

Finance & economics

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Deflation

The high cost of falling prices

Low or negative inflation is spreading around the world. That is more of a worry than it sounds

The whiff of deflation is everywhere (see chart 1). Even in America, Britain and Canada—all growing at more than 2%—inflation is well below target. Prices are cooling in the east, with Chinese inflation a meagre 0.8%. Japan's 2.4% rate is set to evaporate, as it slips back into deflation; Thailand is already there. But it is the euro zone that is most striking. Its inflationary past—price rises averaged 11% a year in Italy and 20% in Greece in the 1980s—is a distant memory. Today 15 of the area's 19 members are in deflation; the highest inflation rate, in Austria, is just 1%.