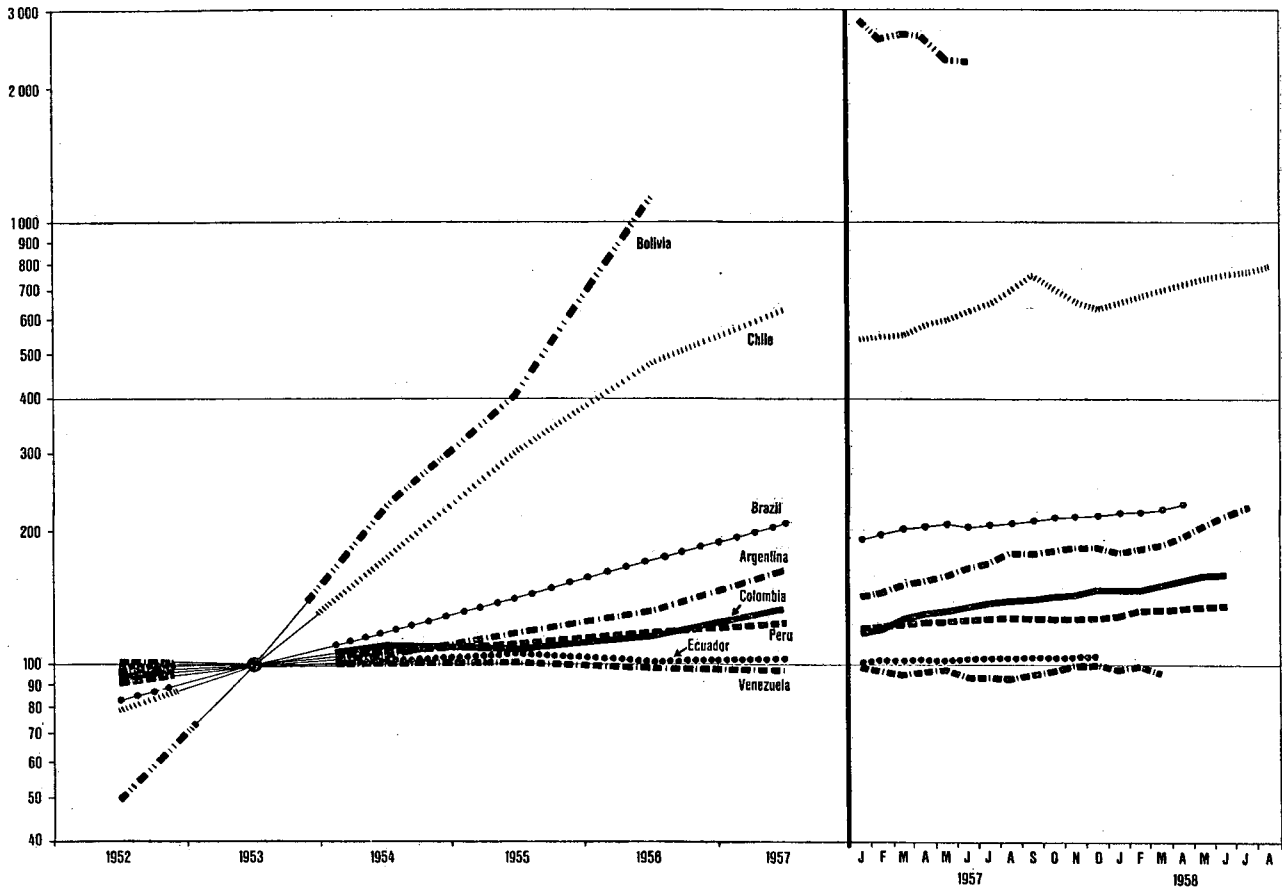
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(1953 = 100)

CHART 1. CONSUMER PRICES IN SEVEN INDUSTRIAL COUNTRIES, 1952 TO 1958



Index
(1953=100)

CHART 2. CONSUMER PRICES IN EIGHT SOUTH AMERICAN COUNTRIES, 1952 TO 1958



however. Lower returns from coffee and cotton exports had unfavourable economic repercussions during the period, but the effect on domestic prices was mixed. Unfavourable harvests exerted some upward pressure on food prices. Price increases in most countries between 1953 and early 1958, however, were held below 10 per cent.

