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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

The December surveys conducted by Central Banks with inflation targeting regimes in the region continue to focus on expectations for 2012 growth and inflation as well as 2013, and in some cases the surveys now cover 2014¹. The 2012 expectations should be a good indication as to how final year inflation and growth figures will end.

Table 1. Growth and Inflation Expectations for 2012

Country	Growth expectation (percentage expected for 2012)		Inflation expectation (percentage expected for 2012)	
	as of December 2012	Nov-Dec change	as of December 2012	Nov-Dec change
Brazil	1.0	↓ -0.5	5.7	↑ 0.2
Chile	5.5	↑ 0.3	2.1	⇒ 0.0
Colombia	4.7	⇒ 0.0	2.6	↓ -0.4
Guatemala	3.1	↑ 0.1	4.2	↑ 0.1
Mexico	3.9	↑ 0.1	4.0	↓ -0.1
Paraguay	-0.3	⇒ 0.0	4.1	↓ -0.2
Peru	6.2	⇒ 0.0	3.0	⇒ 0.0
Uruguay	3.7	↑ 0.1	8.4	↑ 0.2
Eight country average	3.5	⇒ 0.0	4.3	⇒ 0.0

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

Perhaps the most significant change from November was the reduction in 2012 growth for Brazil such that the final growth figure is now expected to be just 1%. Conversely, final growth figures for 2012 in Chile, Guatemala, Mexico and Uruguay were expected to be a little higher compared to November. The simple average expectation for 2012 growth remains at 3.5% but the GDP weighted mean for this group of inflation targeters is now expected to be 2.5% given the reduction in expected growth in Brazil. On the other hand, the GDP weighted mean expectation for 2013 growth rose by 0.7% to 4.6%, while the simple average growth rate for the region remained at this same figure, 4.6%.

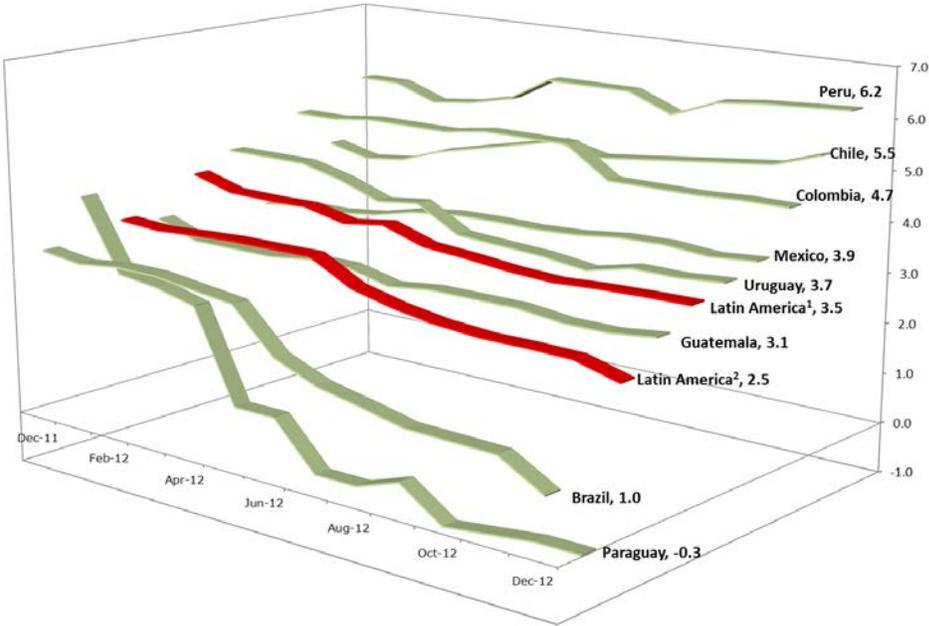
¹ Revela continues to focus on 2012 and 2013 expectations for this month but will switch to 2013 and 2014 expectations from February.

The simple average inflation expectation for 2012 was unchanged at 4.3% and GDP weighted average is 4.9%. Inflation expectations dropped in Colombia, Paraguay and Mexico and rose in Brazil, Guatemala and Uruguay. For 2013, inflation is expected to be 4.4% and 4.6% for the simple and GDP weighted averages respectively, relatively close to inflation expectations for 2012.

B. Growth

Growth in 2012 is expected to be 3.5% on a simple average and 2.5% on a GDP weighted average. The most significant change in expectations in December occurred in Brazil, where they dropped from 1.5% to 1.0%. The rest of the countries growth expectations either rose or remained stable. Growth expectations increased in Chile (from 5.2% to 5.5%), Guatemala (from 3.0% to 3.1%), Mexico (from 3.8% to 3.9%) and Uruguay (from 3.6% to 3.7%). They remained stable in Colombia (4.7%), Paraguay (-0.3%) and Peru (6.2%). In a twelve months perspective, growth expectations dropped the most in Paraguay (from 4.2% to -0.3%) and Brazil (from 3.3% to 1.0%). On the other hand, they increased the most in Chile (from 4.2% to 5.5%) and in Peru (from 5.5% to 6.2%).

