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Revelation of Expectations in Latin America

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REVELA is a free Web-based monthly service on inflation and growth expectations in Latin America. REVELA's Web site offers an up-to-date report and a database with historical information. This service compiles data from the expectations surveys conducted and reported by eight Central Banks in Latin American with inflation-targeting regimes. REVELA does not represent official projections by the IDB or any other official institution.

A. Highlights

According to the September surveys conducted by Central Banks in the region the changes in both growth and inflation expectations for 2012 are mixed.

Growth expectations fell in Brazil and in Paraguay and increased in Chile, Mexico and Peru. There is higher expected inflation in Brazil, Chile, Mexico and Uruguay and lower inflation is expected in Guatemala, Paraguay and Peru.

The GDP weighted mean growth expectation for the region this year remains at 2.8%

while the simple average expectation for 2012 growth remains at 3.4%; the former represents a 0.8% drop vis-à-vis six months ago and the latter a 0.5% fall. For 2013, Simple average growth in the region is expected to be 4.5%, 0.1% higher than last month.

Inflation expectations have been stable throughout the year in most countries in the region. Expectations for December 2012 are 4.6% (GDP weighted average), which represents a 0.1% increase in the last month. Regarding December 2013, weighted average expectations have declined 0.1%, now at 4.6%, and simple average expectations remain stable at 4.5%. Uruguay is a particular case of rising inflation expectations, where they went from 6.8% in September 2011 to 7.7% this September.

Table 1. Growth and Inflation Expectations for 2012

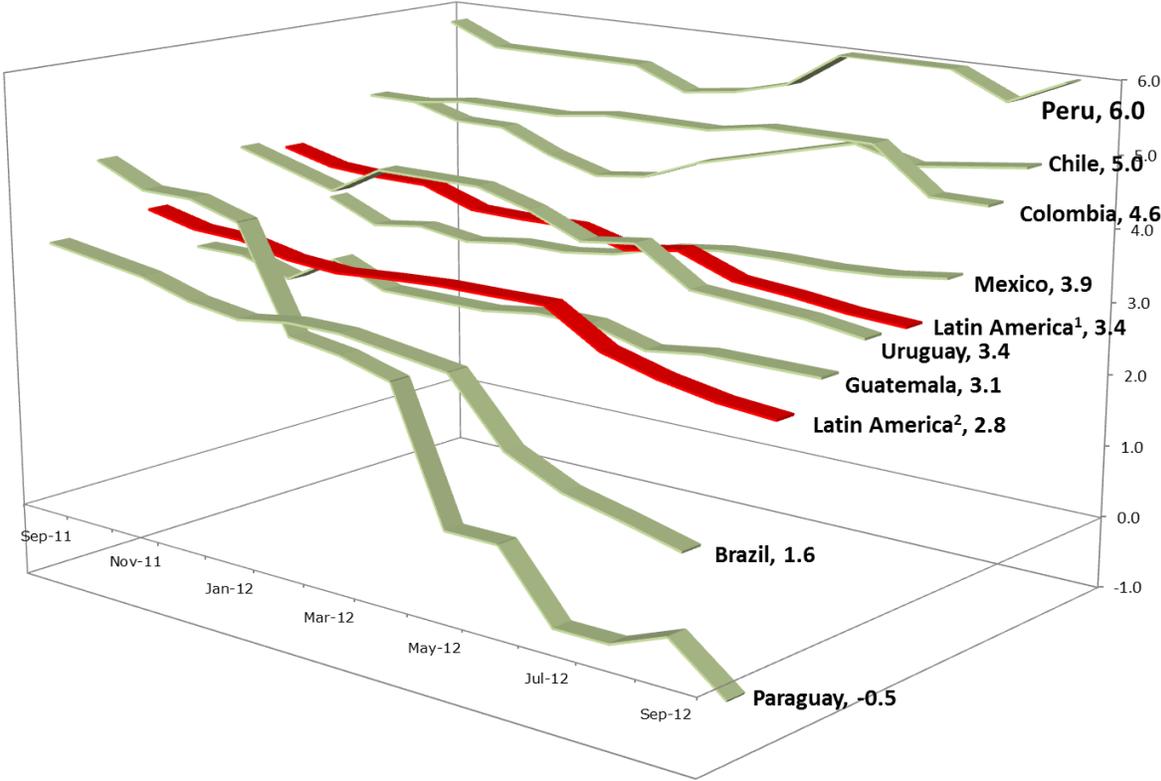
Country	Growth expectation (percentage expected for 2012)		Inflation expectation (percentage expected for 2012)	
	as of September 2012	Aug-Sep change	as of September 2012	Aug-Sep change
Brazil	1.6	↓ -0.2	5.3	↑ 0.2
Chile	5.0	↑ 0.1	2.1	↑ 0.1
Colombia	4.6	⇒ 0.0	3.0	⇒ 0.1
Guatemala	3.1	⇒ 0.0	4.6	↓ -0.2
Mexico	3.9	↑ 0.1	4.2	↑ 0.1
Paraguay	-0.5	↓ -0.6	4.8	↓ -0.3
Peru	6.0	↑ 0.4	3.0	↓ -0.2
Uruguay	3.4	↓ -0.1	7.7	↑ 0.3
Eight country average	3.4	⇒ 0.0	4.3	⇒ 0.0

