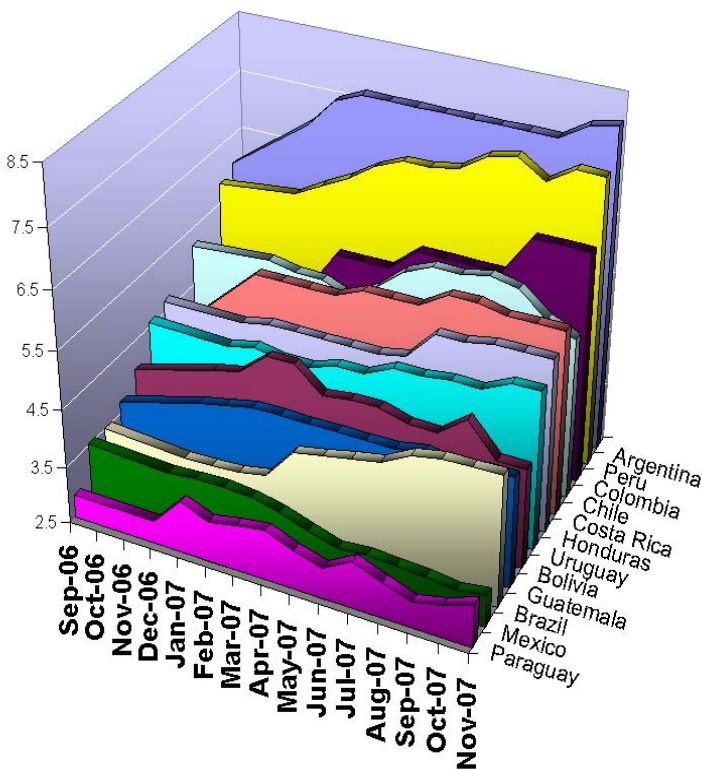




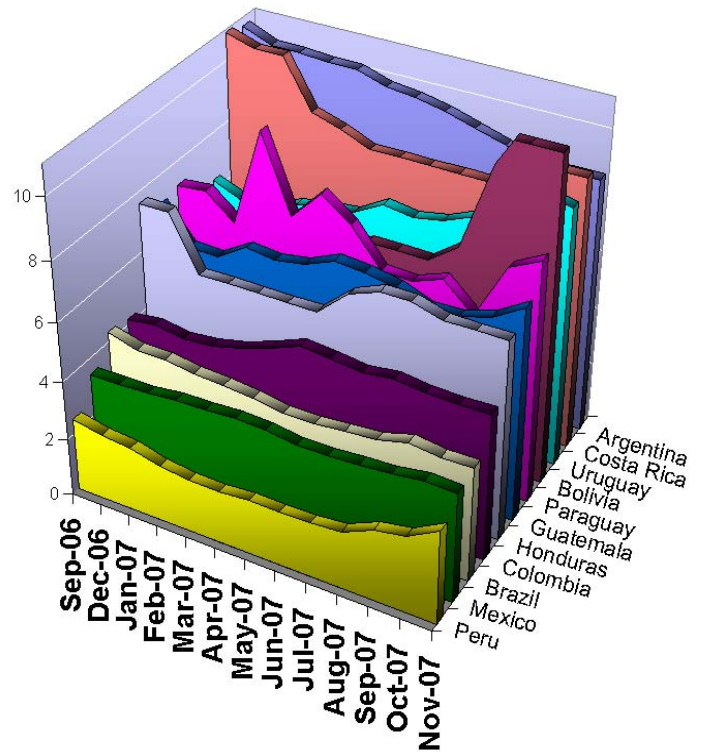
Revelation of Expectations in Latin America
RES-IDB
Issue 7 November 2007

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 2007)



Market Expectations-Inflation
(%, end 2007)



On the other hand, **Inflation** expectations for 2007 and 2008 have also increased. The average expected inflation rate for 2007 is 6.98%, a slight 0.18% higher than last month and for 2008 expectations are for 6.78%, up 0.05% from the average forecast in the previous survey. The graphs show the path of growth and inflation expectations across the countries surveyed.

Growth

The increase in the average growth rate expected for 2007 was mainly due to a rise in growth expectations in four countries included in REVELA. Growth expectations for 2007 increased in Argentina from 8.0% to 8.1%, in Brazil from 4.74% to 4.75%, in

While **growth** expectations for the US economy have declined for 2007 and 2008, those for Latin America, if anything have increased somewhat. Growth for 2007 for the countries surveyed, increased slightly from 5.28% to 5.29% and for 2008 remained virtually unchanged at 4.87%, up from the 4.85% of last month's survey.

Mexico from 2.98% to 3.05% and finally in Paraguay where the expected growth rate for 2007 is now 3.24%, 0.18% higher than last month. Growth expectations for 2007 remained stable in Bolivia (4.23%), Colombia (6.5%), Costa Rica (5.7%), Guatemala (4.4%), Honduras (5.5%), Peru (7.5%) and Uruguay (5.25%). The only country where the expected growth rate for 2007 decreased was Chile, from 5.5% to the actual 5.3%.

The average expected 2008 rate of growth increased marginally from last month's 4.85% to 4.87%. Expectations for 2008 growth rose in Mexico by 0.04% to 3.43% and in Paraguay by 0.34% to 3.69%. Growth expectations were stable in Argentina (6.3%), Bolivia (3.98%), Costa Rica (5.7%), Honduras (5.4%) and Peru (6.5%). And they decreased in three countries: in Brazil by 0.02% to 4.35%, in Chile by 0.1% to 5.2% and in Uruguay from 4.18% to 4.15%.

Inflation

Inflation expectations for 2007 increased in five countries. The increase was most significant in Guatemala where the 2007 expected inflation rate rose from 6.65% to 7.26% and in Paraguay where it increased from 7.68% to 8.19%. Inflation for Peru is now expected to be 0.57% higher this year at 3.23%, still the lowest rate for any country included in REVELA. Other countries that saw 2007 inflation expectations rising are Brazil from 3.91% to 3.93% and Colombia from 5.0% to 5.02%. Inflation expectations for 2007 did not change in Bolivia (11.83%), in Costa Rica (9.25%) and in Honduras (6.8%). And they decreased in Mexico (from 3.81% to 3.76%) and Uruguay (from 8.99% to 8.82%).

The expected average inflation rate for 2008 continued to increase. Compared to last month's

survey, inflation expectations for 2008 increased in five countries: in Chile by 0.1% to 3.4%, in Mexico by 0.02% to 3.71%, in Paraguay by 0.15% to 9.06%, in Uruguay by 0.03% to 6.95% and in Peru from 2.2% to 2.6%. In Brazil and Guatemala, 2008 inflation expectations decreased while in Bolivia, Costa Rica and Honduras they remained stable.

	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 expectations from October 2007 to November 2007 for 2007 growth and inflation. As can be seen, the changes in inflation expectations and in growth are mostly positive compared to last month's figures.

Andrew Powell,
and Mariana Salazni
Research Department, IDB