

INFLATION

There are several ways in which inflation can be measured. The most common is by reference to a consumer price index (CPI) which measures the changes in prices of a basket of goods and services purchased by a representative set of households. The CPI is a narrow measure of inflation and does not measure changes in the prices of other goods and services, such as those used for intermediate consumption or the prices of capital products. A much broader indicator of inflation is provided by the GDP deflator, and this is the inflation measure shown here.

Definition

The GDP deflator is an implicit, not an explicit deflator. It is derived by dividing an index of GDP measured in current prices by a chain volume index of GDP (see Evolution of GDP), both, typically, derived using the expenditure approach (see Size of GDP). It is therefore a weighted average of the price indices of:

- goods and services consumed by households;
- expenditure by government on goods, services and salaries;
- fixed capital assets;
- changes in inventories;
- exports of goods and services;
- imports of goods and services (minus).

While the CPI measures the price changes of goods and services consumed by households, the GDP deflator

measures the price changes of goods and services produced by a country, including exports, and also includes a component to reflect price changes in imports. Hence, the treatment of exports and imports merits special attention. The GDP deflator will go up, indicating more inflation, if the prices of exports rise but although higher inflation is usually thought of as a bad thing, it may actually be beneficial to a country if the prices of its exports rise, since it is non-residents who pay the higher prices; although this may be coupled with a fall in the value of the country's currency. Conversely, price rises in imports will reduce the GDP deflator, although, following the same reasoning this may not necessarily be a good thing for residents.

Comparability

The comparability of the inflation rates shown here depends on the methods used to calculate in volume terms the expenditure components of GDP. Most countries use similar methods for consumer goods and imports and exports, but there are clear differences in the methods used to derive volume estimates for government consumption.

Some countries calculate their volume estimates of government consumption by deflating their current price estimates using representative input price indexes, while others weight together output indicators for services provided by hospitals, schools, etc.

Note that for Australia and New Zealand data refer to fiscal year.

Long-term trends

During the period 1994-2007, inflation in the OECD area fell to a record low of 1.4% in 1999. It then gradually increased to 2.4% in 2007.

The average annual rate of inflation over the last three years was below 5% for all OECD countries, except Iceland, Norway, Mexico and Turkey. The volatility in the Norwegian GDP deflator is mostly due to variations in the export prices of petroleum, and these grew very strongly in the most recent years shown here. The strong growth in the GDP deflator for Mexico and Turkey reflects general domestic inflation. These latter two countries have, however, drastically reduced their inflation rates over the period 1994-2007. At the other extreme, Germany, Korea and Japan recorded average annual rates of inflation over the last three years of below 1%.

Several countries (Canada, Czech Republic, Finland, Germany, Luxembourg, Norway and Switzerland) recorded deflation over the period 1994-2007 for one or more years, but Japan is the only country where this has been sustained over a number of years.

Source

- OECD (2008), *National Accounts of OECD Countries*, OECD, Paris.

Further information

Analytical publications

- OECD (2008), *OECD Economic Outlook, June No. 83 – Vol. 2008/1*, OECD, Paris.

Websites

- *Inflation Measures: Too High – Too Low – Internationally Comparable?*, Documents for the meeting held at the OECD, 21-22 June 2005, www.oecd.org/std/price-indices.
- OECD Purchasing Power Parities, www.oecd.org/std/ppp.