South America.

South America has been the stronghold of inflation since the end of the war. From 1953 until early 1958 prices doubled or more in five of the 11 reporting countries and showed large increases in three others. Details for a number of countries are presented in chart 2. Bolivia led the field with a 22-fold increase; this was the rise recorded only up to mid-1957; although comparable recent figures are not available it seems that the trend has been reversed since early 1957. Prices were more than seven-and-a-half times as high in Chile at mid-1958 as in 1953. They more than doubled in Brazil, Argentina and Paraguay, countries which have suffered continuously from inflation since the war.

A variety of special factors have affected the pattern of inflation in South America, including a drop in foreign exchange from sales of raw materials, currency devaluation or adjustment (e.g. in Bolivia, Brazil, Chile, Colombia, Paraguay, Uruguay) and failure to maintain food supplies adequate to satisfy rising purchasing power. Ambitious investment programmes have led to much deficit financing. Finally, ineffective or misplaced government controls have played a large part in price increases in several countries.

Far East.

The countries of the Far East have provided numerous examples of galloping inflation since the outbreak of the Second World War, and even since 1953 consumer prices in South Korea have more than tripled and those in Indonesia (measured in terms of foods alone) more than doubled. Other major increases in the 1953-58 period were in Laos (up 81 per cent.), Cambodia (37 per cent.), Thailand (34 per cent.), Taiwan (32 per cent.) and Viet-Nam (28 per cent.). In most of these countries, however, the price rise has flattened perceptibly in recent years; during the past 12-month period prices in South Korea actually declined and only Indonesia (up 47 per cent.), afflicted by civil war, appeared to be suffering from uncontrolled inflation. The next largest increases during the past 12 months were in Laos (8 per cent.) and the Philippines (6 per cent.); in the latter country the price trend had until recently been irregularly downward since the end of the war.

Economic development programmes have tended to exert powerful upward pressure on consumer prices in the Far East, particularly in view of the difficulty of increasing food supplies. In Burma, India and Pakistan price decreases around 1954 and 1955 were offset by rapidly rising prices about 1956-57. During the most recent 12 months, however, prices in Burma have again declined.

Middle East.

Price movements in the Middle East have been somewhat erratic, with occasional declines intermingled with the increases. Price increases in Turkey have exceeded 10 per cent. annually for two years. Iran, Israel and Cyprus have all experienced appreciable price increases since 1953 although none of these has suffered from serious inflation during the 12 months covered by the most recent statistics.

Several of these countries witnessed a jump in consumer prices following the Suez crisis. The events of the summer of 1958 can be expected to have even more serious repercussions on prices in the area.

Africa.

Consumer prices in Africa have risen steadily since 1953, but marked inflation has not appeared. The largest increase during the period of approximately five years was reported in French West Africa (30 per cent.). Besides, the Cameroons, Nigeria, Uganda, French Equatorial Africa, Algeria, and Northern Rhodesia reported increases near 20 per cent. In Algeria and in several of the French territories substantial increases took place from 1957 to 1958, reflecting devaluation of the French franc and of other currencies related to the franc, as well as the unsettled conditions in some of these areas.

Oceania.

Price increases in Australia, Hawaii and New Zealand have been moderate and quantitatively in line with the European pattern. Both Australia and New Zealand, however, have experienced a levelling-off of consumer prices since 1956.

Variations by Commodity Group

The month-to-month changes in consumer price indices suggest a definiteness of direction and precision of measurement that are often misleading. These indices typically represent weighted averages of the prices of numerous commodities, which rarely change to the same extent and quite frequently move in opposite directions. Most countries maintain separate indices for major groups of commodities—usually food, clothing, fuel and light, rent and "miscellaneous"—and though these groupings differ somewhat in content from country to country a comparison of their different trends is sometimes instructive.

