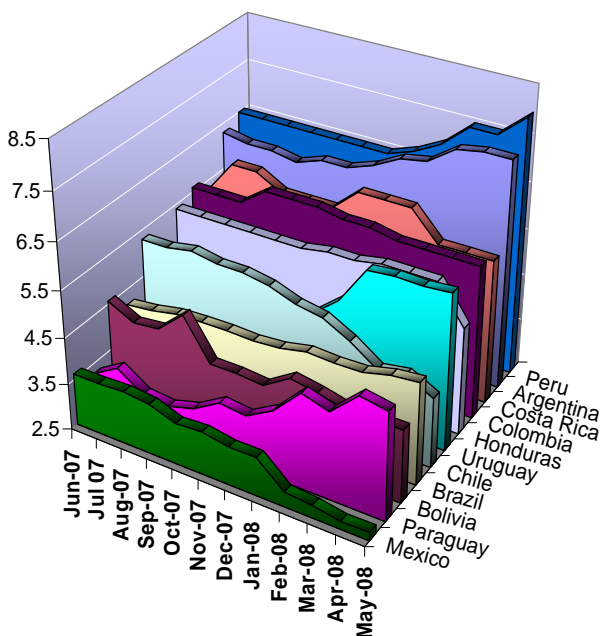




Revelation of Expectations in Latin America
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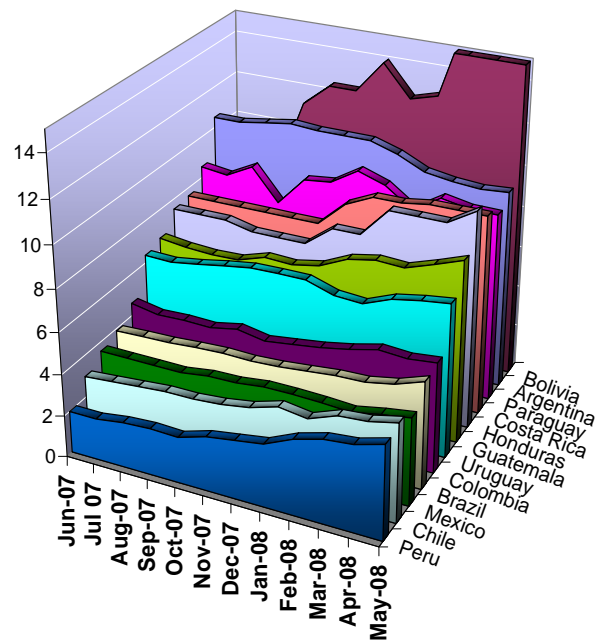
About REVELA: The figures analyzed represent the results of surveys of private sector actors conducted by the central banks of each country according to their own specific methodologies. They do not represent official projections by the IDB or any other official body. The IDB Research Department collects 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

Market Expectations-GDP Growth
 (% , end 2008)



Growth expectations for 2008 in Latin America

Market Expectations-Inflation
 (% , end 2008)



on average remained almost unchanged, with a simple average expected growth rate of 5.17%, slightly down from last month's survey (5.23%). Growth expectations for 2009 are decreasing somewhat; expected growth for that year is now 4.87%, which is 0.15% lower than the previous month's forecast.

On the other hand, **Inflation** expectations continue to increase: the simple average of expected inflation for 2008 rose from 7.7% to 7.95%. Moreover, the average expected inflation rate for 2009 is 7.47%, 0.11% higher than the prediction from last month's survey. The graphs

show the path of 2008 growth and inflation expectations across the surveyed countries, from June 2007 to May 2008.

Growth

Growth expectations for 2008 increased in only four countries included in REVELA this month. They increased in Brazil from 4.63% to 4.69%, in Peru from 7.5% to 8.0%, in Uruguay from 5.81% to 5.86% and in Mexico by just 0.01% to 2.68%. On the other hand, growth expectations fell in Chile by 0.3% to 4.0%, in Guatemala from 4.5% to 4.3%, in Honduras by 0.8% to 4.8% and in Paraguay where the actual expected 2008 growth rate is now 4.81%, down 0.1% from last month. Finally, 2008 growth expectations remained unchanged in Argentina (7.4%), Bolivia (4.06%), Colombia (5.79%), and Costa Rica (5.6%).

Inflation

Inflation expectations for 2008 rose in almost all the countries included in REVELA. The increase was most significant in Honduras where the expected 2008 inflation rate passed from 9.6% to 10.4%. Other countries with higher expected inflation are Brazil: now 5.13%, 0.47% higher than last month, Chile now 4.7%, up from last's

month 4.4% and Colombia now 5.3%, 0.14% higher than April's forecast. The expected inflation rate for the current year also rose in Guatemala from 8.25% to 8.73%, in Mexico from 3.98% to 4.18%, in Peru by 0.38% to the actual value of 4.48% and finally in Uruguay from 7.2% to 7.37%. Inflation expectations decreased marginally in Paraguay by 0.02% to 9.09%.

	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 change in expectations from April 2008 to May 2008 for 2008 growth and inflation. As can be seen, the changes in expected inflation are mostly positive, while the changes in expected growth are mixed.

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