Inflation is projected to stay low amid continued excess capacity and high unemployment. The recovery of commodity prices has raised the level of consumer prices. With market indicators suggesting that commodity prices should remain stable and with downward pressure on wages gradually diminishing, headline and core inflation in advanced economies should converge to about 1¼ percent in 2011, and in emerging economies to about 5 percent. Inflation pressures are more elevated in economies that have had a history of unstable inflation or that are operating closer to capacity.

Sources: Consensus Economics; Haver Analytics; and IMF staff calculations.

1Personal consumption expenditure deflator.
2One-year-ahead Consensus Forecasts. The December values are the average of the surrounding November and January values.
3Consumer price index for industrial workers.