



# The effect of price increases on the poor

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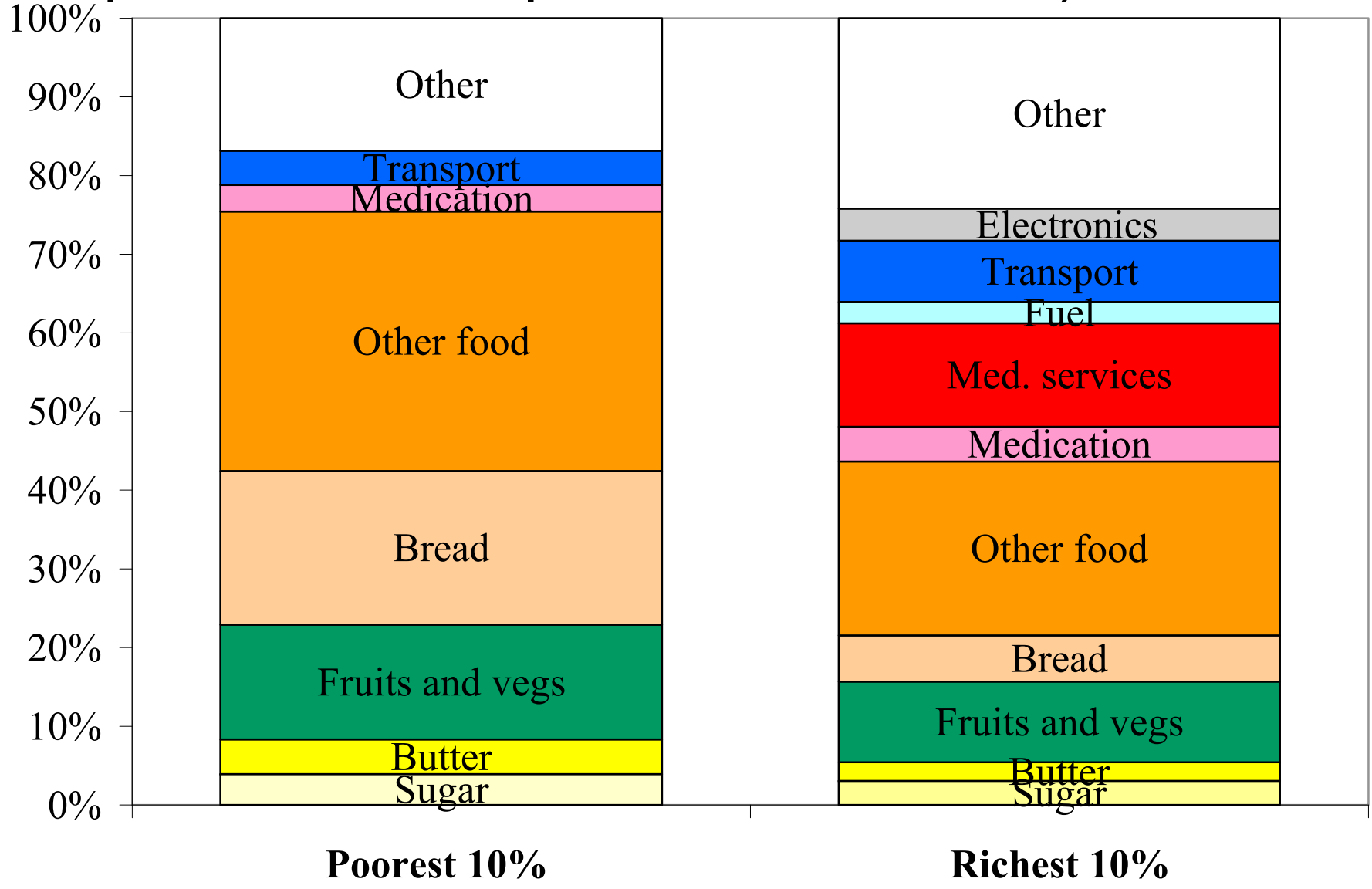
