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.