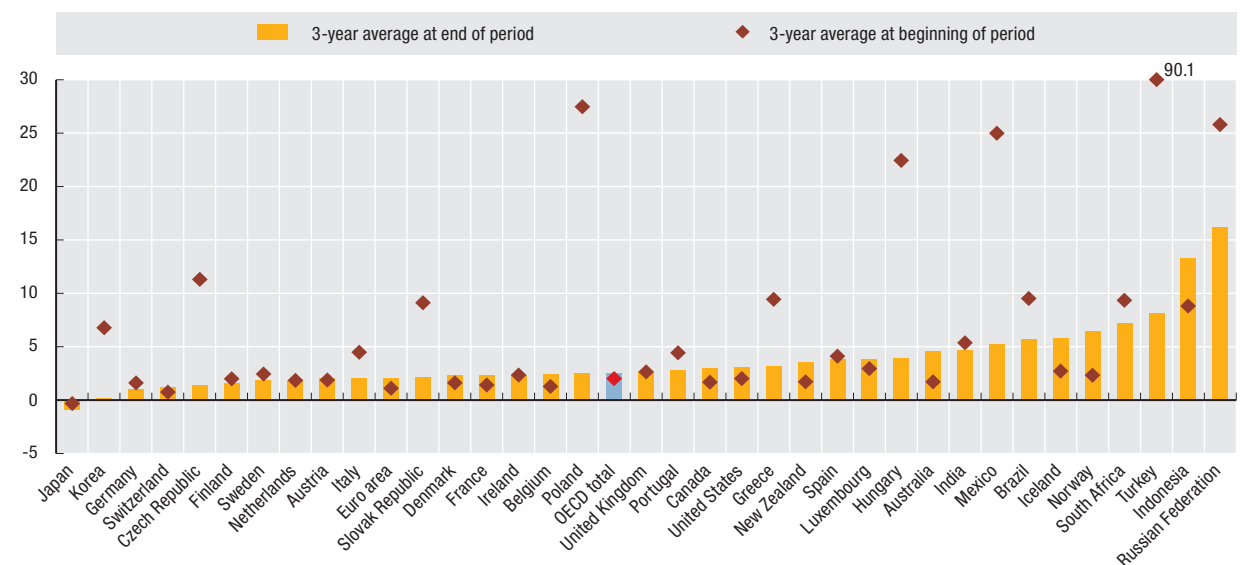
GDP deflator

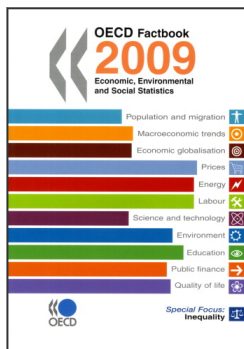
Annual growth in percentage

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Australia	1.4	2.3	1.4	1.2	0.1	2.1	4.9	2.8	3.0	3.5	3.8	4.6	4.6	4.4
Austria	2.7	2.0	0.9	-0.3	0.4	0.4	1.1	1.9	1.3	1.2	1.7	2.1	1.8	2.1
Belgium	2.1	1.2	0.5	1.1	2.1	0.4	1.8	2.0	1.9	1.6	2.4	2.4	2.3	2.4
Canada	1.1	2.3	1.6	1.2	-0.4	1.7	4.1	1.1	1.1	3.3	3.2	3.4	2.5	3.1
Czech Republic	13.4	10.2	10.3	8.4	11.1	2.8	1.5	4.9	2.8	0.9	4.5	-0.3	0.9	3.6
Denmark	1.5	1.3	2.0	2.0	1.2	1.7	3.0	2.5	2.3	1.6	2.3	2.9	2.0	2.0
Finland	1.4	4.8	-0.2	2.2	3.4	0.9	2.6	3.0	1.3	-0.4	0.6	0.4	1.3	2.9
France	1.3	1.3	1.6	1.0	0.9	0.0	1.4	2.0	2.4	1.9	1.6	2.0	2.5	2.5
Germany	2.4	1.9	0.5	0.3	0.6	0.4	-0.7	1.2	1.4	1.2	1.0	0.7	0.5	1.9
Greece	11.2	9.8	7.3	6.8	5.2	3.0	3.4	3.1	3.4	3.7	3.3	3.4	3.2	2.9
Hungary	19.5	26.7	21.2	18.5	12.6	8.4	9.9	8.5	7.8	5.8	4.4	2.2	3.9	5.7
Iceland	2.6	3.0	2.5	2.9	5.1	3.3	3.6	8.6	5.6	0.6	2.5	2.8	9.0	5.5
Ireland	1.7	3.0	2.3	3.8	6.6	4.0	6.1	5.5	4.6	2.5	2.0	2.3	3.4	1.4
Italy	3.6	5.0	4.8	2.6	2.6	1.8	1.9	3.0	3.3	3.1	2.6	2.1	1.7	2.3
Japan	0.1	-0.5	-0.6	0.6	0.0	-1.3	-1.7	-1.2	-1.5	-1.6	-1.1	-1.2	-0.9	-0.7
Korea	7.8	7.4	5.1	4.6	5.8	-0.1	0.7	3.5	2.8	2.7	2.7	-0.2	-0.5	1.2
Luxembourg	3.5	2.3	3.0	-1.9	-0.4	5.3	2.0	0.1	2.1	6.0	1.9	4.5	5.4	1.7
Mexico	8.3	37.9	30.7	17.7	15.4	15.1	12.1	5.8	7.0	8.5	8.9	4.2	6.9	4.7
Netherlands	2.1	2.1	1.3	2.6	1.9	1.8	4.1	5.1	3.8	2.2	0.7	2.4	1.7	1.5
New Zealand	1.8	2.0	1.3	2.0	1.3	0.7	3.2	3.6	0.0	3.1	2.6	2.4	3.8	4.3
