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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 surveys conducted by Central Banks in the region, movements in inflation expectations have been mixed. On average 2013 inflation expectations increased by 0.1% with the largest increase in Paraguay (0.8%) and the greatest fall in Guatemala (0.3%). Inflation expectations also edged up significantly in Uruguay (0.6%) and moderately in Brazil (0.1%).

The simple average inflation expectation is 4.5% for 2013 and the GDP weighted average is 4.7%. Inflation expectations rose quite sharply in Paraguay (0.8%) and Uruguay (0.6%). They fell in most other countries and remained constant in Chile, Mexico and Peru. For 2014, inflation is expected to be 4.5% and 4.6%, simple and GDP weighted averages respectively.

Average growth expectations for 2013 remain stable at 4.6%, but with a large range from 7.6% in Paraguay to 3.2% in Brazil. The GDP weighted mean remains significantly lower than the simple average, at 3.6%. The largest fall occurred in Colombia (0.6%), following a much weaker performance in the second half of 2012. In other countries, growth expectations for 2013 were flat or increased, particularly in Paraguay (0.4%). For 2014, the simple average growth expectation is 4.5% and the GDP weighted growth expectation is 3.9%.

Table 1. Growth and Inflation Expectations for 2013

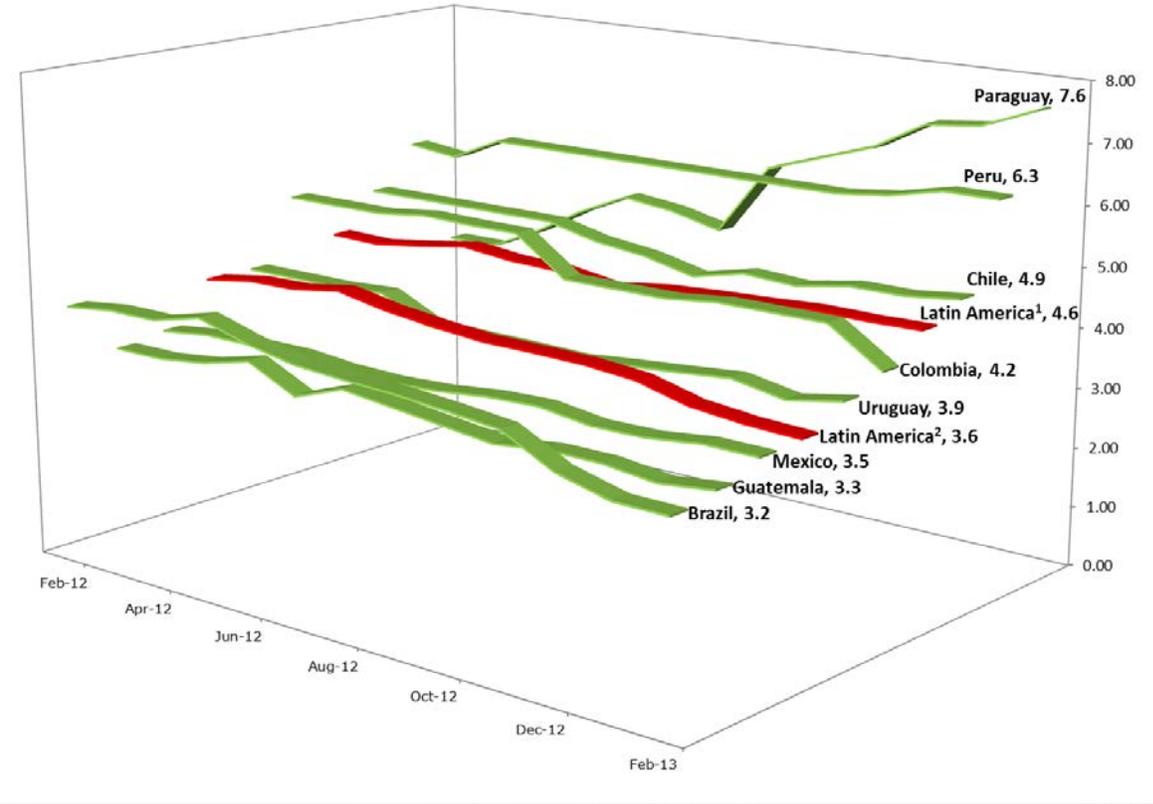
Country	Growth expectation (percentage expected for 2013)		Inflation expectation (percentage expected for 2013)	
	as of February 2013	Jan-Feb change	as of February 2013	Jan-Feb change
Brazil	3.2	⇒ 0.0	5.7	↑ 0.1
Chile	4.9	↑ 0.1	3.0	⇒ 0.0
Colombia	4.2	↓ -0.6	2.7	↓ -0.2
Guatemala	3.3	↑ 0.1	4.5	↓ -0.3
Mexico	3.5	⇒ 0.0	3.7	⇒ 0.0
Paraguay ¹	7.6	↑ 0.4	5.9	↑ 0.8
Peru	6.3	⇒ 0.0	2.7	⇒ 0.0
Uruguay	3.9	↑ 0.2	8.2	↑ 0.6
Seven country average	4.6	⇒ 0.0	4.5	↑ 0.1

Source: REVELA, IDB 2013. Data available for download [here](#).