Because of its heavy weight in the total index and because of its volatility, the food group is usually the most significant. Food supplies are relatively inflexible over short periods. A rapid increase in purchasing power, a crop failure, an obstruction to imports or the production of an important surplus may result in a change of food prices, which may set off a general price movement. Clothing prices also appear to be rather sensitive, reflecting in part the changeableness of fabrics prices.

Fuel and light prices tend to lag in the initial phases of a cyclical movement, particularly the prices established or regulated by governments. Rents are also slow to move, owing in part to the prevalence of long-term rental contracts and in part, during upward price swings, to rent controls. The prices included in the "miscellaneous" group cover a wide variety of different items such as durable goods, transport, entertainment and services. Some countries maintain group indices for these sectors. International comparisons covering the entire miscellaneous group have little significance.

Movement of Group Indices.

During the general decline of the early 1930s food prices frequently led the way, and at the depth of the depression were almost invariably lower than the general index. Rents generally declined less than the

general index, although there were numerous exceptions. From the depth of the depression to the outbreak of the Second World War food prices rose more than prices generally in most countries.

The quality of the information available for the war period (1939-47) is considerably better than for earlier periods and permits rough comparisons to be made of price increases by major group. As a first step the over-all increase in prices in each country during the period has been taken as the base, i.e. 100 per cent., and the increase for each commodity group expressed as a percentage of this base. Such calculations have been possible for some 62 countries and territories. The median percentages obtained for the various groups are as follows :

All groups	100
Food	110
Clothing	147
Fuel and light	66
Rent	22

Although prices in general increased far more in some regions of the world than in others, there was considerable consistency in the relationships between commodity groups in all regions. The greatest increases affected clothing prices in every region, while rents, subject to tight controls, showed the smallest increase in every region except Africa, where fuel and light prices rose slightly less.

In the post-war period (1947-53) food prices continued to increase more than the general index, but clothing prices lagged far behind. Clothing prices had generally held their own through 1951, but slumped after the break in the textiles market following the boom associated with the Korean War. Fuel and light prices increased slightly more than the general index ; rents, which were still under control in many places, continued to lag behind it. Towards the end of the period, however, rents were catching up rapidly as other prices were stabilised. Median figures for 83 countries (somewhat less consistent when broken down by region than in the earlier period) are as follows :

All groups	100
Food	111
Clothing	64
Fuel and light	107
Rent	74

Comparable median figures for the period 1953-57 are available for 69 countries, as follows :

All groups	100
Food	97
Clothing	45
Fuel and light	133
Rent	168

Variations in the relative movement of commodity groups during the three different periods are shown in chart 3.

A good deal of variation from country to country and from region to region will be noted from the detailed data presented in table III covering the period 1953 to 1957. In general, however, the differences among

Per cent.
of average
increase for
all groups

CHART 3. INCREASE IN PRICES OF MAJOR GROUPS OF COMMODITIES COMPARED WITH INCREASE FOR ALL GROUPS COMBINED ; MEDIAN FIGURES, 1939-47, 1947-53 AND 1953-57

