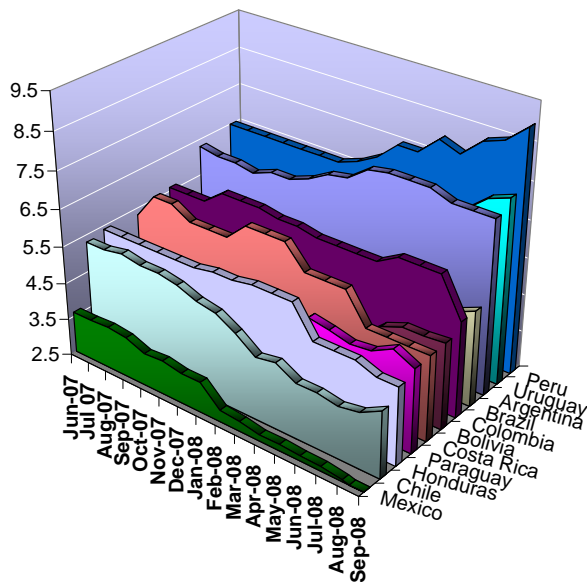




Revelation of Expectations in Latin America
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About REVELA: The figures analyzed represent the results of surveys of private sector actors conducted by the central banks of each country according to their own specific methodologies. They do not represent 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

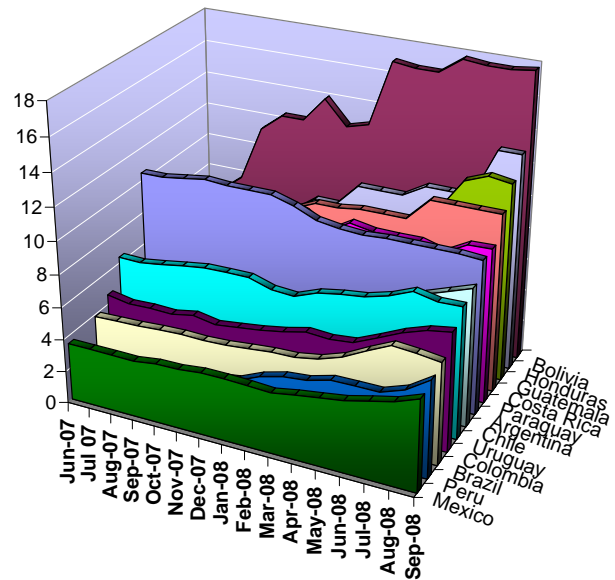
Market Expectations-GDP Growth
(%, end 2008)



Growth expectations for 2008 in Latin America are almost unchanged with respect to last month's survey. The simple average expected

growth rate for 2008 is now 5.29%, 0.02% lower than August's forecast. With respect to 2009, growth is expected to slow to an average of 4.7% - slightly down from last month's expectations.

Market Expectations-Inflation
(%, end 2008)



On the other hand, **inflation** expectations for 2008 continue to increase. Now, the simple average of the expected inflation rate for 2008 is 9.59%, 0.17% higher than last month. Moreover, 2009 inflation expectations are down slightly; the simple average of the expected inflation rate for 2009 fell from 8.68% to the actual value of 8.63%. The graphs illustrate how 2008 growth and inflation expectations have changed across the surveyed countries from June 2007 to September 2008.

Growth

Growth expectations for 2008 have increased in five countries included in REVELA. The most significant increase was in Peru from 8.5% to 9.0%. Expectations also rose in Chile from 4.0% to 4.3%, in Brazil from 4.85% to 5.09%, in Uruguay from 7.27% to 7.48% and Bolivia from 4.78% to 4.83%. On the other hand, growth

expectations fell in four countries: in Colombia by 1.02 % to the actual level of 5.09%, in Paraguay by 0.27% to 4.76%, in Mexico from 2.55% to 2.40% and in Guatemala from 4.0% to 3.9%. Growth expectations for 2008 remained stable in Argentina (7.2%), Costa Rica (4.8%) and Honduras (4.6%).

For 2009, the simple average of expected growth rate fell from 4.8% to 4.7%. Expectations only rose in Peru, where the expected 2009 growth rate is now 7.1%, 0.1% higher than last month. Growth expectations for 2009 decreased in Colombia from 5.91% to 5.18%, in Paraguay by 0.23% to 4.69%, in Mexico from 3.09% to 2.9%, in Brazil by 0.07% to 3.7% and in Bolivia from 4.96% to 4.90%,

Inflation

Inflation expectations for 2008 rose in almost all countries included in REVELA. The major increase occurred in Peru where the expected 2008 inflation rate rose from 5.0% to 5.95%. Other countries with higher expected inflation rates for 2008 are: Mexico (now 5.61%, up 0.54% from the previous month), Chile (now 8.5% against previous 8.0%), Colombia (now 7.29%, up 0.23% from last month), Bolivia (now 17.79%, compared to 0.18% last month), Paraguay (now 9.55%, 0.05% higher than last month), and Uruguay where the expected inflation rate rose from 8.05% to 8.09%. Inflation expectations for 2008 fell in Guatemala from 12.42% to 12.21%, Brazil from 6.42% to 6.23% and in Argentina from 9.60% to 9.50%. Inflation expectations for 2008 did not change in Costa Rica (11.0%) and in Honduras (13.4%)

Inflation forecasts for 2009 also continued to increase. Compared to last month's survey, inflation expectations for 2009 increased in Chile by 0.4% to 4.90%, in Guatemala by 0.36% to 9.65%, in Mexico from 3.83% to 4.00%, in Colombia from 5.71% to 5.84%, in Peru by 0.1% to 4.1%, in Paraguay from 8.46% to 8.50%, and in Brazil by 0.01% to 4.91%. Inflation expectations for 2009 decreased in Bolivia by

1.53%, reaching the value of 18.30%, and 0.1% in Argentina to 10.2%.

The following table summarizes the results of growth and inflation expectations for 2009 for the July, August and September surveys.

	Inflation Expectations for 2009			Growth Expectations for 2009		
	Jul-08	Aug-08	Sep-08	Jul-08	Aug-08	Sep-08
Argentina	10.30	10.30	10.20	5.40	5.40	5.40
Bolivia	19.83	19.83	18.30	4.96	4.96	4.90
Brazil	4.89	4.90	4.91	3.90	3.77	3.70
Chile	4.50	4.50	4.90	4.20	4.20	4.20
Colombia	5.52*	5.71*	5.84*	5.91	5.91	5.18
Costa Rica	10.30	10.30	10.30	4.90	4.90	4.90
Guatemala	10.70	9.29	9.65	.	.	.
Honduras	10.30	13.00	13.00	4.80	4.50	4.50
Mexico	3.71	3.83	4.00	3.25	3.09	2.90
Paraguay	8.66	8.46	8.50	4.99	4.92	4.69
Peru	3.50	4.00	4.10	7.00	7.00	7.10
Uruguay	7.10	7.09	7.09	4.42	4.50	4.50
Average	8.5	8.7	8.6	4.9	4.8	4.7

* is 12 month inflation and not December 2009

	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 changes in expectations from August 2008 to September 2008 for 2008 growth and inflation. As can be seen, the changes in expected inflation are mostly upwards, while the changes in expected growth are mixed.

Arturo Galindo - Mauricio Pinzon
Research Department, IDB.