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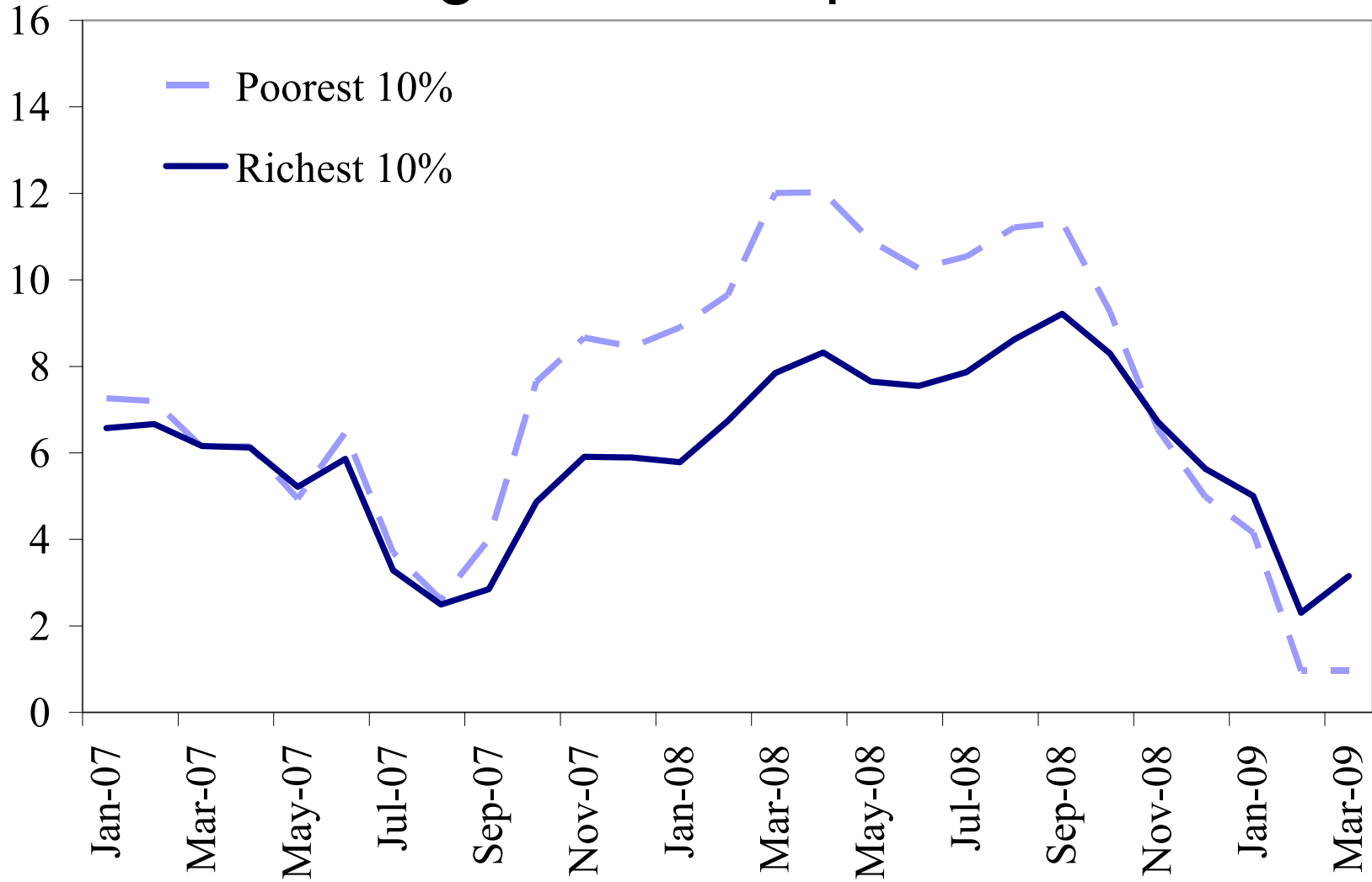
# Introduction

