



<http://www.iadb.org/revela>

Revelation of Expectations in Latin America

Issue XI – August, 2013

Research Department
Fernando Arce and Andrew Powell
Inter-American Development Bank (IDB)

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, average inflation expectations have remained stable, while average growth expectations have fallen in July. In fact, growth expectations fell in all but two of the countries included in REVELA.

The simple average expectation for growth for 2013 fell slightly to 4.6% while the GDP weighted

average growth expectation for 2013 fell to 2.8%. A widespread decline was observed in expected growth including in Brazil (from 2.5% to 2.3%), Chile (from 4.6% to 4.4%), Mexico (from 2.9% to 2.7%), Paraguay (from 11.4% to 11.3%), Peru (from 6.0% to 5.8%) and Uruguay (from 3.5% to 3.4%). Expected growth only remained stable in two countries: Guatemala (at 3.1%) and Colombia (at 3.9%). Growth expectations for 2014 are 4.2% and 3.3% - simple and GDP weighted averages respectively.

Expectations for inflation in 2013 remained at 4.4%. Expectations for inflation fell in two countries: Brazil (from 5.9% to 5.8%) and Mexico (from 3.8% to 3.6%). They slightly increased in Colombia (from 2.6% to 2.7%) and Uruguay (from 8.1% to 8.2%) while the increase was more pronounced in Guatemala (from 4.8% to 5.1%). And they remained stable in Chile (at 2.4%), Paraguay (at 4.6%) and Peru (at 2.6%). For 2014, inflation expectations are 4.6% and 4.9% - simple and GDP weighted averages respectively.

Table 1. Growth and Inflation Expectations for 2013

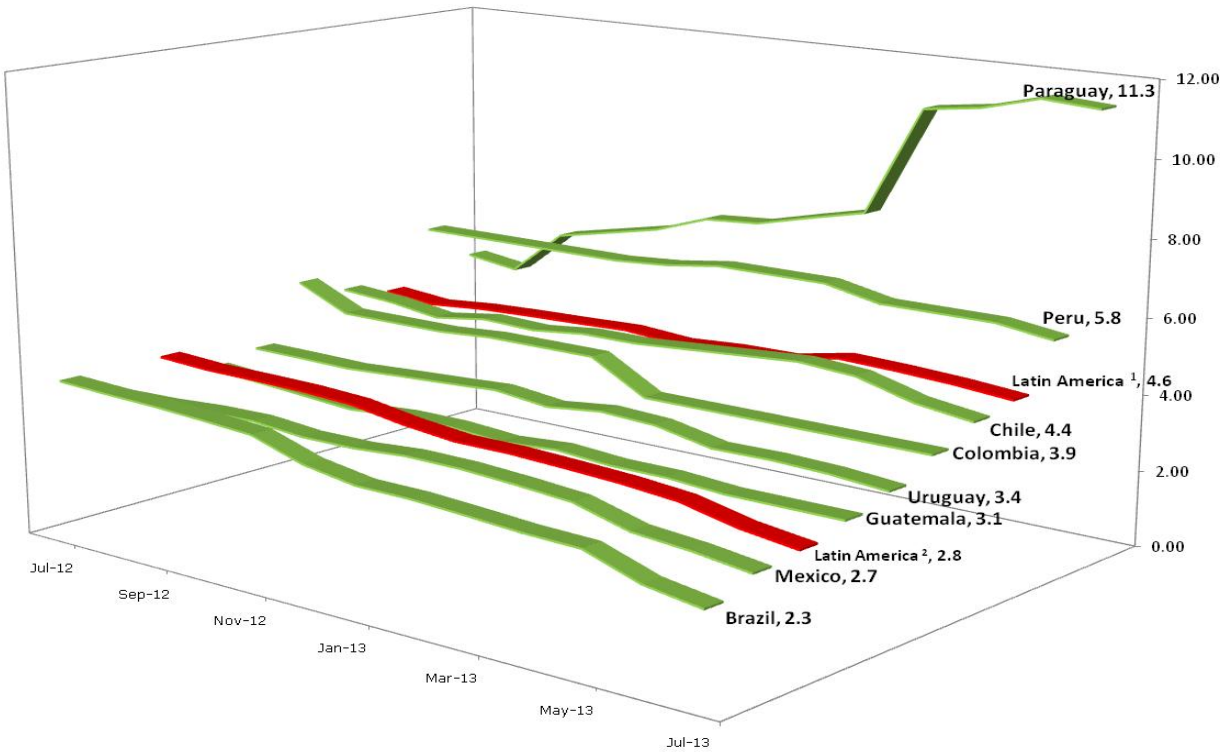
Country	Growth expectation (percentage expected for 2013)		Inflation expectation (percentage expected for 2013)	
	as of July 2013	Jun-Jul change	as of July 2013	Jun-Jul change
	Brazil	2.3	↓ -0.2	5.8
Chile	4.4	↓ -0.2	2.4	⇒ 0.0
Colombia	3.9	⇒ 0.0	2.7	↑ 0.1
Guatemala	3.1	⇒ 0.0	5.1	↑ 0.3
Mexico	2.7	↓ -0.2	3.6	↓ -0.2
Paraguay	11.3	↓ -0.1	4.6	⇒ 0.0
Peru	5.8	↓ -0.2	2.6	⇒ 0.0
Uruguay	3.4	↓ -0.1	8.2	↑ 0.1
Eight country average	4.6	↓ -0.1	4.4	⇒ 0.0