B. Growth

Growth in 2013 is expected to be 4.6% (simple average) and 3.6% for the GDP weighted average. As illustrated in Figure 1, growth expectations in Paraguay have increased quite dramatically while Brazil's have declined over the last months. Growth expectations in Colombia have also declined quite sharply for 2013 along with actual growth in the second half of 2012. Still growth expectations in Chile, Guatemala, Mexico, Peru and Uruguay have all increased somewhat in recent months.

Figure 1. Market Expectations of Growth (percentage, yoy 2013)



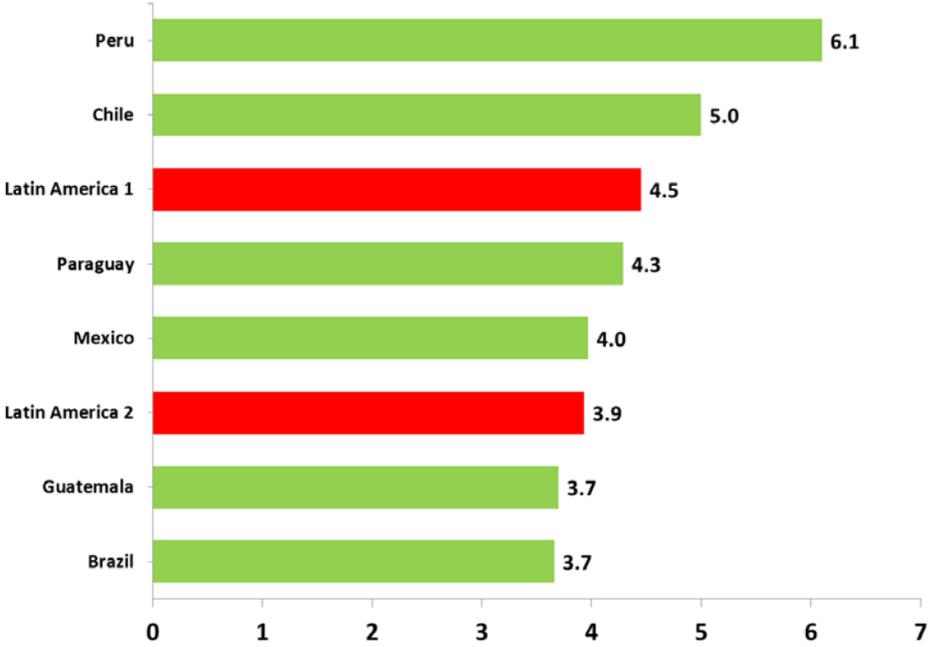
Source: REVELA, IDB 2013. Data available for download [here](#).

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 2014 is 4.5% (0.1% lower than for 2013) and the GDP weighted mean is 3.9% (0.3% greater than for 2013). Expectations for 2014 increased somewhat in Guatemala and decreased slightly in Mexico and Peru.

Figure 2. Growth Market Expectations
(percentage, yoy 2014)



Source: REVELA, IDB 2013. Data available for download [here](#).