- On March 3, the AMD/USD exchange rate depreciated by 22 percent
- This depreciation is likely to lead to higher prices for goods with an imported component
- Will these higher prices affect the poor more than the rich?

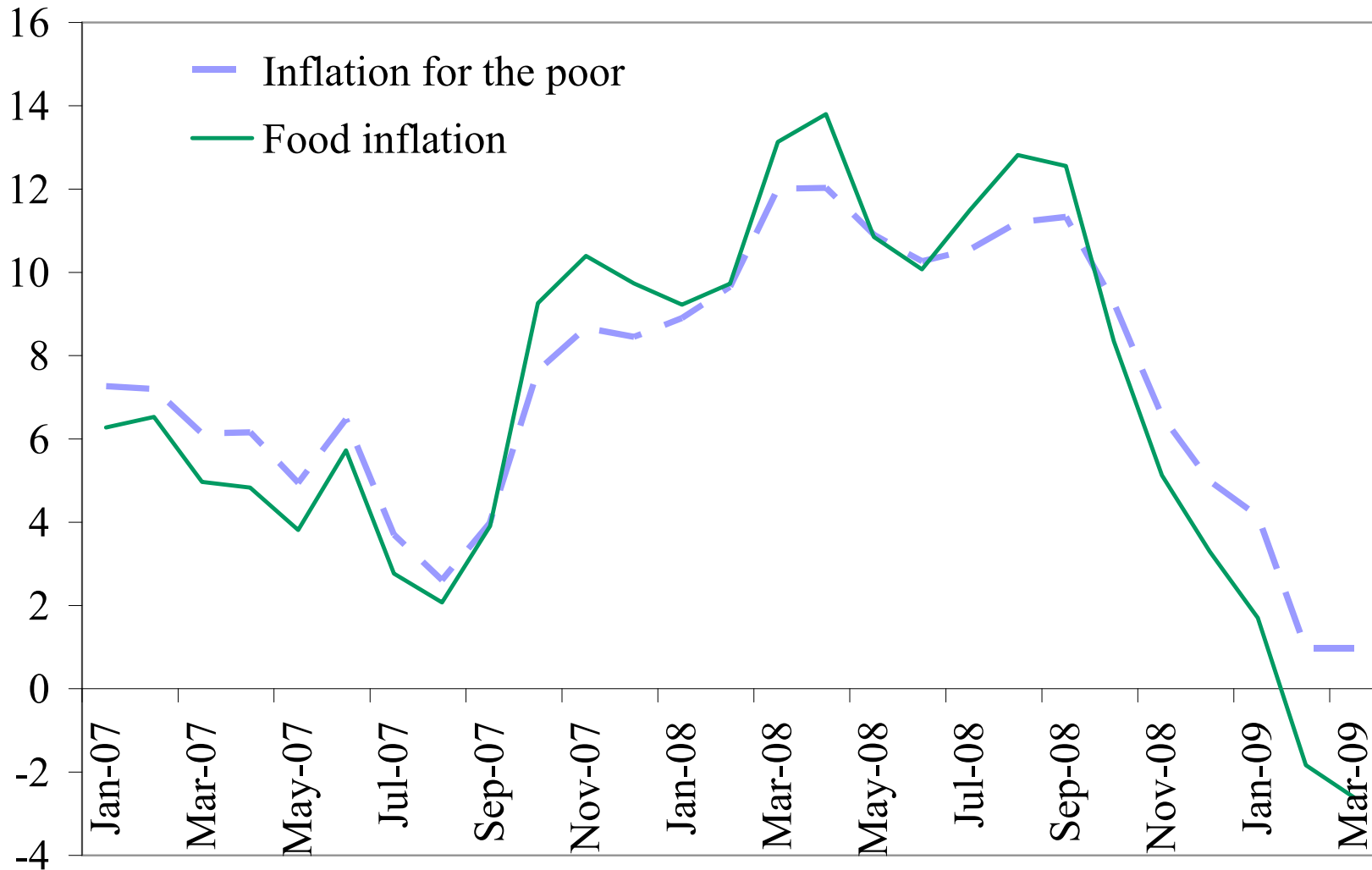
# Poor and rich have different consumption baskets (the poorest 10% spend 75% on food)



