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Developed-Country Inflation Hits Fresh Low, OECD Says

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The annual rate of inflation across developed economies fell to its lowest level since late 2009, an indication that the threat of deflation still hangs over the global economy.

The Organization for Economic Cooperation and Development on Tuesday said the annual rate of inflation in its 34 members fell to 0.4% in April from 0.6% in March, its lowest reading since October 2009 and well below the 2.0% regarded by most central bankers in developed economies as consistent with healthy economic growth.

The Paris-based research body said inflation across the Group of 20 industrial and developing nations also eased, to 2.5% from 2.7%.

Signs that global inflation may have resumed its 2014 decline will alarm central bankers, many of whom have launched fresh stimulus measures over recent months in an effort to prevent or reverse outright declines in consumer prices. But with the global economy still undergoing a fitful recovery, that stimulus has yet to result in stronger consumer demand. Within the OECD's members, the core rate of inflation for the OECD area–which excludes energy and food–fell to 1.6% from 1.7%.

The worry for policy makers is that low inflation will itself hinder a stronger recovery.

When inflation is low, companies, households and even governments have a harder time cutting their debt loads, a particular problem for a number of highly indebted nations in the eurozone. And while very low inflation–or falling prices–can help boost real incomes, it can also make households and businesses postpone spending and investment.

The decline in inflation since mid-2014 prompted a strong response from policy makers, including the provision of additional stimulus by the Bank of Japan, the European Central Bank, the Reserve Bank of India, the People's Bank of China and a host of other, smaller central banks.

By contrast, the U.S. Federal Reserve has signaled its desire to raise its benchmark interest rate later this year, anticipating a pickup in inflation after energy prices stabilize. The Bank of England has also said its next move will most likely be a rate rise, probably in early 2016.

According to the OECD, 14 of its members experienced a decline in prices over the 12 months to April, down from 15 members in the 12 months to March.

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