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



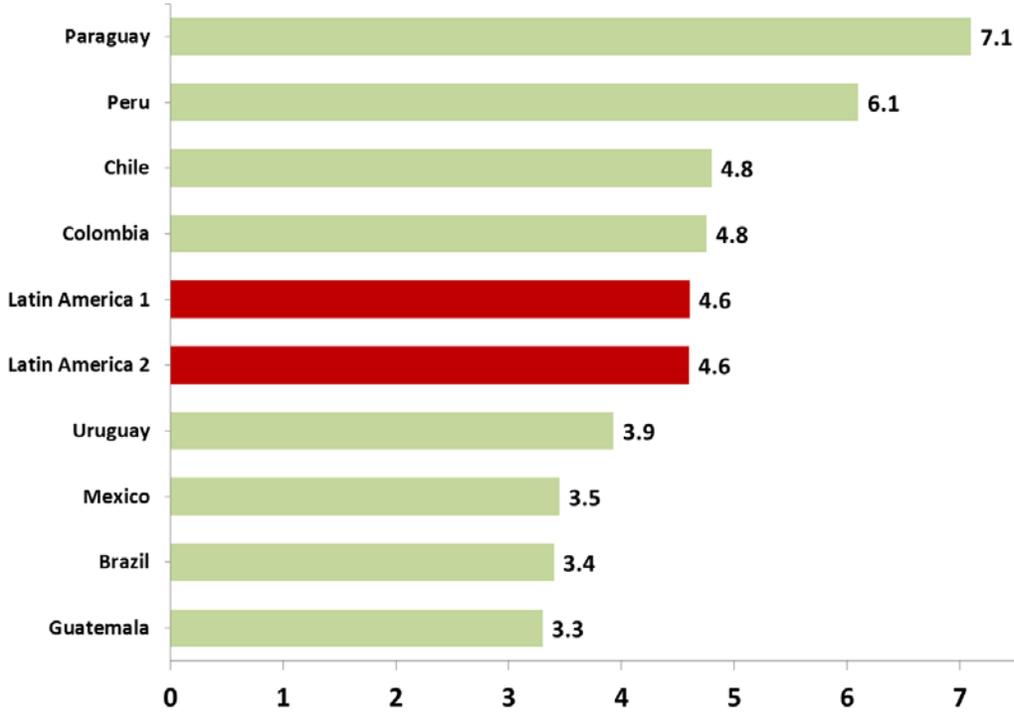
Source: REVELA, IDB 2012. Data available for download [here](#).

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.

The simple mean growth expectation for 2013 is 4.6% (1.1% greater than for 2012) and the GDP weighted mean is 4.6% as well. The latter implies a rise of 0.7% according to December surveys. As the year closes, expectations for 2013 growth have risen quite significantly in Paraguay going from 6.6% to 7.1%. They also rose by 0.1% in Chile, Peru and Uruguay. They remained stable in Colombia, Guatemala and Mexico. On the other hand, expectations fell 0.4% in Brazil (from 3.8% to 3.4%). In the last six months, growth expectations for 2013 increased the most in Paraguay (from 4.7% to 7.1%) and fell the most in Brazil (from 4.5% to 3.4%).

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



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

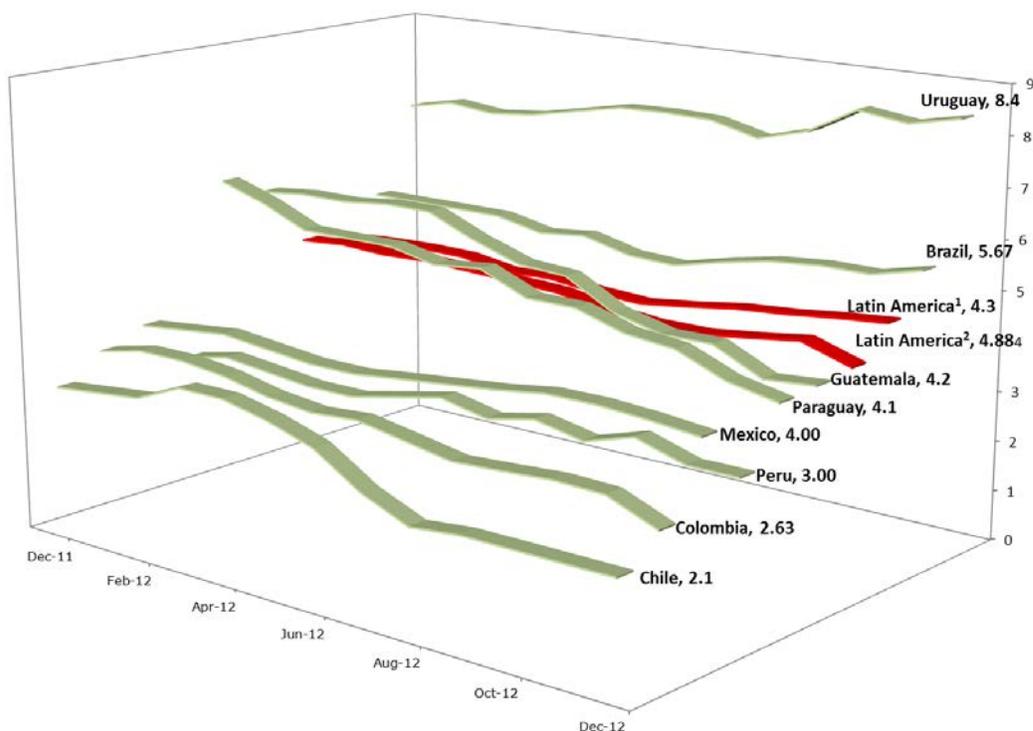
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² Refers to the GDP weighted average of the eight inflation targeting countries.