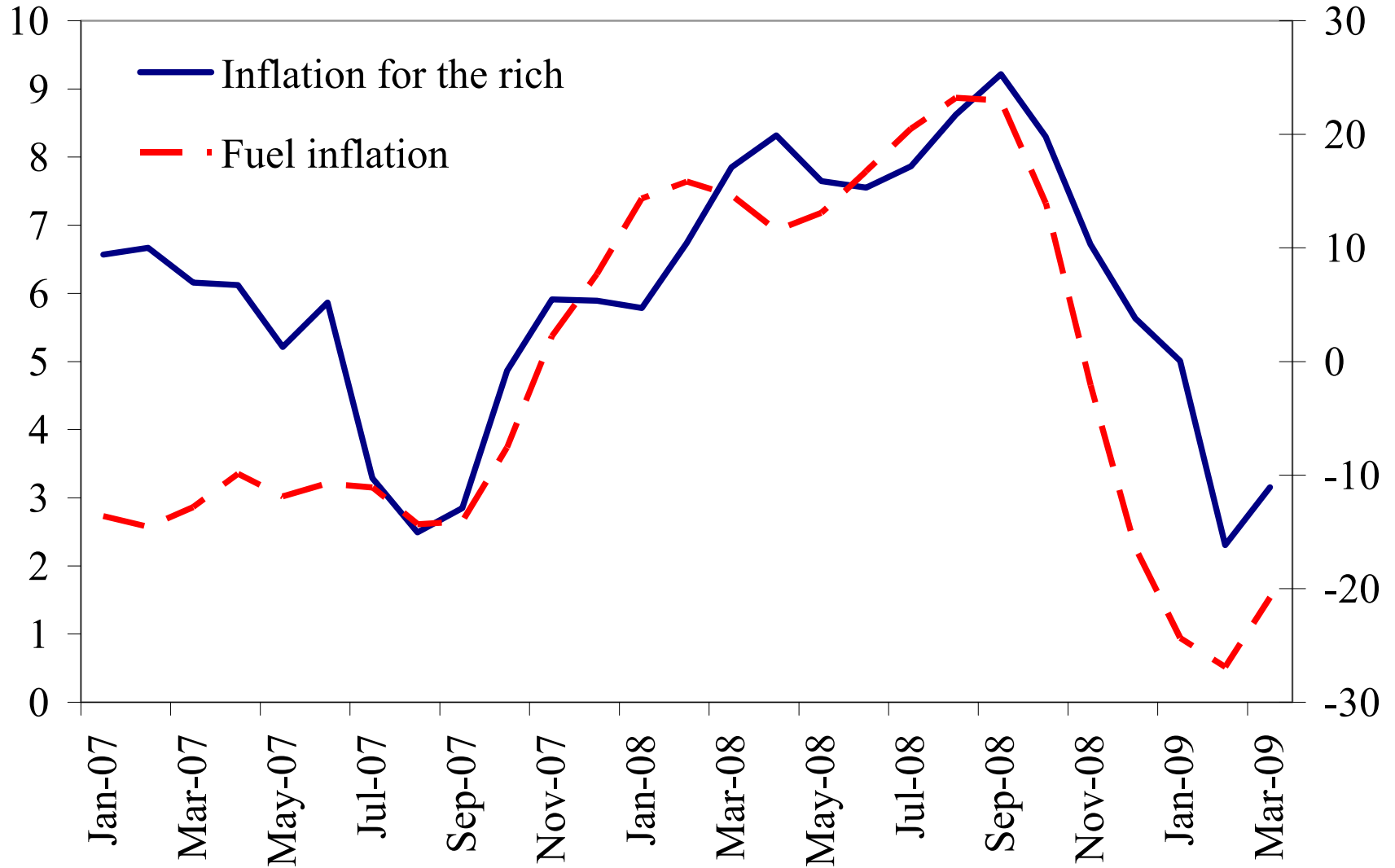
Between September 2007 and October 2008, inflation was higher for the poor than for the rich