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

B. Growth

As illustrated in Figure 1, average growth expectations for 2013 have decreased from 4.7% to 4.6% on a simple average basis (Latin America 1) and from 3.0% to 2.8% considering the GDP weighted average (Latin America 2). This implies a decrease of 0.8% in the last six months for the GDP weighted average. There was a decline of 0.2% compared to the June figure, in expected growth for 2013 in Brazil, Chile, Mexico and Peru. Compared to 6 months ago, expected growth for 2013 has declined by 0.9% in Brazil and Mexico and by 0.5% and 0.4% in Peru and Chile respectively. A smaller decline of 0.1% was observed between June and July in Paraguay and Uruguay. However, expected growth is now 0.8% less than the same figure six months ago in Uruguay and 4.1% more in Paraguay. The two countries that maintained their growth expectations constant this month, but still have lower growth expectations than six months ago are: Colombia (with a decline of 0.8%) and Guatemala (0.1%).

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



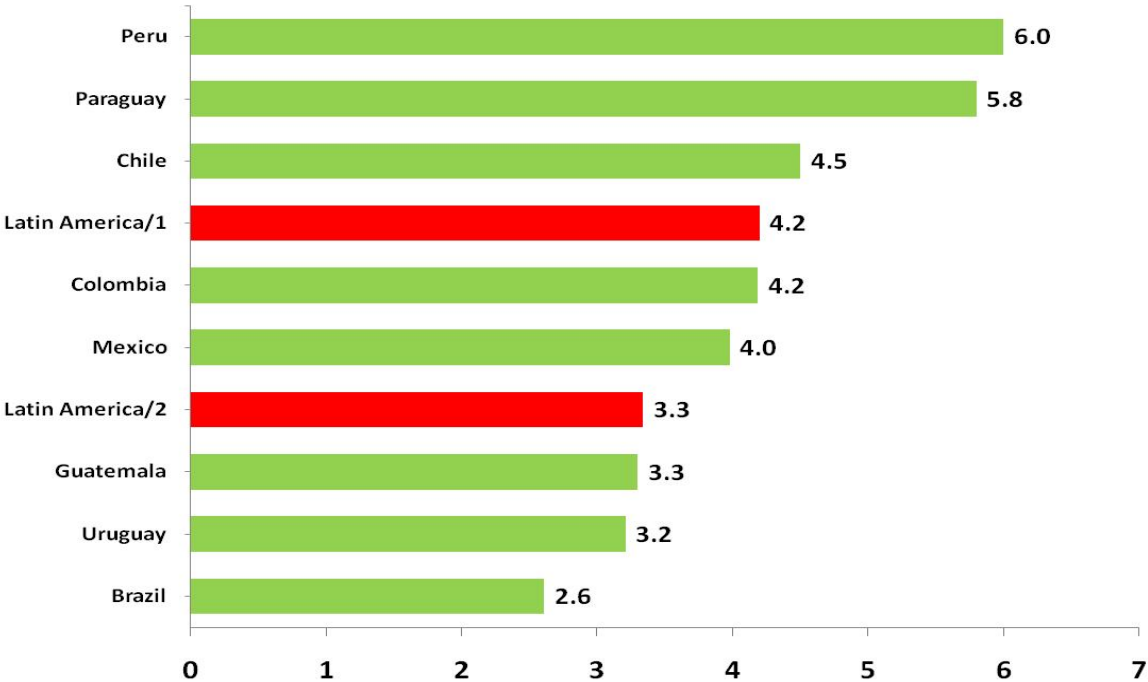
Source: REVELA, IDB 2013. Data available for download [here](#).