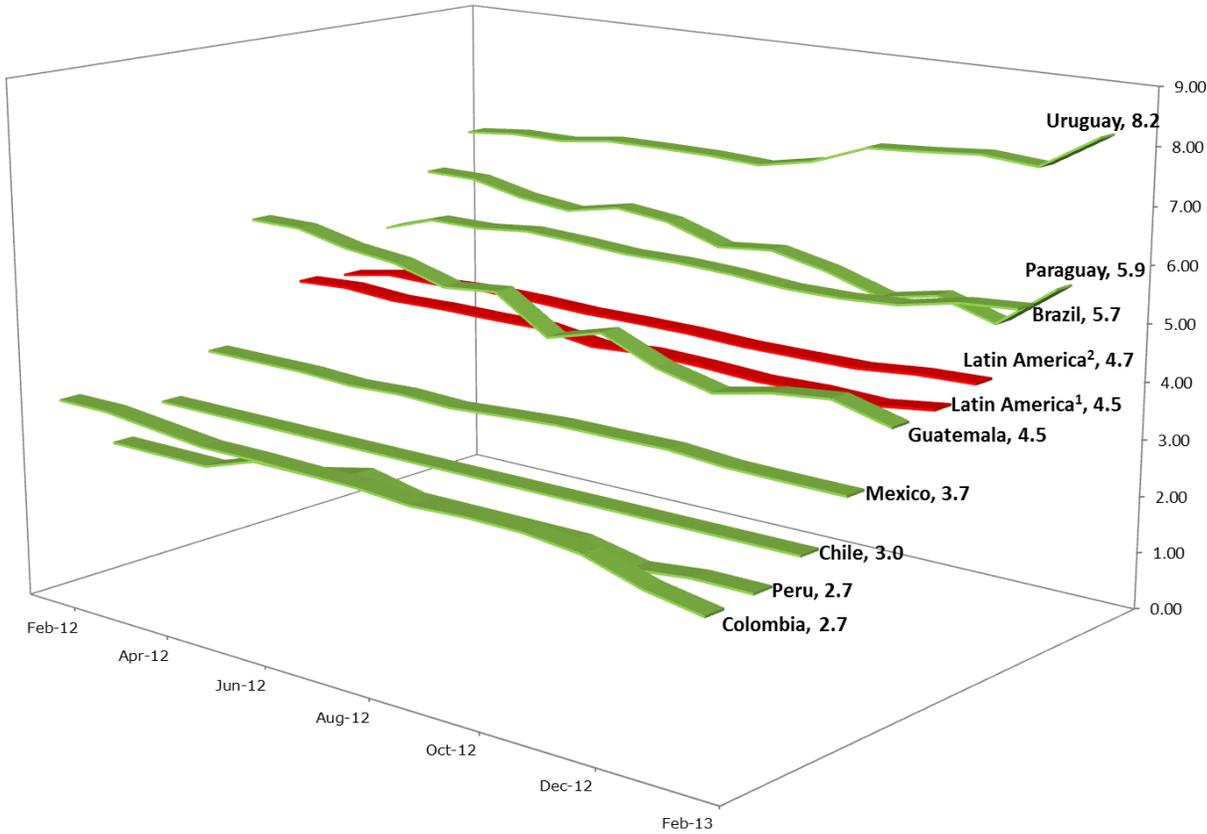
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² Refers to the GDP weighted average of the eight inflation targeting countries.

C. Inflation

According to the February surveys, inflation expectations for 2013 were revised upwards in the countries where they are at the highest levels of the sample: Uruguay at 8.2%, Paraguay at 5.9% and Brazil at 5.7%. Conversely, they were revised downwards in Guatemala (to 4.5%) and Colombia (to 2.7%) and remained stable in the rest of the countries. This implies that simple average inflation expectation rose to 4.5% and the GDP weighted average remains stable at 4.7%. Colombia and Peru currently have the lowest level of expected inflation at 2.7%.

Figure 3. Inflation Market Expectations
(percentage, yoy 2013)



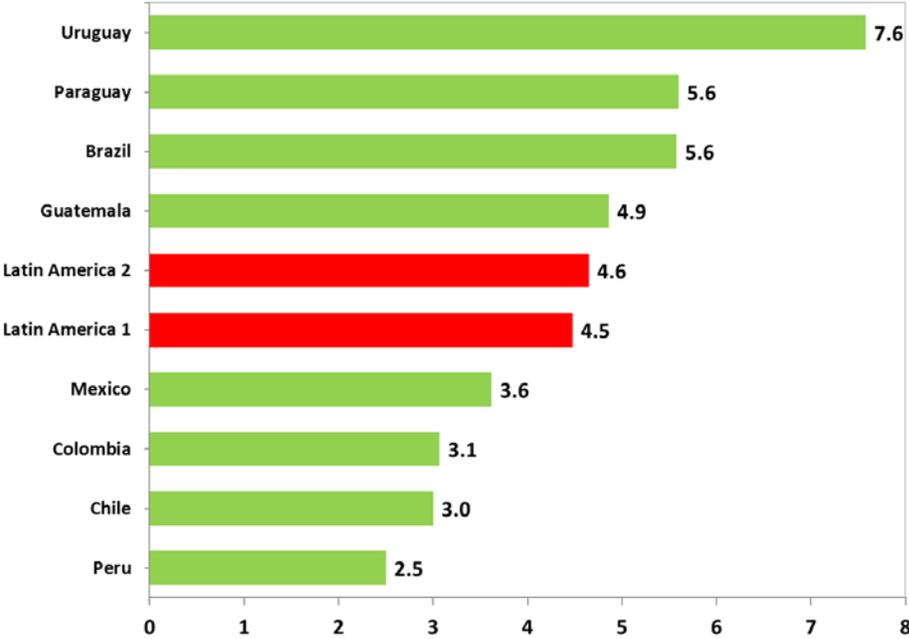
Source: REVELA, IDB 2013. Data available for download [here](#).

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.

Expected inflation for 2014 are currently 4.5% and 4.6% (simple mean and GDP weighted mean respectively). Expectations for 2014 inflation rose somewhat in Brazil and in Uruguay and fell in Guatemala and Colombia.

Figure 4. Inflation Market Expectations (percentage, yoy 2014)



Source: REVELA, IDB 2013. Data available for download [here](#).

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