Norway	-0.2	3.0	4.2	2.8	-0.8	6.6	15.7	1.7	-1.8	3.0	5.3	8.7	8.5	2.2
Poland	37.2	28.0	17.9	13.9	11.1	6.0	7.3	3.5	2.2	0.4	4.1	2.6	1.5	3.3
Portugal	7.3	3.4	2.6	3.8	3.8	3.3	3.0	3.7	3.9	3.2	2.4	2.5	2.8	3.0
Slovak Republic	13.4	9.9	4.2	6.2	5.1	7.4	9.4	5.0	3.9	5.3	5.9	2.4	2.9	1.1
Spain	3.9	4.9	3.5	2.4	2.5	2.6	3.5	4.2	4.3	4.1	4.0	4.3	4.0	3.2
Sweden	2.7	3.7	0.9	1.5	0.6	0.9	1.5	2.3	1.6	1.9	0.2	0.9	1.7	2.9
Switzerland	1.3	0.7	0.2	-0.1	0.3	0.6	1.1	0.8	0.5	1.0	0.6	0.1	1.7	1.8
Turkey	106.5	87.2	77.8	81.5	75.7	54.2	49.2	52.9	37.4	23.3	12.4	7.1	9.3	8.1
United Kingdom	1.6	2.7	3.6	2.8	2.2	2.1	1.2	2.1	3.1	3.1	2.5	2.2	2.6	2.9
United States	2.1	2.0	1.9	1.7	1.1	1.4	2.2	2.4	1.8	2.1	2.9	3.3	3.2	2.7
Euro area	..	..	2.6	-0.3	1.0	1.6	1.3	2.4	2.5	2.2	1.9	2.0	1.9	2.3
EU27 total	..	..	3.3	2.8	1.7	2.1	3.2	2.1	2.5	0.3	2.4	2.3	2.3	2.8
OECD total	1.9	2.1	2.0	1.9	1.5	1.4	1.9	2.3	2.2	2.3	2.6	2.4	2.6	2.4
Brazil	..	..	17.1	7.6	4.2	8.5	6.2	9.0	10.6	13.7	8.0	7.2	6.1	3.7
India	..	..	..	..	8.1	4.3	3.7	3.5	3.1	3.8	5.3	4.4	4.9	4.7
Indonesia	7.8	9.9	8.7	12.6	75.3	14.2	8.6	14.3	5.9	5.5	8.6	14.3	14.1	11.5
Russian Federation	..	..	45.8	15.1	18.6	72.5	37.7	16.5	15.7	14.0	20.1	19.2	15.8	13.5
South Africa	9.6	10.3	8.1	8.1	7.7	7.1	8.8	7.7	10.5	4.6	5.5	5.4	7.3	9.0

 StatLink  <http://dx.doi.org/10.1787/541031887452>
GDP deflator

Average annual growth in percentage


 StatLink  <http://dx.doi.org/10.1787/534768568365>



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