Source: REVELA, IDB 2012. Data available for download [here](#).

B. Growth

In the last year growth expectations have fallen more than 1% in three countries: Paraguay (from 4.7% to -0.5%), Brazil (from 3.7% to 1.6%) and Uruguay (from 4.5% to 3.4%). This tendency has been confirmed in September surveys since growth expectations have been revised downwards in the same three countries. They dropped 0.6% in Paraguay, 0.2% in Brazil and 0.1% in Uruguay. They have remained stable in Guatemala¹. On the other hand, they have increased in Peru (from 5.7% to 6%), in Chile (from 4.9% to 5%) and in Mexico (from 3.8% to 3.9%).

Figure 1. Market Expectations of Growth (percentage, yoy 2012)



Source: REVELA, IDB 2012. Data available for download [here](#).

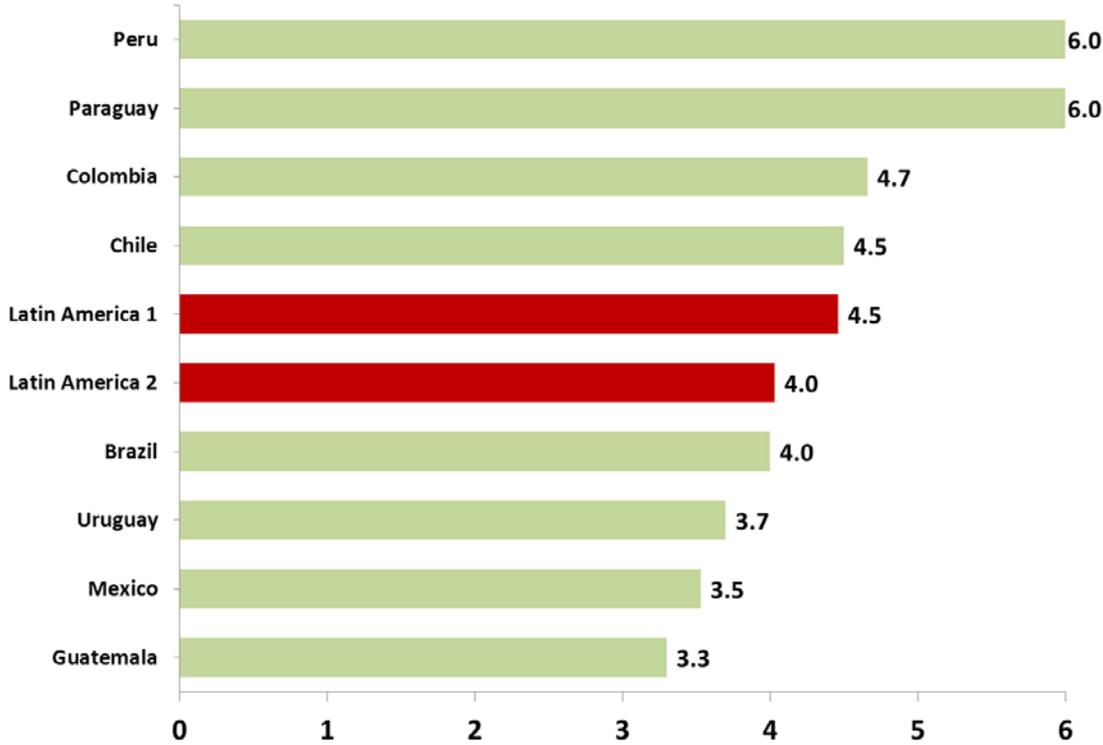
¹ Refers to the simple average of the eight inflation targeting countries.