C. Inflation

According to December surveys, inflation expectations for 2012 have been revised downwards in three countries. The fall has been particularly strong in Colombia, where they went from 4.6% to 4.1% and in Paraguay where they went from 3.0% to 2.6%. They were also revised downwards in Paraguay (from 4.3% to 4.1%) and in Mexico (from 4.1% to 4.0%). They remained stable in Peru at 3.0%. In a twelve months perspective, inflation expectations fell the most in Paraguay (from 6.3% to 4.1%) and rose the most in Uruguay (from 7.1% to 8.4%).

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



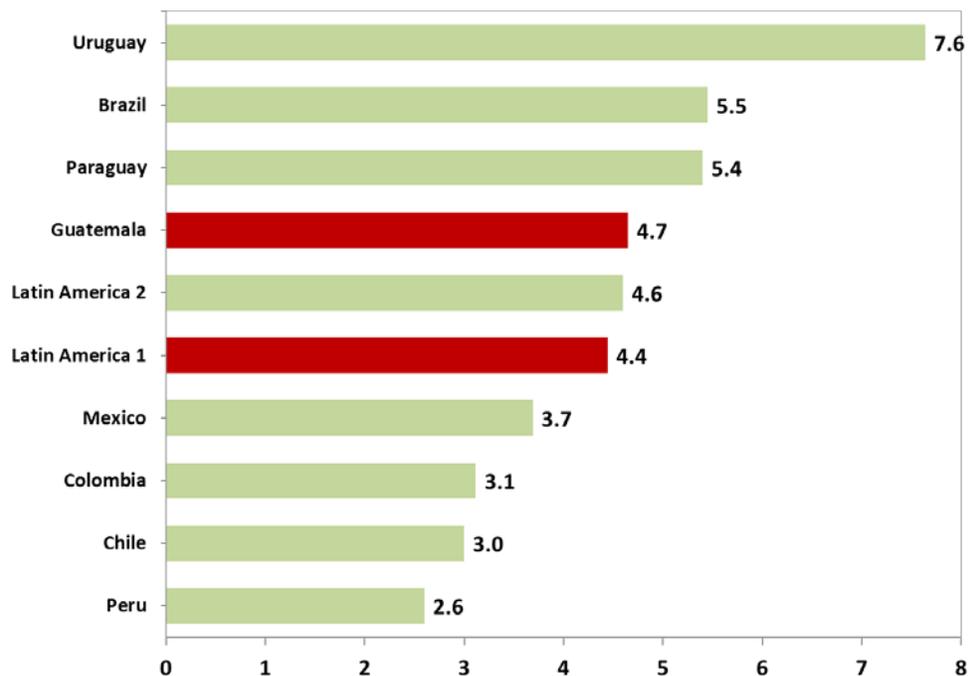
Source: REVELA, IDB 2012. Data available for download [here](#).

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

Expected inflation for 2013 is currently at 4.4% and 4.6% (simple mean and GDP weighted mean respectively). Expectations decreased in Peru from 2.8% to 2.6% and in Colombia from 3.2% to 3.1%. On the other hand, they slightly increased in Guatemala from 4.5% to 4.7%, in Paraguay from 5.2% to 5.4% and by 0.1% in Uruguay and Brazil, currently at 7.6% and 5.5% respectively. On the other hand, they remained stable in Chile at 3.0%. In a six months perspective, inflation expectations for 2013 have dropped the most in Guatemala (from 5.3% to 4.7%) and increased the most in Uruguay (from 6.9% to 7.6%).

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



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

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