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 now 4.2% (0.4% lower than for 2013) and the GDP weighted mean is 3.3% (0.5% greater than for 2013). However, there is substantial heterogeneity in the 2014 expectations, with Peru and Paraguay having the highest expected growth at 6.0% and 5.8% respectively and Brazil and Uruguay the lowest (2.6% and 3.2% respectively). Both simple average and GDP weighted growth expectations declined by 0.3% July. The main driver of these results is the substantial contraction of expected growth for 2014 in Brazil that declined 0.5% between June and July.

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



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

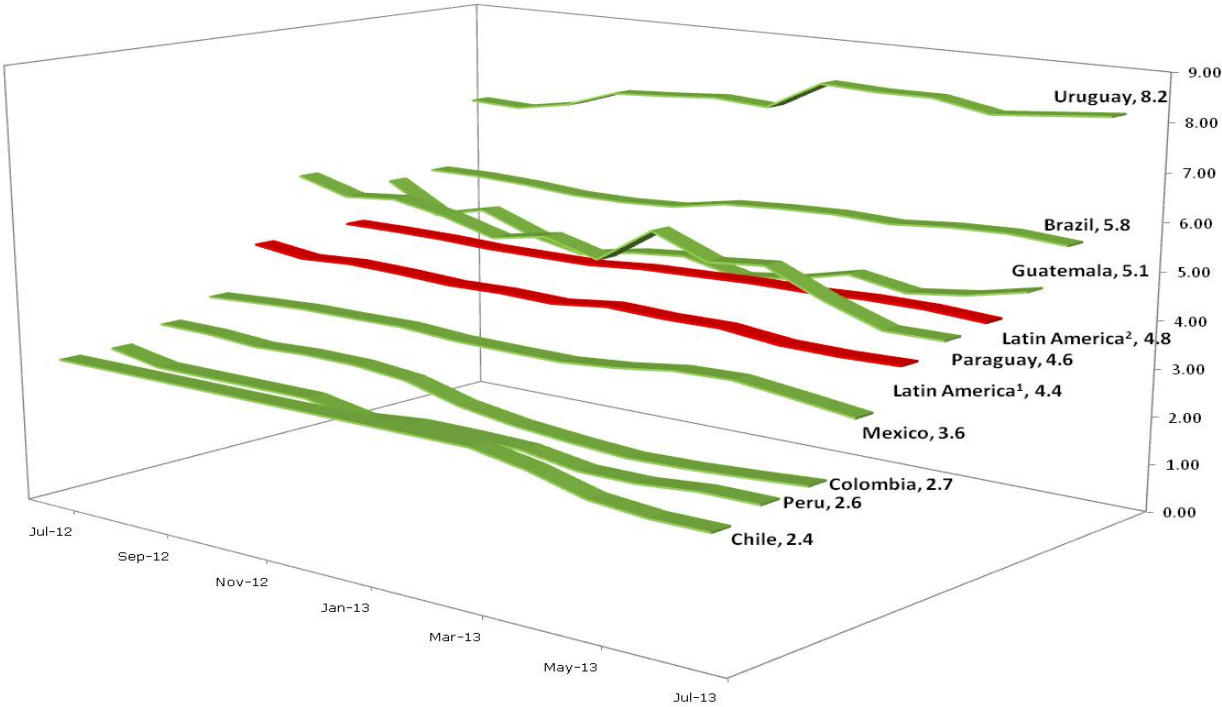
¹ Refers to the simple average of the eight inflation targeting countries.

