The prospects for Latin America continue to improve, buoyed by China’s demand for commodities and strong capital flows. These two forces, however, need to be carefully managed, lest they lead to overheating.

*Figure 2.12. Latin America and the Caribbean: Icarus or Daedalus?*

Sources: CEIC EMED database; Haver Analytics; IMF, Balance of Payments Statistics; IMF, Direction of Trade Statistics; national sources; and IMF staff estimates.

1Caribbean: Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago; financially integrated commodity exporters (FICE): Brazil, Chile, Colombia, Peru, and Uruguay; Other Latin America (Other LA): Argentina, Bolivia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, and Venezuela; LAC: Caribbean, FICE, Other LA, and Mexico. Aggregates for the external economy are sums of individual country data. Aggregates for all others are computed on the basis of purchasing-power-parity weights.

2Emerging Asia comprises Hong Kong SAR, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan Province of China, Thailand, and Vietnam.

3Other LA excludes Honduras, Nicaragua, and Panama due to data limitations.