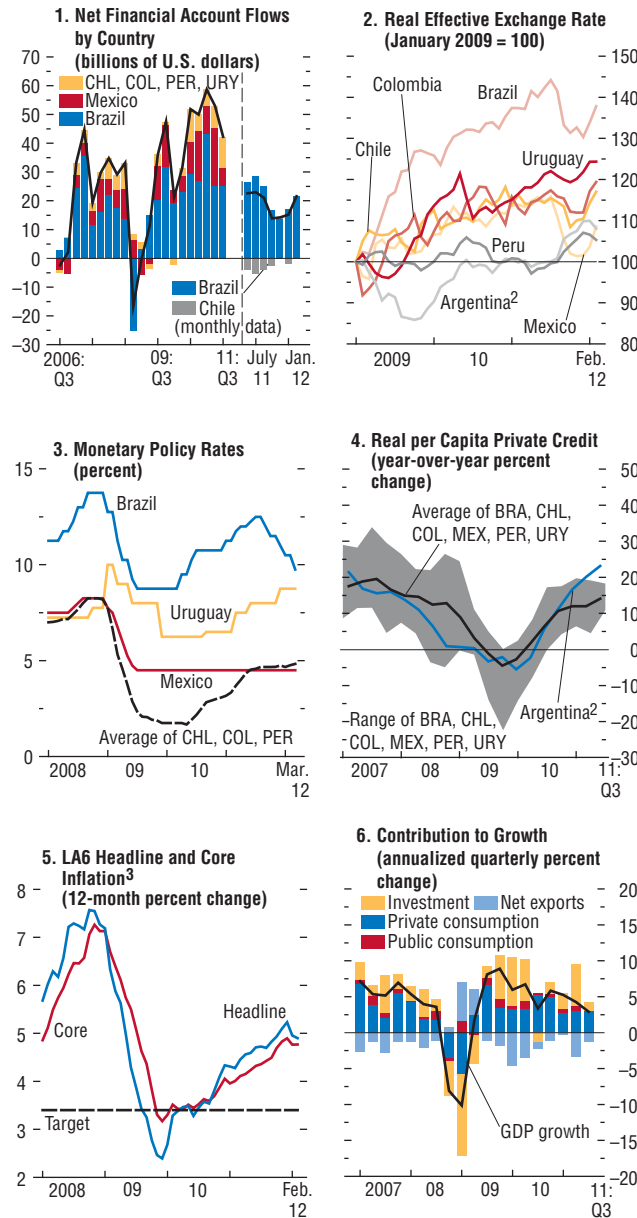


Figure 2.11. Latin America: Watch Out for Dwindrafts¹

Swings in risk aversion over the past six months led at first to a moderation of capital flows and exchange rates but, more recently, to a renewal of capital flows and pressure on exchange rates. Policy tightening began to bear fruit, leading to stabilization of real credit growth—albeit at high levels. Nonetheless, inflation is still above the midpoint of the target in many countries. Policymakers need to remain vigilant to possible dwindrafts from Europe and updrafts from capital flows.



Sources: Haver Analytics; IMF, *International Financial Statistics*; and IMF staff calculations.

¹BRA: Brazil; CHL: Chile; COL: Colombia; MEX: Mexico; PER: Peru; URY: Uruguay.

²Nominal variables for Argentina are deflated using IMF staff estimates of average provincial inflation.

³LA6: Brazil, Chile, Colombia, Mexico, Peru, and Uruguay.