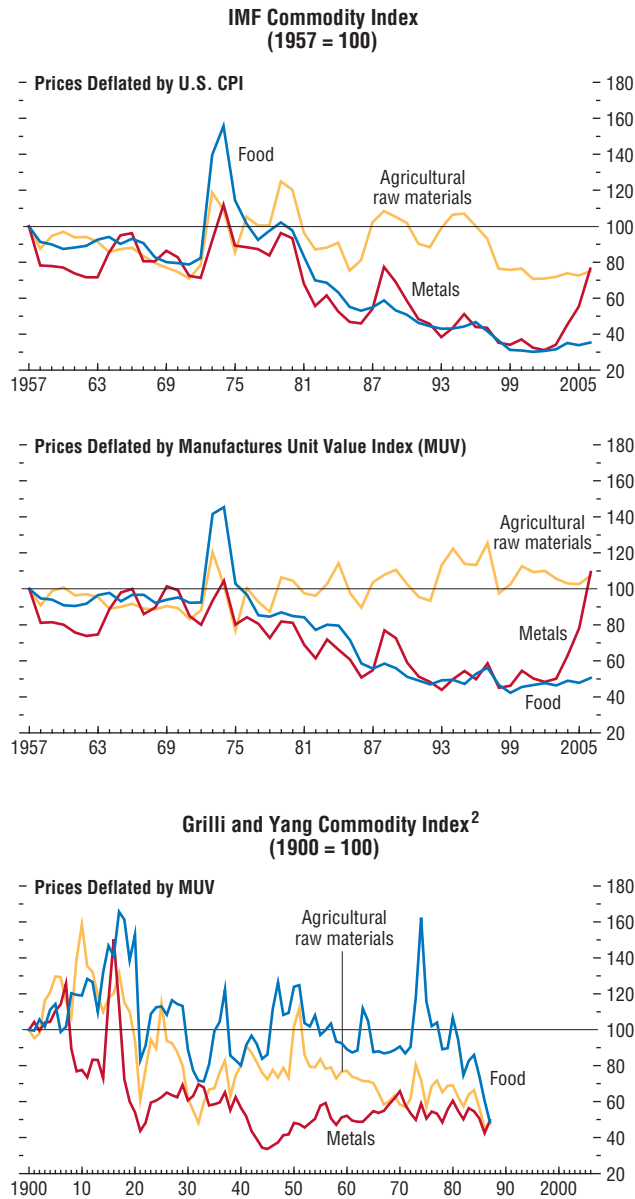


**Figure 5.2. Long-Term Price Trends<sup>1</sup>**

Prices of many nonfuel commodities have been falling in real terms relative to the consumer price index (CPI) for at least the last 50 years. Globalization has slowed price increases in the manufacturing sector and as a result commodity prices stopped declining relative to the prices of manufactures in the early 1990s. However, commodity prices exhibit significant volatility and prices can deviate from trend for long periods.



Sources: Cashin, Liang, and McDermott (2000); Grilli and Yang (1988); IMF, Commodity Price System database; UNCTAD, Handbook of Statistics database; and IMF staff calculations.

<sup>1</sup> Price data for 2006 are based on the average of January–June.

<sup>2</sup> Grilli and Yang indexes are only available for the period 1900–87. See Appendix 5.1 for details.