



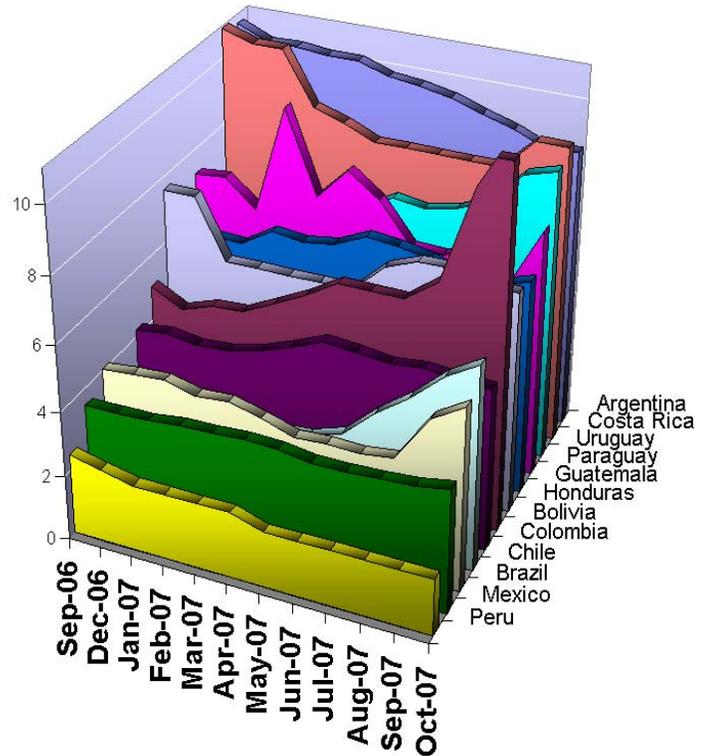
Revelation of Expectations in Latin America
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About REVELA: The figures analyzed represent the results of surveys of private sector actors conducted by the central banks of each country according to their own specific methodologies. They do not represent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

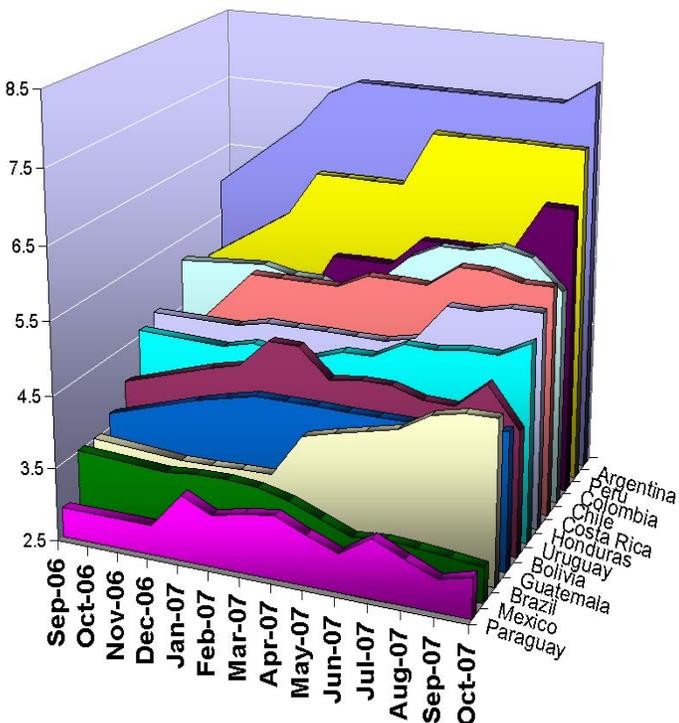
With three months remaining to year's end, and despite the slow-down in the US, the simple

average of expected **Growth** for 2007 for the countries surveyed declined only slightly from 5.28% to 5.26% and actually increased in five countries. This 0.02% decrease was mainly due to a fall in growth expectations in Chile and in Bolivia. The expected growth rate for 2008 also decreased marginally, but

Market Expectations-Inflation
 (% , end 2007)



Market Expectations-GDP Growth
 (% , end 2007)



again increased in four countries. The simple average expected rate is now 4.66%, 0.06% lower than last month and somewhat lower than 2007 expectations.

Inflation expectations for 2007 and 2008 continue to rise. The average expected inflation rate for 2007 is now 6.87%, 0.47% higher than last month. Inflation expectations for 2008 also increased, reaching a simple average of 7.18%, 0.32% 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

While the average expected growth rate for 2007 fell, growth expectations actually increased in five

countries included in *REVELA*. Growth is now expected to be 8.0% in Argentina, (0.3% higher than last month), 4.74% in Brazil, (0.01% higher than last month) and 4.4% in Guatemala (0.1% higher than last month). Moreover, Paraguayan growth is now expected to be 3.06% for 2007, up from 2.94%, and Uruguayan growth is expected to be 5.25% for 2007, up from 5.02%. Growth expectations for 2007 remained stable in Colombia (6.5%), Costa Rica (5.7%), Honduras (5.5%) and Peru (7.2%). The decrease in the average growth rate comes from declines in three countries: Bolivia (where growth expectations fell by 0.56% to 4.23%), Chile (growth expectations fell by 0.4% to 5.5%) and in Mexico (where the expected growth rate fell by 0.05% to 2.98%).

Growth is forecast to slow in 2008, reaching an average of 4.66%, 0.06% lower than last month's projections. The reduction in the average was accounted for by decreases in growth expectations in Bolivia by 0.85% (from 4.83% to 3.98%) and in Mexico by 0.2% (from 3.59% to 3.39%). Expectations for 2008 growth rose in Uruguay (from 4.0% to 4.18%), Paraguay (from 3.19% to 3.35%) and Argentina (from 6.1% to 6.3%). Brazil saw growth expectations for 2008 increase very slightly (from 4.36% to 4.37%) and expectations remained stable in Chile, Costa Rica and Honduras.

Inflation

Inflation expectations for 2007 increased in most countries surveyed. The increase was significant in Paraguay where the 2007 expected inflation rate rose from 5.81% to 7.68%. In Bolivia and in Chile inflation expectations also continue to rise with the 2007 rate now expected to be 11.83% in Bolivia (1.73% higher than last month) and 6.3% in Chile (0.6% higher than last month). Other countries where expectations for 2007 inflation rose included Brazil (from 5.03% to 5.63%), Guatemala (from 6.35% to 6.65%), Mexico (from 3.65% to 3.81%) and Uruguay (from 8.69% to 8.99%). Inflation expectations for

2007 only fell in one country: Colombia, by 0.05% to 5.0%.

Inflation expectations for 2008 also continued to increase. Compared to last month's survey, inflation expectations for 2008 increased in five countries: Paraguay by 1.39% to 8.91%, Bolivia by 1.07% to 12.47%, Guatemala by 0.41% to 6.83%, Uruguay by 0.19% to 6.92%, Mexico by 0.18% to 3.69% and Brazil by 0.04% to 4.11%.

	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 September 2007 to October 2007 surveys for 2007 growth and inflation. As can be seen, the changes in inflation expectations are mostly upward while those for growth are quite mixed across countries.

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