

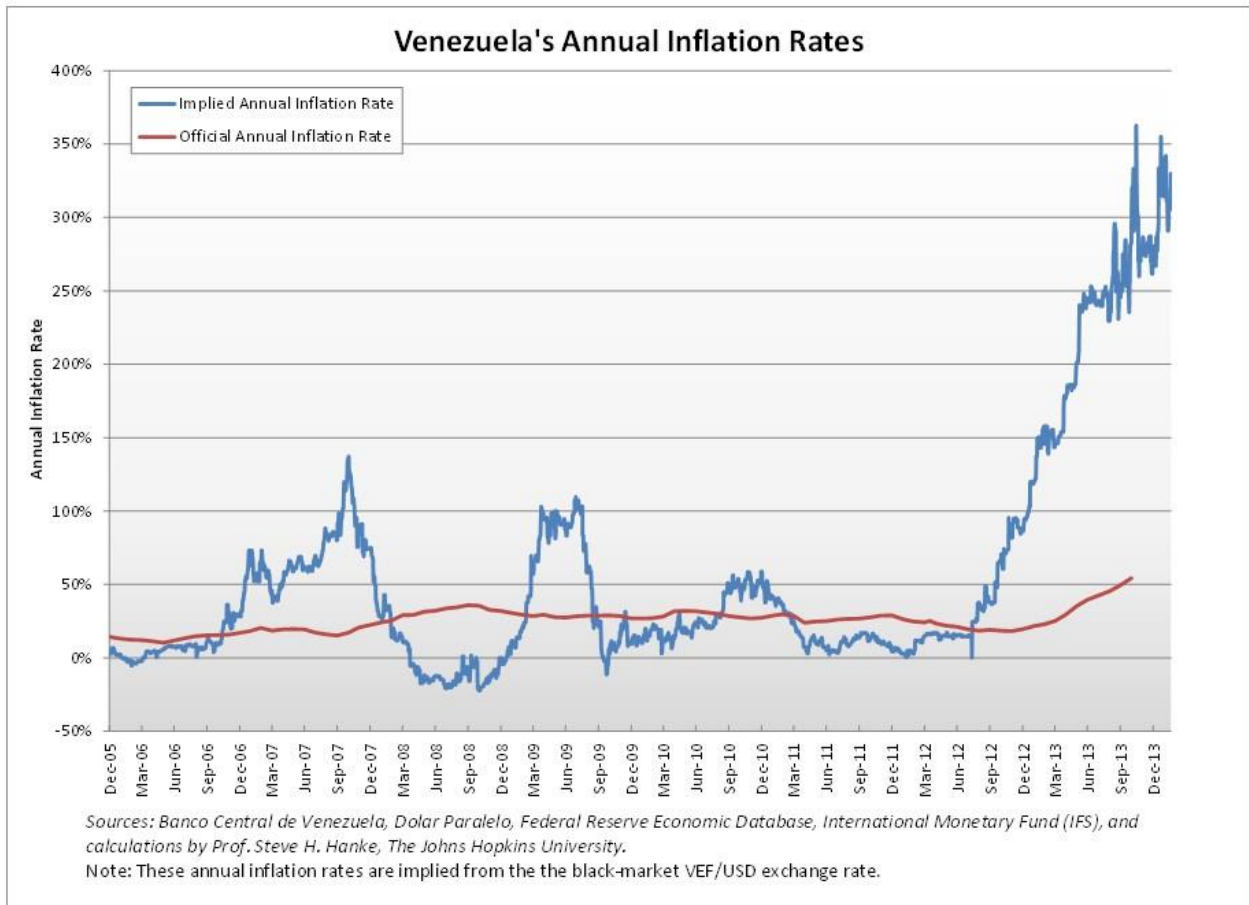


Venezuela's Real Inflation Rate May Be Much Higher Than 56 Percent

by [John Sexton](#) 26 Feb 2014, 10:20 AM PDT

One of the major factors driving protests in Venezuela is the high rate of inflation which means the purchasing power of the Bolivar has dropped substantially. Currently inflation is 3-4 percent per month, which works out to an annual rate of 56 percent. That's the highest rate in South America, but Prof. Steve Hanke of Johns Hopkins and the Cato Institute thinks the real rate may be considerably higher.

