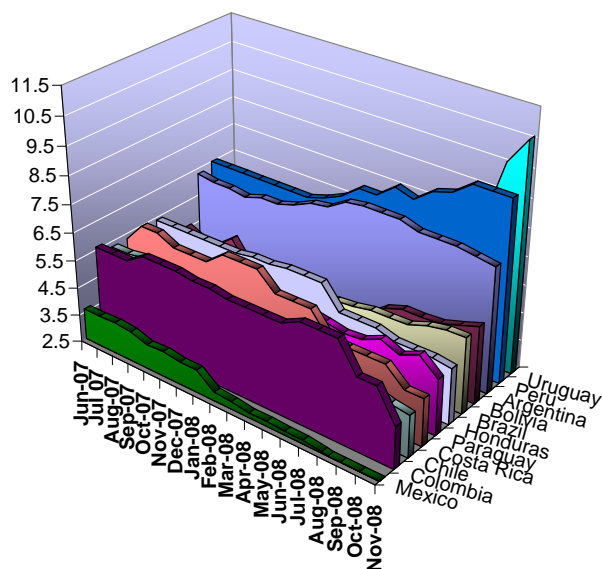




Revelation of Expectations in Latin America
RES-IDB
Issue 18 – Nov 2008

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

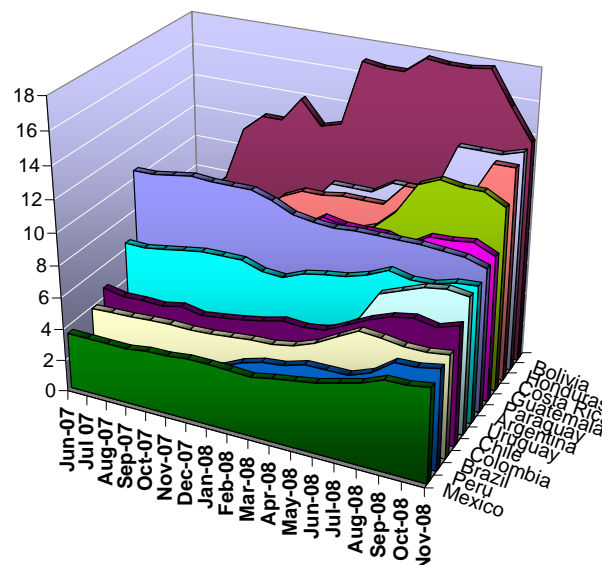
Market Expectations-GDP Growth
(%, end 2008)



Growth expectations for 2008 in Latin America decreased respect to last month's survey. The simple average expected growth rate for 2008 is now 5.35%, 0.1% lower than October's forecast.

With respect to 2009, growth is expected to slow to an average of 3.8% - 0.6 lower compared to last month's expectations.

Market Expectations-Inflation
(%, end 2008)



On the other hand, **inflation** expectations for 2008 decreased. Now, the simple average of the expected inflation rate for 2008 is 9.47%, 0.18% lower than October's forecast. Moreover, 2009 inflation expectations are down; the simple average of the expected inflation rate for 2009 fell from 8.38% to the actual value of 8.28%. The graphs illustrate how 2008 growth and inflation expectations have changed across the surveyed countries from June 2007 to November 2008.

Growth

Growth expectations for 2008 have increased in three countries included in REVELA. The most significant increase was in Uruguay from 9.68% to 10.62%. Expectations also rose in Bolivia from 5.04% to 5.27% and in Brazil from 5.22% to 5.23%. Growth expectations fell in six countries: in Colombia by 1.1% to the actual level of 4.00%, in Mexico from 2.30% to 1.96%, in Argentina by 0.1% to the actual level of 7.00%,

in Chile from 4.10% to 4.00%, in Guatemala from 4.00% to 3.90% and in Honduras by 0.1% to 4.50%. Growth expectations for 2008 remained stable in Peru at 9.0%.¹

For 2009, the simple average of expected growth rates fell from 4.4% to 3.8%. All countries included in REVELA decreased the growth expectations for 2009: in Mexico by 1.51% to 0.99%, in Colombia from 5.18% to 3.97%, in Chile by 1.00% to 2.50%, in Argentina from 4.80% to 3.90%, in Uruguay by 0.82% to 3.98%, in Peru from 7.00% to 6.40%, in Brazil by 0.39% to 2.89%, in Paraguay by 0.25% to 4.37% and in Bolivia from 4.14% to 4.08%.

