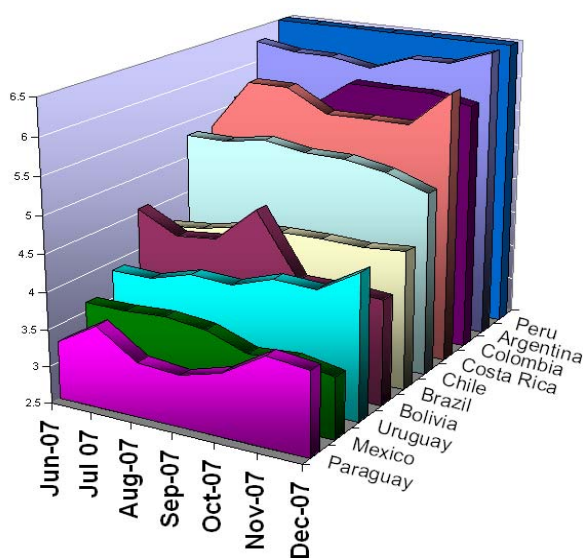




Revelation of Expectations in Latin America
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About REVELA: The figures analyzed represent the results of surveys of private sector actors conducted by the central banks of the each country according to their own specific methodologies. They do not represent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

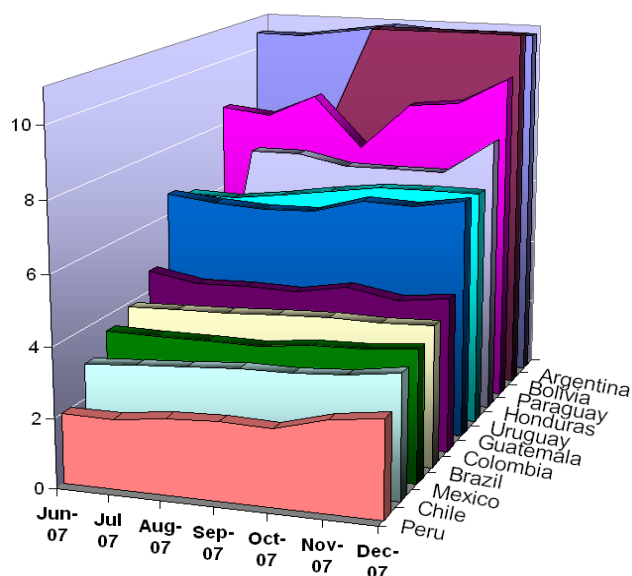
Market Expectations-GDP Growth
(%, end 2008)



Even as 2007 ends, expectations of growth expectations for this year continue to change. The simple average of expected 2007 **growth** for the

countries surveyed is 5.42%, 0.13% higher than last month's forecast. Moreover, the expected growth rate for 2008 also increased from a simple average of 4.87% to 4.95%. However, in Chile and Bolivia growth expectations declined for both years.

Market Expectations-Inflation
(%, end 2008)



Inflation expectations for 2007 and for 2008 continue to rise. The average expected inflation rate for 2007 is now 7.4%, 0.42% higher than last month. This increase was mainly due to changes in Paraguay and Bolivia. Inflation expectations for 2008 also increased, reaching a simple average of 7.27%, 0.49% higher than the average forecast in the survey last month. The graphs show the path of growth and inflation expectations across the surveyed countries.

Growth

Growth expectations for 2007 increased in eight countries included in REVELA. The countries with higher 2007 expected growth rate were Argentina (from 8.1% to 8.4%), Brazil (from 4.75% to 5.02%), Costa Rica (from 5.7% to 6.1%), Guatemala (from 4.4% to 4.7%), Honduras from (5.5% to 5.9%), Mexico (from 3.05% to 3.08%), Peru (from 7.5% to 7.6%) and Uruguay (from 5.25% to 5.46%). On the other hand, expectations of growth for 2007 decreased in Bolivia (now 3.91% against 4.23% from last month) and in Chile (now 5.2% against the previous

5.3%) and in Paraguay (now 3.16% against 3.24% from last month). They were stable in Colombia (6.5%).

Growth expectations for 2008 also rose very slightly (0.08%) on average from the previous month, although growth is still expected to slow from the levels seen in 2007. Average expected growth is now 4.95% for 2008. The increase in the average was accounted by increases in growth expectations in particular in Costa Rica (from 5.7% to 6.2%) and in Uruguay (from 4.15% to 4.48%), but also in Argentina (from 6.3% to 6.5%), in Brazil (from 4.35% to 4.39%) and in Honduras (from 5.4% to 5.5%). Expectations for 2008 growth decreased in Bolivia by 0.05% to 3.93%, in Chile by 0.2% to 5.0%, in Mexico by 0.1% to 3.33% and in Paraguay by 0.06% to 3.63%. Finally, growth expectations remained stable in Peru at a level of 6.5%

Inflation

Inflation expectations for 2007 increased in virtually all countries surveyed. The increase was significant in Bolivia, where the 2007 expected inflation rate rose from 11.83% to 13.19%, and in Paraguay where it increased from 8.19% to 10.33%. Other countries where expectations for 2007 inflation rose included Brazil (now 4.18% against 3.93% from last month), Colombia (from 5.02% to 5.41%), Honduras (from 6.8% to 7.4%), Mexico (now 3.84% against the previous 3.76%) and Peru by 0.12% to 3.35%. Inflation expectations for 2007 fell in Guatemala, by 0.16% to 7.1% and did not change in Costa Rica (9.25%) and Uruguay (8.82%)

Inflation expectations for 2008 also continued to increase on average. Indeed in no country surveyed did expectations for inflation for 2008 fall. The

expected inflation rate for 2008 is now higher in Bolivia by 1.55% to 14.02%, in Brazil by 0.06% to 4.12%, in Chile by 0.2% to 3.6%, in Costa Rica by 1.2% to 8.8%, in Guatemala by 0.24% to 7.01%, in Honduras by 1.0% to 8.2%, in Mexico by 0.15% to 3.86%, in Paraguay by 0.8% to 9.86% and in Peru by 0.2% to 2.8%.

	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 the November 2007 to December 2007 surveys for **2008** growth and inflation. As can be seen, the changes in inflation expectations are positive or neutral while those for growth are mixed.

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