² Refers to the GDP weighted average of the eight inflation targeting countries.

¹ Colombia's growth expectations surveys are made on a quarterly basis, hence August and September values refer to the same survey.

Growth expectations for 2013 are significantly higher than expectations for the current year, the weighted mean for the region being 4.0% and the simple average 4.5%. The latter represents a 0.1% increase with respect to August. Growth expectations for 2013 have escalated in Paraguay this month, rising from 4.8% to 6%. They have also increased in Mexico from 3.4% to 3.5% and remained stable in Peru (6%), Brazil (4.0%) and Uruguay (3.7%). They have however dropped in Chile (from 4.7% to 4.5%) and in Guatemala (from 3.4% to 3.3%).

Figure 2. Growth Market Expectations (percentage, yoy 2013)



Source: REVELA, IDB 2012. Data available for download [here](#).

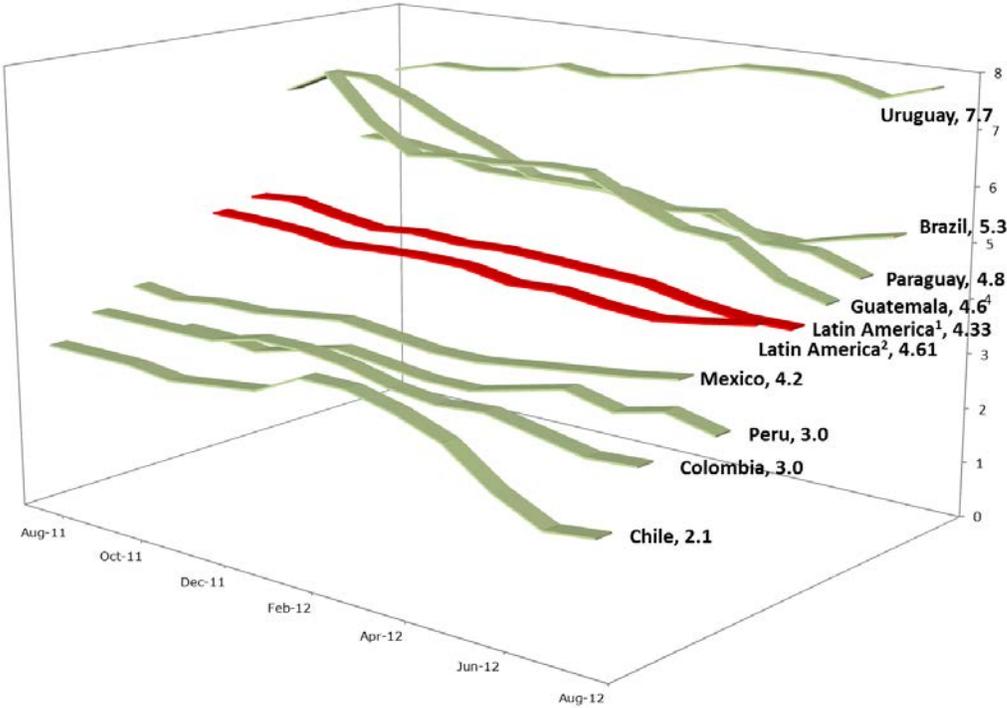
¹ Refers to the simple average of the eight inflation targeting countries.

² Refers to the GDP weighted average of the eight inflation targeting countries.