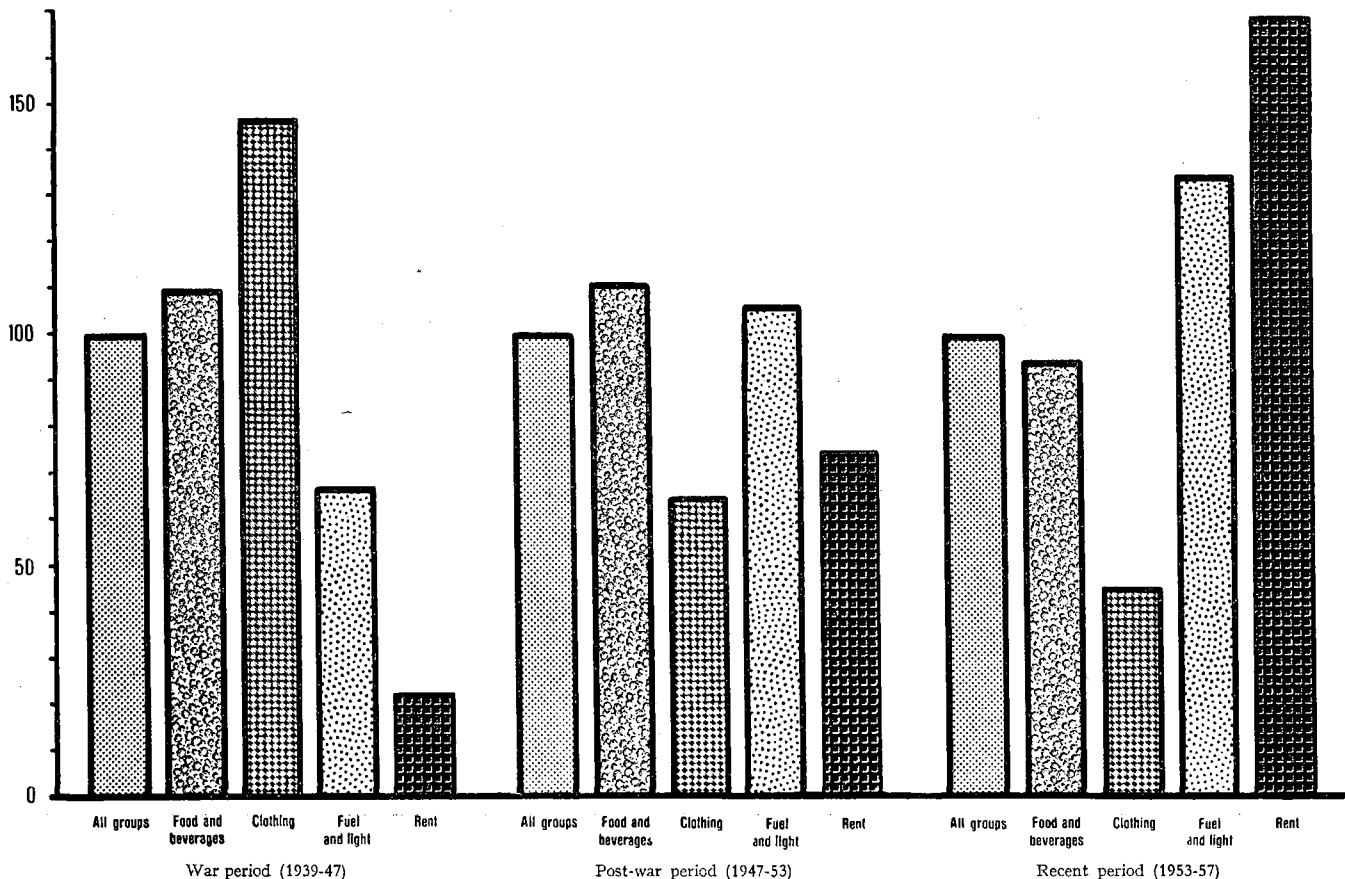


TABLE III. COMPARATIVE PRICE CHANGES BY COMMODITY GROUP, 1953 TO 1957

Region and country	Increase in price expressed as percentage of increase for all groups				
	All groups	Food	Clothing	Fuel and light	Rent
<i>Europe :</i>					
Belgium	100	101	43	226	.
Denmark	100	66	94 ¹	170	139
Finland	100	109	— ²	57	454
France	100	42	115	102	847
Germany :					
(Fed. Rep.)	100	135	48	205	172 ³
(W. Berlin)	100	118	35	128	162 ³
(Saar)	100	72	47	138	472
Greece	100	76	100	133	256 ³
Iceland	100	97	96	139	52
Ireland	100	80	24	183	136 ³
Italy	100	81	26	28	667
Luxembourg	100	97	116	77	.
Netherlands ⁴	100	111	17	154	295
Norway	100	107	38	223	166
Portugal	100	105	— ²	208	171
Spain	100	114	58	88	40 ³
Sweden	100	110	— ²	190	153
Switzerland	100	121	13	94	208
United Kingdom	100	111	35	185	130 ³
Yugoslavia	100	162	— ²	140	212
<i>North America :</i>					
Canada	100	96	— ²	38	182
United States	100	45	39	161	175
<i>Central America and Mexico :</i>					
Costa Rica	100	95	8	228 ⁵	226
Dominican Republic	100	90	315	5 ⁶	63 ⁷
Guatemala	100	141	0	— ^{2 8}	0 ⁹
Honduras	100	24	230	— ^{2 8}	184
Jamaica	100	0	— ²	643 ^{1 8}	589 ¹⁰
Mexico	100	111	101	.	.
Netherlands Antilles	100	84	— ²	.	658
Puerto Rico	100	93	99	79	60
Trinidad	100	133	10	192	63
<i>South America :</i>					
Argentina	100	104	86	.	2 ⁹
Brazil	100	90	115	106 ⁸	88 ¹⁰
British Guiana	100	144	— ²	111	14
Chile	100	114	94	82	70
Colombia	100	123	71	.	82 ¹¹
Peru	100	104	66	.	58
Uruguay	100	127	82	120 ⁶	33 ⁷

