

Venezuela: World's Highest Inflation Rate

Steven Hanke

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[Venezuela's bolivar is collapsing](#). And as night follows day, [Venezuela's annual implied inflation rate is soaring](#). Last week, the annual inflation rate broke through the 500% level. It now stands at 510%.

When inflation rates are elevated, standard economic theory and reliable empirical techniques allow us to produce accurate inflation estimates. With free market exchange-rate data (usually black-market data), the inflation rate can be calculated. The principle of purchasing power parity (PPP), which links changes in exchange rates and changes in prices, allows for a reliable inflation estimate.

To calculate the inflation rate in Venezuela, all that is required is a rather straightforward application of a standard, time-tested economic theory (read: PPP). Using black-market exchange rate data that The Johns Hopkins-Cato Institute Troubled Currencies Project has collected over the past year, I estimate Venezuela's current annual implied inflation rate to be 510%. This is the highest rate in the world. It's well above the second-highest rate: Syria's, which stands at 84%.

Venezuela has not always experienced punishing inflation rates. From 1950 through 1979, Venezuela's average annual inflation rate remained in the single digits. It was not until the 1980s that Venezuela witnessed a double-digit average. And it was not until the 1990s that Venezuela's average inflation rate exceeded that of the Latin American region. Today, Venezuela's inflation rate is over the top (see the accompanying table).

Average Annual Inflation Rates		
Decade	Latin American Regions	Venezuela
1950s	16.1%	1.7%
1960s	7.3%	1.2%
1970s	22.2%	6.6%
1980s	54.3%	21.4%
1990s	32.6%	46.1%
2000s	13.0%	46.2%
Current year-over-year		510%

Source: Hanke, S. H., & Krus, N. (2013). *World Inflation and Hyperinflation Table*. Retrieved from <http://www.cato.org/research/world-inflation-and-hyperinflation-table>
Calculations by Prof. Steve H. Hanke, The Johns Hopkins University.

Steve Hanke is a Senior Fellow at the Cato Institute.