C. Inflation

Inflation expectations for December 2012 are 4.6% (GDP weighted average) and 4.3% on a simple average basis; the former represents a 0.1% increase with respect to August while the latter has remained at August levels. Expectations have been stable in most of the eight countries covered by Revela throughout the year. However, in Uruguay, inflation expectations have been increasing (+0.9% in the last twelve months). This tendency was confirmed this month with inflation expectations growing 0.3% to reach 7.7%. Surveys reveal a higher expectation of inflation in four further countries: Mexico (from 4% to 4.15%), Brazil (from 5.2% to 5.3%), Chile (from 2% to 2.1%) and Colombia (from 2.9% to 3%). At the same time, there have been significant falls this month. In Paraguay inflation expectations dropped from 5.1% to 4.8%, in Guatemala from 4.8% to 4.6% and in Peru (from 3.2% to 3%).

Figure 3. Inflation Market Expectations (percentage, yoy 2012)



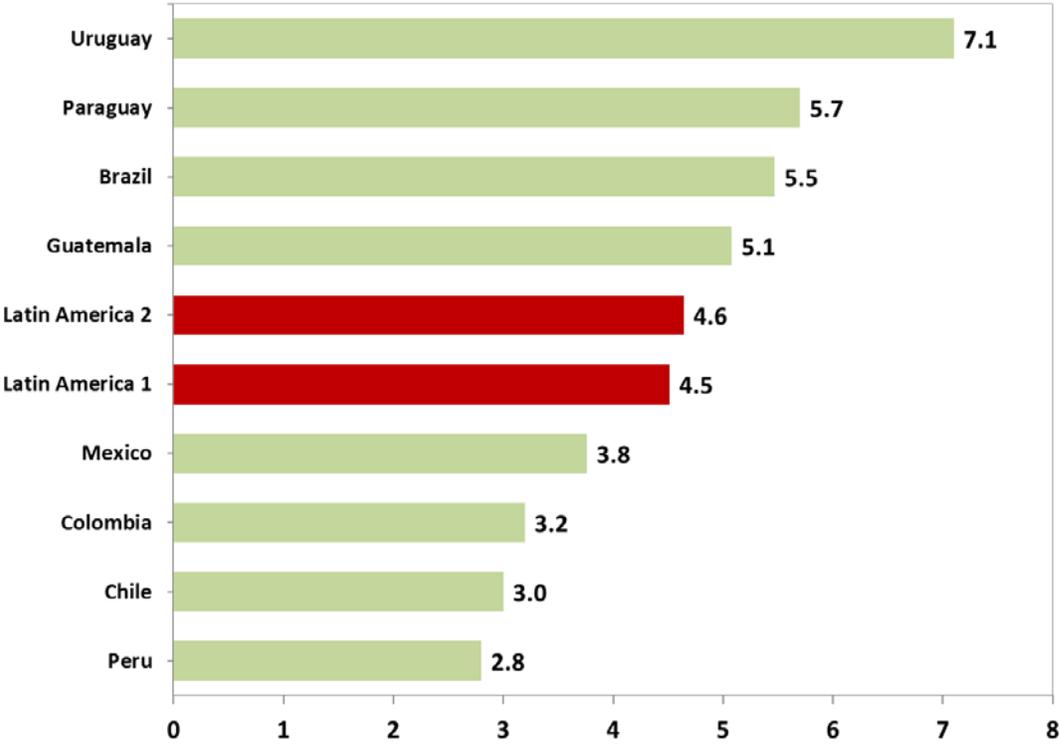
Source: REVELA, IDB 2012. Data available for download [here](#).

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² Refers to the GDP weighted average of the eight inflation targeting countries.

Inflation expectations for 2013 have remained stable in the last year in most of the eight countries and expectations for the region are currently at 4.5% and 4.6% (GDP weighted mean and simple mean respectively). However, in the last month in Guatemala there was an increase in 2013 inflation expectations from 4.8% to 5.1%.

Figure 4. Inflation Market Expectations (percentage, yoy 2013)



Source: REVELA, IDB 2012. Data available for download [here](#).

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