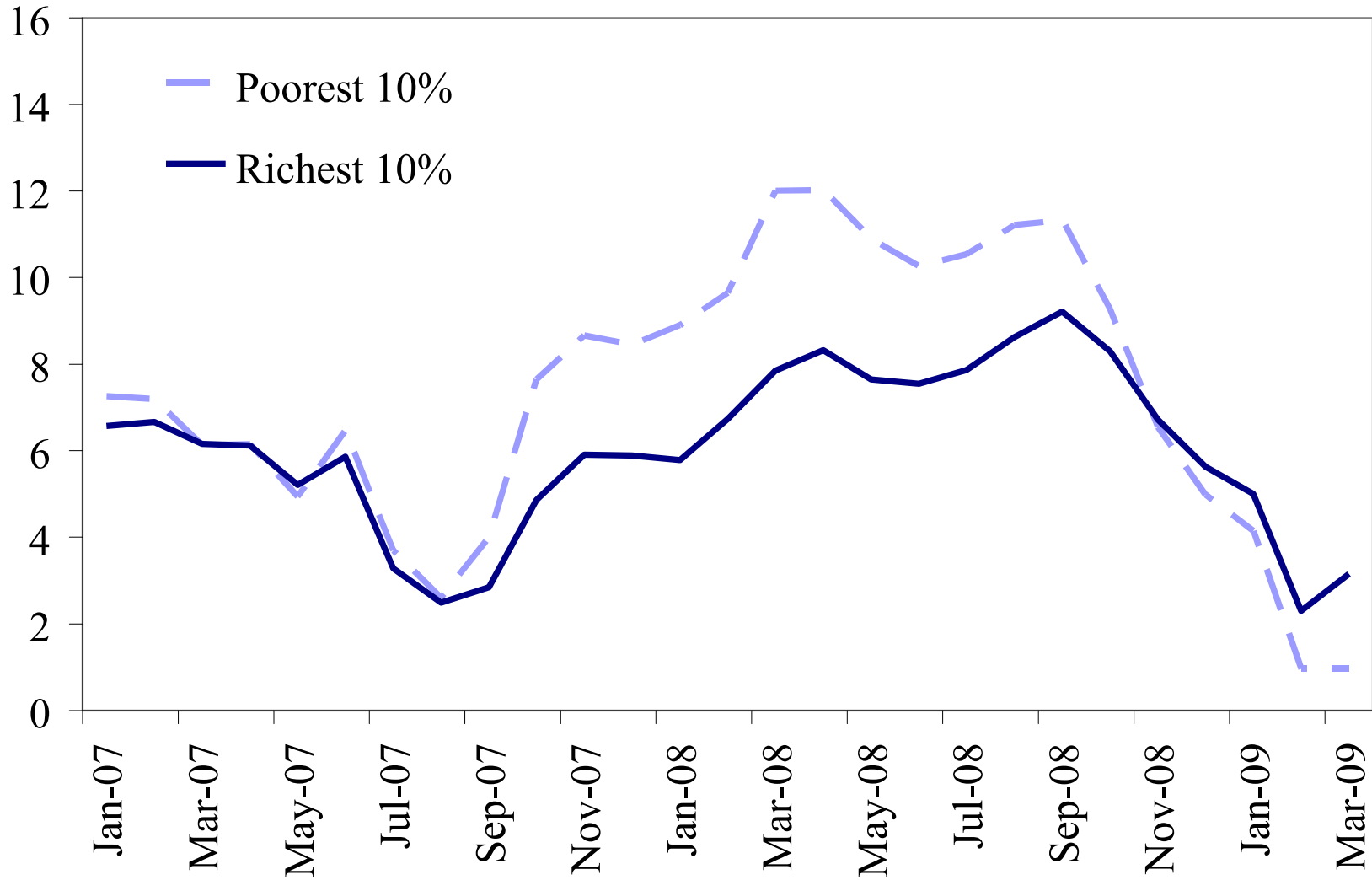
This was a direct result of the increase in international food prices



