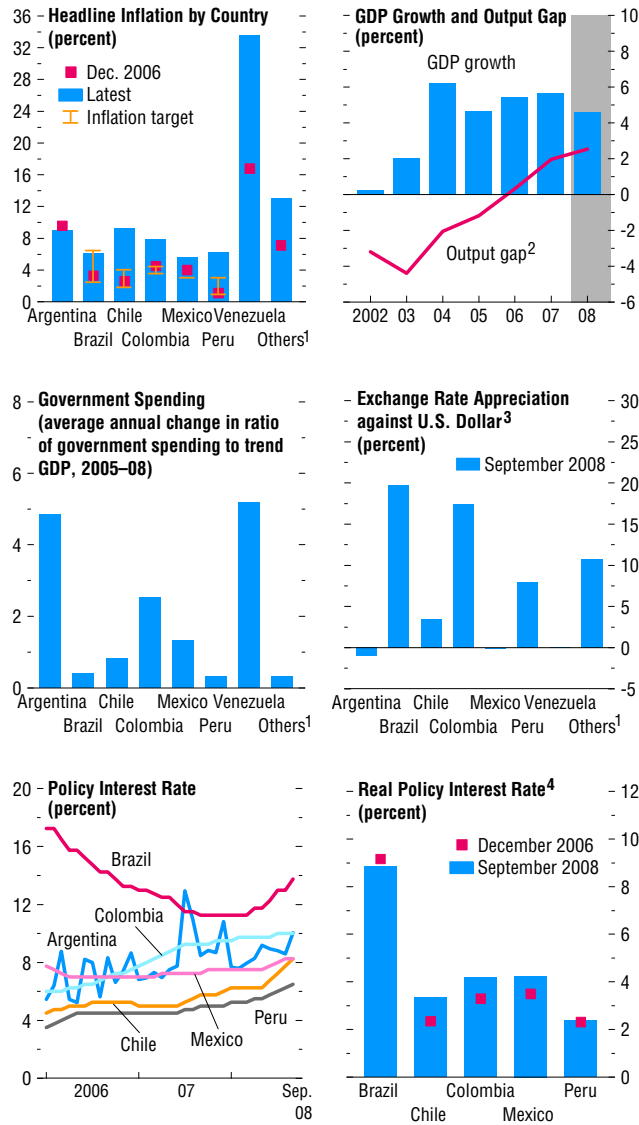


Figure 2.5. Latin America: Inflation Returns

Inflation has risen across the region, driven by rising food prices and tightening capacity constraints. Inflation-targeting central banks have generally been more active in raising interest rates, supported by more flexible exchange rate management.



Sources: Haver Analytics; Inter-American Development Bank; and IMF staff estimates.
¹Bolivia, Costa Rica, Guatemala, Honduras, Paraguay, and Uruguay.
²Estimates of the output gap, expressed as ratio to potential GDP, are based on IMF staff calculations.
³Since December 2006.
⁴Relative to one-year inflation expectations.