Inflation

Inflation expectations for 2008 show mixed changes in countries included in the sample. The major increase occurred in Colombia where the expected 2008 inflation rate rose from 7.03% to 7.47%. Other countries with higher expected inflation rates for 2008 are: Honduras (now 13.80%, up 0.40% from the previous month), Peru (now 6.25% against previous 6.00%), Mexico (now 5.84%, up 0.21% from last month), Brazil (now 6.39%, compared to 6.22% last month) and Uruguay (now 8.56%, 0.10% higher than last month). Inflation expectations for 2008 fell in Bolivia from 15.74% to 13.85%, in Guatemala from 12.21% to 11.51%, in Paraguay from 9.72% to 9.13%, in Argentina from 9.40% to 9.00% and in Chile from 8.70% to 8.53%.

The average inflation forecast for 2009 decreased this month. Compared to last month's survey, inflation expectations for 2009 increased in Brazil by 0.33% to 5.20%, in Mexico by 0.27% to 4.34%, in Paraguay from 8.27% to 8.45% and in Colombia from 5.35% to 5.49%. Inflation expectations for 2009 decreased in Bolivia by 1.30%, reaching the value of 14.23%, in Honduras from 13.00% to 12.60%, in Guatemala

by 0.15% to 9.36%, in Chile from 4.70% to 4.60%, and in Uruguay by 0.01% to 7.19%. Inflation expectations for 2009 remained stable in Argentina at 10.00% and in Peru at 4.20%.

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

	Inflation Expectations for 2009			Growth Expectations for 2009		
	Sep-08	Oct-08	Nov-08	Sep-08	Oct-08	Nov-08
Argentina	10.20	10.00	10.00	5.40	4.80	3.90
Bolivia	18.30	15.53	14.23	4.90	4.14	4.08
Brazil	4.91	4.87	5.20	3.70	3.28	2.89
Chile	4.90	4.70	4.60	4.20	3.50	2.50
Colombia	5.84*	5.35*	5.49*	5.18**	5.18**	3.97**
Costa Rica	10.30	10.90	10.90	4.90**	4.40**	4.40**
Guatemala	9.65	9.51	9.36	.	.	.
Honduras	13.00**	13.00**	12.6**	4.50**	4.50**	4.30**
Mexico	4.00	4.07	4.34	2.90	2.50	0.99
Paraguay	8.50	8.27	8.45	4.69	4.62	4.37
Peru	4.10	4.20	4.20	7.10	7.00	6.40
Uruguay	7.09	7.20	7.19	4.50	4.80	3.98
Average	8.63	8.38	8.28	4.72	4.43	3.80

* is 12 month inflation and not December 2009

** forecasts are reported on a quarterly basis.

The table below summarizes the changes in expectations from October 2008 to November 2008 for 2008 growth and inflation. As can be seen, the changes in expected inflation are mixed, while the changes in expected growth are mostly downwards.

Cambios Promedios 2008

	Inflación	Crecimiento
Argentina	▼	▼
Bolivia	▼	▲
Brasil	▲	▲
Chile	▼	▼
Colombia	▲	▼
Costa Rica	—	—
Guatemala	▼	▼
Honduras	▲	▼
México	▲	▼
Paraguay	▼	▼
Perú	▲	—
Uruguay	▲	▲

Fuente: Encuestas sobre expectativas de Bancos Centrales Latinoamericanos

¹ Costa Rica did not show any changes in its growth expectations because this country has a quarterly survey. Last report for Costa Rica was published in October.