

Inflation in bolivia



Inflation in Bolivia is at 7.18%, making the country fourth among the countries of its region. The cost of food products increased the most and, according to analyses, the ever-growing demand from China and low production due to climactic conditions also influenced these annual numbers. International analysts point at the Bolivian gasolinazo as the factor that increased inflation to 7.18%, way above the country's initial inflation rate of 4.5% at the beginning of the year 2010. Inflation has plagued and sometimes crippled, the Bolivian economy since the 1970s. At one time in 1985, Bolivia had an inflation rate of more than 20,000 percent. Fiscal and monetary reform reduced the inflation rate to single digits by the 1990s, and in 2004 Bolivia experienced a manageable 4.9 percent rate of inflation. Bolivia has tried since 1985, with much difficulty to put a program of structural adjustment and economic stabilization into place. The best efforts in this regard date back to 1992 and 1993, when a major privatization program was launched. In 1994, the program started to show its first results. Inflation went down a great deal and many production sectors including agriculture were showing rapid growth. Economic management has often been chaotic. By the mid-1980s, with crashing tin prices, rising international debt, and a world record inflation rate of 20,000%, Bolivia was close to collapse. The recovery started in 1985 with the 'New Economic Plan', which hugely reoriented the economy along free-market lines. Foreign firms were allowed to have 50% shares in the main state companies. These changes as well as others allowed Bolivia to enjoy investment-led growth which averaged 4% annually in the period from 1990–96. Subsequently, however, the Bolivian economy, like its neighbors, suffered a major slump. And since

many people had received a little benefit, there were often protests and demonstrations. Finance Minister Luis Arce said, “” Bolivian inflation may quicken less than the central bank’s 2010 forecast as an increase in consumer prices last month was driven by a temporary supply shock due to extreme weather. ””

Since ending 2009 at 0. percent, consumer prices in the \$17 billion economies quickened in the first half of 2010 before a surge in July and August brought up the annual rate to 2. 6 percent. Last month’s 1. 06 percent price rise was the biggest increase since June 2008, the government reported Sept 3. The central bank, which forecasts 4. 5 percent inflation, plus or minus 1 percentage point, in its January Monetary Policy Report, in July trimmed that to 4 percent. Economists of the region are cautious when thinking of 2011 and don't foresee great changes in price trends.

Reference

1. [http://www. boliviabella. com/bolivia-4th-highest-inflation-rate-in-the-region. html](http://www.boliviabella.com/bolivia-4th-highest-inflation-rate-in-the-region.html)
2. [http://www. mongabay. com/reference/new_profiles/386. html](http://www.mongabay.com/reference/new_profiles/386.html)
3. [http://www. ciesin. org/decentralization/English/CaseStudies/Bolivia. html](http://www.ciesin.org/decentralization/English/CaseStudies/Bolivia.html)