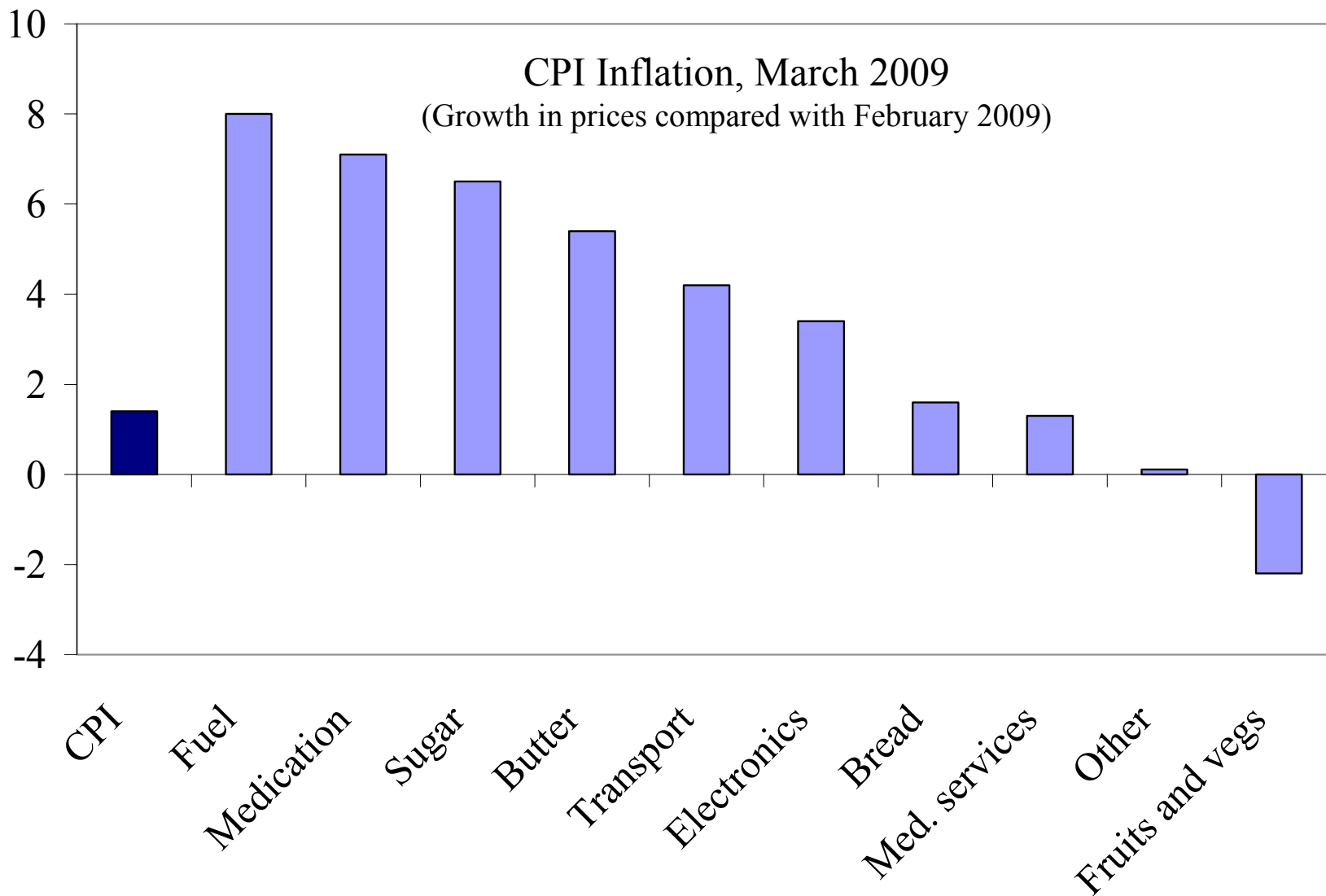
# While the rich suffered more from fuel inflation



However, since November 2008, inflation for the poor has been lower than inflation for the rich