TABLE III. COMPARATIVE PRICE CHANGES BY COMMODITY GROUP,
1953 TO 1957 (concl.)

Region and country	Increase in price expressed as percentage of increase for all groups				
	All groups	Food	Clothing	Fuel and light	Rent
<i>Far East :</i>					
Burma	100	103	343	— ²	0
Cambodia	100	108	147	.	66 ¹²
Ceylon	100	— ²	158	— ²	17
China (Taiwan) ¹³	100	112	37	206	160
India (Bombay)	100	— ²	206	359	353
Japan	100	85	— ²	147	292 ³
Laos ¹³	100	77	100	.	149 ¹⁴
Pakistan (Karachi)	100	203	15	421	0
South Korea	100	92	73	136 ⁸	.
Thailand ¹³	100	94	69	15	403
Viet-Nam	100	71	122	.	67 ^{14 15}
<i>Middle East :</i>					
Iran	100	68	61	89	211
Israel	100	92	61	.	218 ¹⁴
Lebanon ¹³	100	154	— ²	140	437
Turkey	100	90	103	65	226
<i>Africa :</i>					
Belgian Congo ¹³	100	— ²	0	.	.
Cameroons ¹³	100	145	— ²	— ^{2 16}	.
French Eq. Africa ¹³ (Brazzaville)	100	149	— ²	92 ¹⁵	.
French West Africa (Dakar) ¹³	100	116	84	— ^{2 5 15}	.
Kenya (Nairobi) ¹³	100	80 ¹⁷	— ²	.	.
Madagascar ¹³	100	39	— ²	248 ^{5 15}	.
Morocco	100	66	163	139	0
Nigeria	100	150	— ²	26	195 ³
Northern Rhodesia ¹³	100	140	18	.	.
Southern Rhodesia ¹³	100	148	— ²	257	.
Tanganyika ¹³	100	83 ¹⁷	52	5	.
Tunisia	100	70	.	331 ¹	.
Uganda ¹³	100	110 ¹⁷	35	.	.
Union of South Africa ¹³	100	97	19	185	185 ¹⁵
<i>Oceania :</i>					
Australia	100	86	50	.	170
New Zealand	100	102	48	112	195 ³

Note. A point (.) indicates "inapplicable or figures not available".

¹ Incl. cleaning. ² Decrease. ³ Incl. maintenance costs of owner-occupied dwellings. ⁴ Beginning Jan. 1957 data exclude influence of General Old Age Act. ⁵ Incl. ice. ⁶ Excl. electricity. ⁷ Incl. electricity. ⁸ Excl. light. ⁹ Incl. light. ¹⁰ Incl. electricity and water. ¹¹ Incl. light and water. ¹² Incl. related items. ¹³ Index for special group of population or labour force. ¹⁴ Incl. fuel and light. ¹⁵ Incl. water. ¹⁶ Incl. other household items. ¹⁷ Incl. tobacco.

commodity groups were more pronounced than in the preceding period. Food prices have not played a spectacular role in the recent mild inflation, but have tended to lag slightly. The most distinct group movement has been that of rents ; controls were relaxed in much of the world during this period and rents increased considerably more than prices generally. The chief exceptions to this tendency were the countries of South America and Asia, where pronounced inflation was still under way and rents were lagging behind the prices of foods and other commodities.