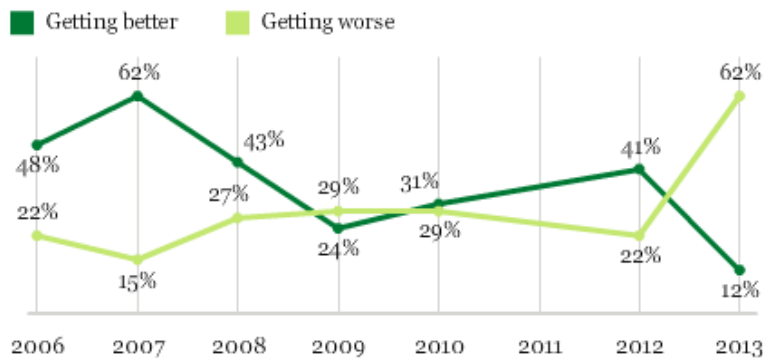
Prof. Hanke calculated the rate of inflation using black market exchange rate data. He has previously used this method to calculate the inflation rate in Zimbabwe which underwent a period of hyperinflation in 2008. What Hanke found by applying this method to Venezuela is an unofficial inflation rate of [330 percent](#).



Inflation that high would certainly help explain the recent dramatic shift in public opinion which was [highlighted yesterday](#) by the Washington Post's Adam Taylor. This Gallup survey shows that in 2013 nearly two-thirds of Venezuelans said the economy was [getting worse](#).

Majority of Venezuelans See Economy Getting Worse

Right now, do you think that economic conditions in this country, as a whole, are getting better or getting worse?

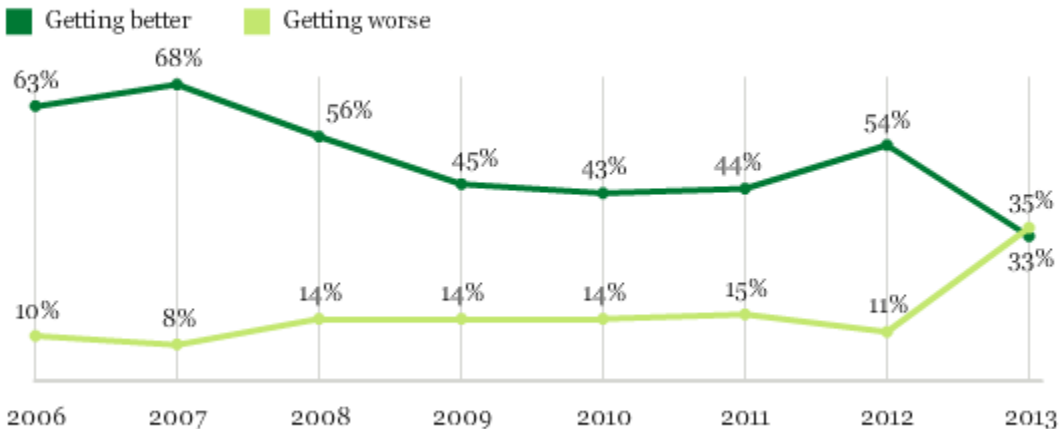


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That negative view of the economy is based at least in part on people's perception of their own finances. For the first time in 2013 more Venezuelans felt their finances were getting worse than getting better.

Venezuelans Reporting Standard of Living Getting Better Hit a Record Low in 2013

Right now, do you feel your standard of living is getting better or getting worse?



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Venezuela still has a major source of income from oil, much of which it sells to the United States. But recently announced [price controls](#) and a new profit politburo seem likely to further gum up the economy. Add to this the record high murder rate (Gallup found [just 19%](#) of Venezuelans felt safe walking the streets at night) and it seems likely the protests will continue.