

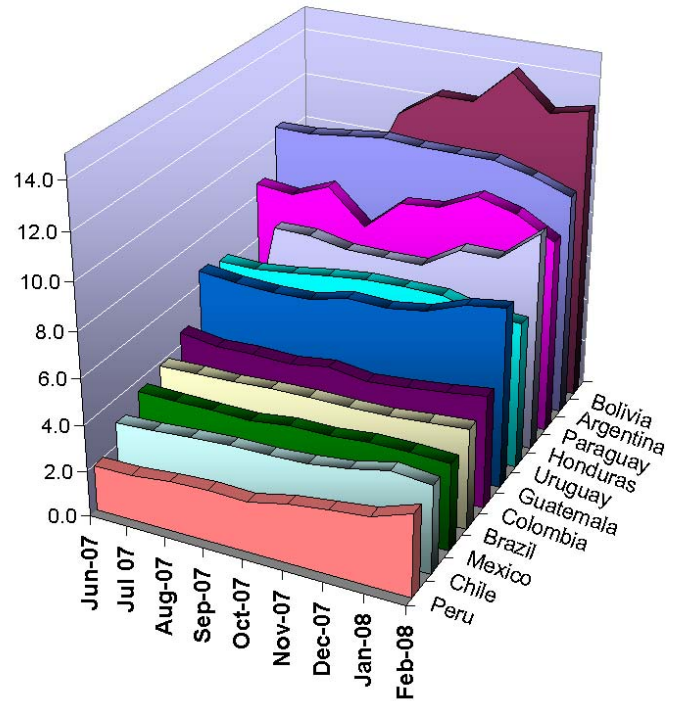


Revelation of Expectations in Latin America
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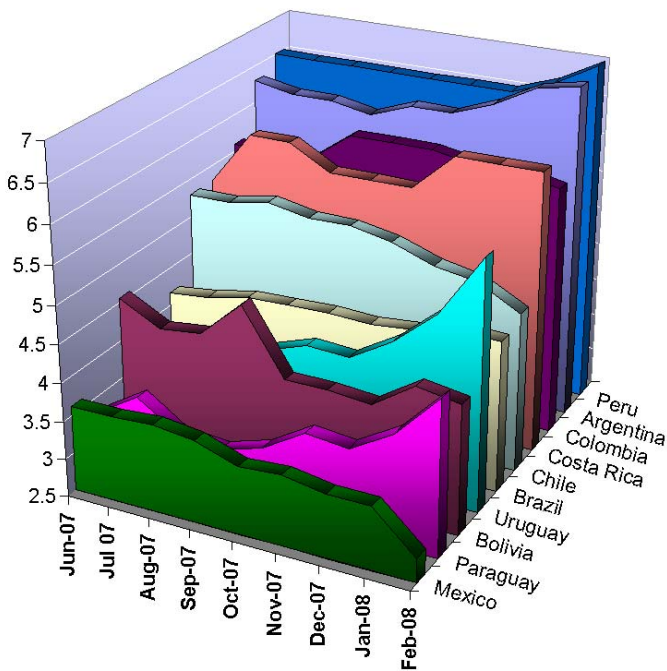
About REVELA: The figures analyzed represent the results of surveys of private sector actors conducted by the central banks of each country according to their own specific methodologies. They do not represent official projections by the IDB or any other official body. The IDB Research Department collects the results of these surveys from participating central banks on a monthly basis (around the 20th of each month) to produce REVELA. This document analyzes differences across countries and trends over time. The data are available at www.iadb.org/res

Expectations of **growth** in Latin America remain relatively high and virtually unchanged from last month with a simple average expected 2008

Market Expectations-Inflation
 (% , end 2008)



Market Expectations-GDP Growth
 (% , end 2008)



growth rate of 5.2%. **Inflation** expectations for 2008 continue to rise, although the simple average of expected inflation for this year at 7.1% is only up 0.1% from last month. Inflation expectations rose most significantly in Bolivia, Guatemala, Honduras and Peru. The graphs show the path of growth and inflation expectations across the surveyed countries.

Growth

Once again Latin American forecasters appear to have shrugged off further negative news on the US economy. Compared to last month's survey, growth expectations rose in five countries included in REVELA. In Uruguay, 2008 expected growth increased from 4.95% to 5.77%. Other countries with higher expected 2008 growth rates include Argentina (now 6.9% against the previous 6.8%), Honduras (now 5.6%, up 0.1% over last month's forecast), Peru (now 7.0% against 6.7% for January) and Paraguay where expectations rose from 3.96% to 4.54%. There

appeared to be more effect of the US on Mexico where growth expectations for 2008 decreased by 0.51% to 2.82%, and expected growth also decreased in four other countries: in Chile from 4.9% to 4.6%, in Colombia by 0.11% to 5.79%, in Bolivia by 0.1% to 4.19% and in Brazil very marginally (only 0.03%) to reach 4.48%. Finally, 2008 growth expectations remained stable in Costa Rica at 6.2%.

Inflation

Inflation expectations increased in five countries. In particular, expected inflation rose in Honduras by 1.4% to reach the level of 9.6%. The expected 2008 inflation rate also was higher in Bolivia by 0.37% to 12.91%, in Brazil by 0.13% to 4.38%, in Colombia by 0.24% to 4.93%, in Guatemala now 7.87% against the previous 7.62% and in Peru where the expected inflation rate rose from 3.0% to 3.6%. Inflation expectations decreased by almost one point in Paraguay (now 8.52% against the 9.43% predicted last month); they also decreased somewhat in Chile and Uruguay.

	Average changes	
	Inflation	Growth
Argentina	▼	▲
Bolivia	▲	▼
Brazil	▲	▼
Chile	▼	▼
Colombia	▲	▼
Costa Rica	—	—
Guatemala	▲	—
Honduras	▲	▲
Mexico	▼	▼
Paraguay	▼	▲
Peru	▲	▲
Uruguay	▼	▲

Source: Latin American Market expectations surveys

The table above summarizes the movement in growth and inflation expectations from January 2008 to February 2008. As can be seen, the changes in inflation and growth expectations are mixed, although on average the expected inflation rate rose and the expected growth rate too.

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