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

C. Inflation

The simple mean inflation expectations remained stable this month but the GDP weighted average declined by 0.1%. This is consistent with the fact that, while there was a substantial increase for those expectations in Guatemala (0.3%), this was compensated by decreases in Brazil (0.1%) and Mexico (0.2%). Inflation expectations increased slightly (0.1%) in Colombia and Uruguay and remained stable in the three other countries (Chile, Peru and Paraguay). Compared to six months ago, inflation expectations measured both as a simple average or a GDP adjusted mean have remained stable. However, this result hides significant individual variations among countries. On the one hand, inflation expectations have increased over the last six months in Brazil, Guatemala and Uruguay, 0.2%, 0.3% and 0.6% respectively. On the other hand, inflation expectations in Colombia and Peru are now 0.2% and 0.1% below their values six months ago. More remarkably, Chile and Paraguay have accumulated a significant decline of inflation expectations over this same time frame, their respective declines are 0.6% and 0.5%. Only Mexico has now brought back its expectations to the value it had six months ago (3.6%).

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



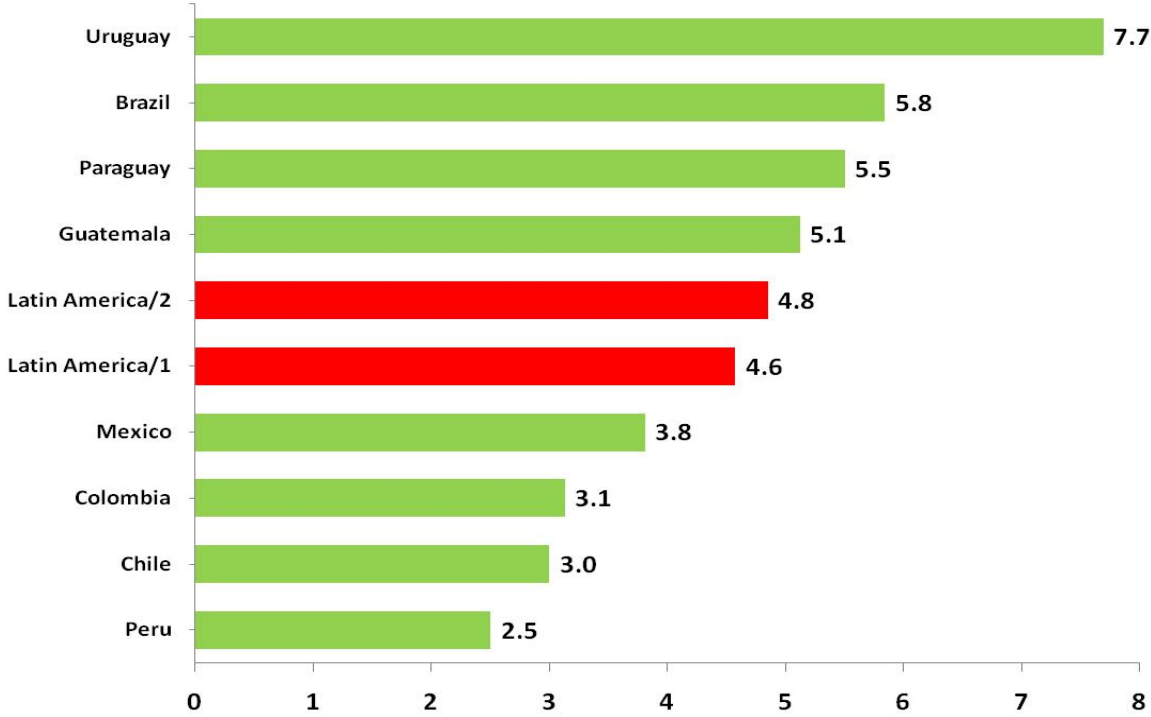
Source: REVELA, IDB 2013. Data available for download [here](#).

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 is currently 4.6% and 4.8% (simple mean and GDP weighted mean respectively). However, there is a widening range across countries: from 7.7% in Uruguay, to 2.5% in Peru. In July, expectations for 2014 inflation remained stable in all countries below the regional average (Peru, Chile, Colombia and Mexico) and also in Brazil. Conversely they increased in Guatemala, from 4.9% to 5.1%, Paraguay from 5.3% to 5.5% and in Uruguay from 7.5% to 7.7%.

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



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 opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the Inter-American Development Bank, its Board of Directors, or the countries they represent. The unauthorized commercial use of Bank documents is prohibited and may be punishable under the Bank’s policies and/or applicable laws.

Copyright © 2012 Inter-American Development Bank. All rights reserved; may be freely reproduced for any non-commercial purpose.