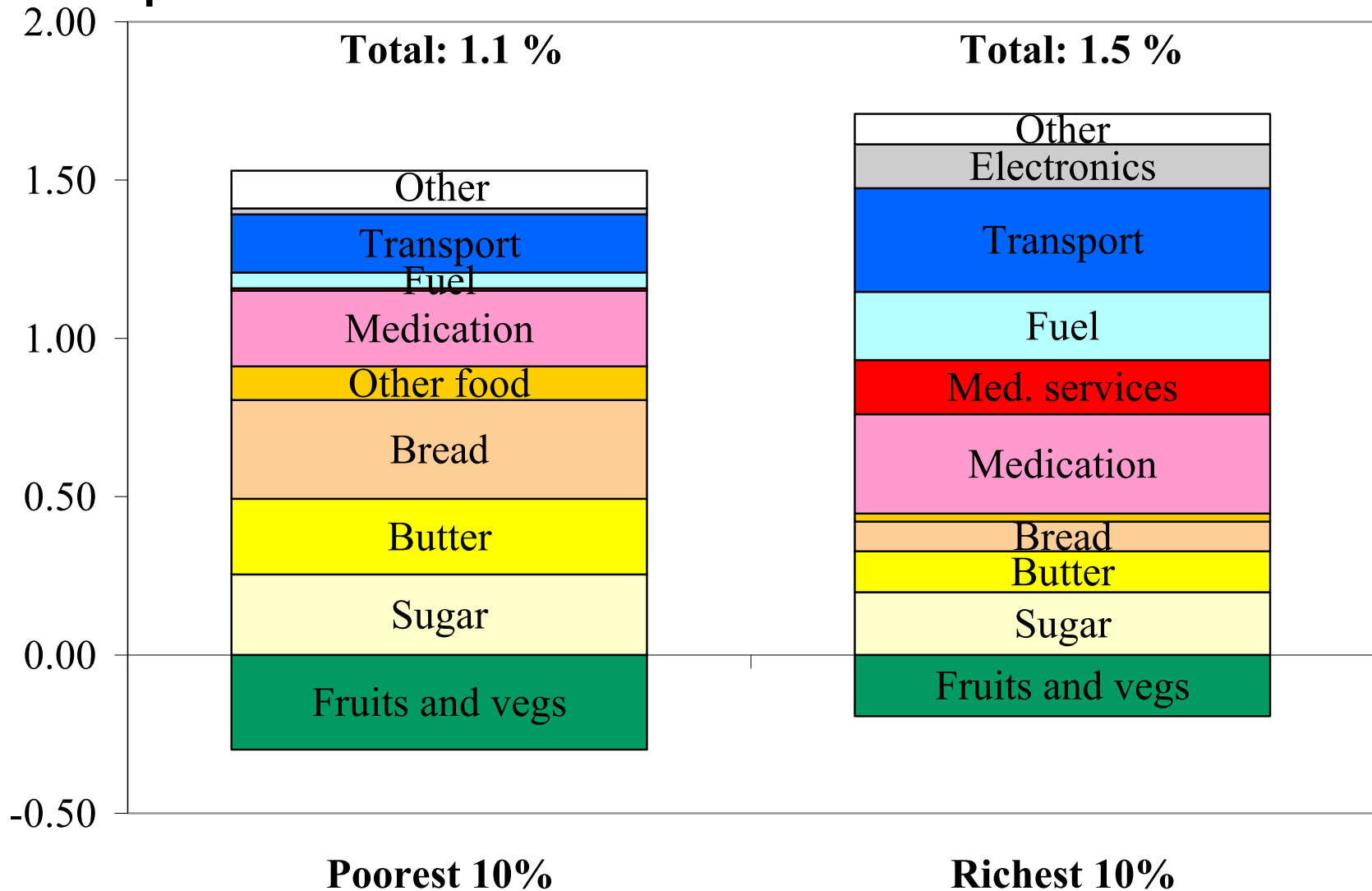


# Inflation in March was lower than expected, but the prices of some goods increased significantly





# On average, this affected the rich more than the poor



# Conclusions

- Thus far, the effect of the crisis on inflation seems to have hurt the rich more than the poor
- This is because the poor consume mostly food, and international food prices have fallen due to the global slowdown in demand for food
- However, this may change in the near future because the effect of the depreciation on imported food prices may take some time.
- Switching to domestically produced food could help reduce inflation for the poor

