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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 August surveys conducted by Central Banks in the region, expected growth for 2015 has fallen while expected inflation has increased. Growth expectations fell in five countries, remained stable in two and rose in one compared to the previous month. Inflation expectations increased in five countries, remained constant in a further two and fell in one.

In August, the 2015 simple average growth

expectations for the region decreased by 0.1% and the GDP weighted average growth expectations fell by 0.2%. The most significant declines in growth expectations were observed in Brazil and Mexico by 0.3% in both cases. Further falls occurred in Peru by 0.2% and in Chile and Uruguay by 0.1% in both countries. Growth expectations remained stable in Paraguay at 4.0% and in Colombia at 3.5%.

Inflation expectations for 2015 have increased both on the simple average basis (by 0.2%) and on the GDP weighted average basis (by 0.1%). They have increased in Uruguay by 0.5%, Chile by 0.4%, Colombia by 0.3%, Peru by 0.2% and Brazil by 0.1%. Inflation expectations remained stable in Paraguay at 4.5% and Mexico at 2.8% and decreased in Guatemala by 0.1%.

Table 1. Growth and Inflation Expectations for 2015

Country	Growth expectation (percentage expected for 2015)		Inflation expectation (percentage expected for 2015)	
	as of Aug 2015	Jul-Aug change	as of Aug 2015	Jul-Aug change
	Brazil	-2.0	↓ -0.3	9.3
Chile	2.2	↓ -0.1	4.2	↑ 0.4
Colombia	3.5	⇒ 0.0	4.2	↑ 0.3
Guatemala	3.8	↑ 0.1	3.2	↓ -0.1
Mexico	2.3	↓ -0.3	2.8	⇒ 0.0
Paraguay	4.0	⇒ 0.0	4.5	⇒ 0.0
Peru	2.8	↓ -0.2	3.3	↑ 0.2
Uruguay	2.7	↓ -0.1	9.2	↑ 0.5
Eight country average	2.4	↓ -0.1	5.1	↑ 0.2

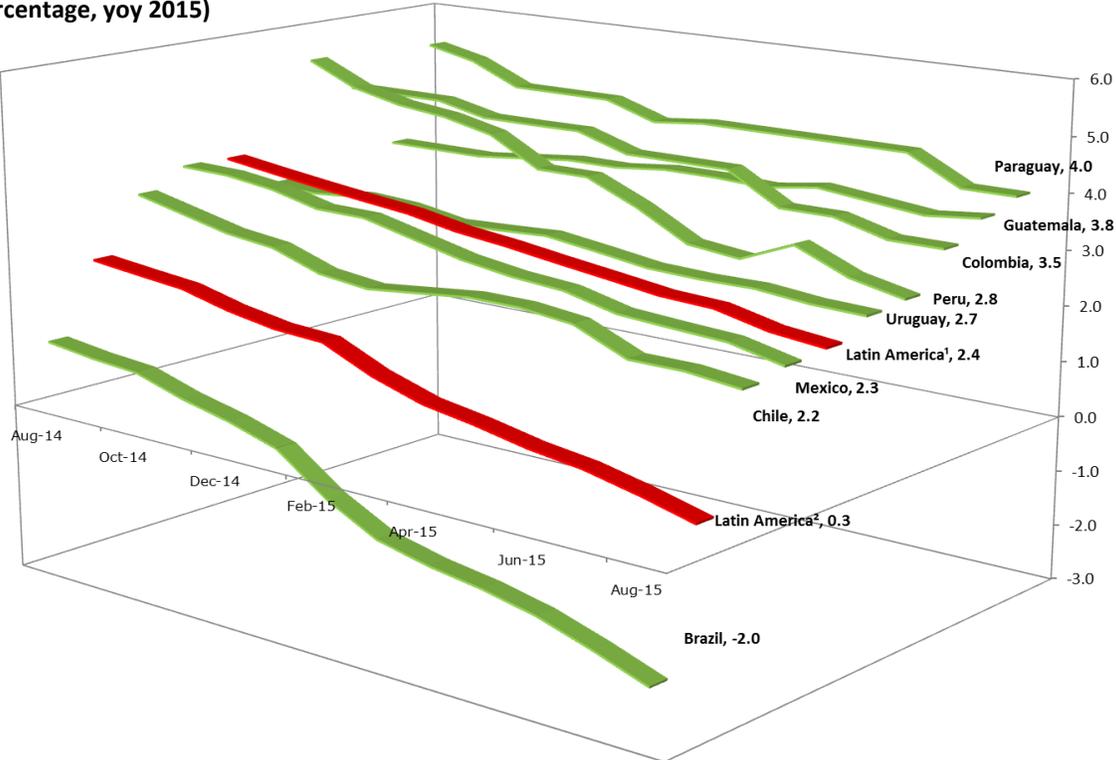
Source: REVELA, IDB 2015. Data available for download [here](#).

B. Growth

Over the course of August, growth expectations for the region for 2015 fell considering both the simple mean by 0.1% (from 2.5% to 2.4%) and the GDP weighted mean by 0.2% - from 0.5% to 0.3%. Growth expectations then continued their downward path observed during the previous and present year, with thirteen month of uninterrupted declines on the simple average growth expectations. Significant declines were observed in the two largest countries of the region: Brazil by 0.3% from -1.7% to -2.0%, and Mexico by 0.3% from 2.6% to 2.3%; followed by Peru by 0.2% from 3.0% to 2.8%. More modest declines were observed in Uruguay by 0.1%, from 2.8% to 2.7%, and in Chile by 0.1%, from 2.3% to 2.2%. Growth expectations have remained stable in Paraguay at 4.0% and in Colombia at 3.5%. Guatemala is the only country of the sample where growth expectations have risen compared to previous month, by 0.1% from 3.7% to 3.8%. This way, growth expectations for the region in August, rank from -0.3% in Brazil to 4.0% in Paraguay.

Compared to surveys six months ago, growth expectations for 2015 have declined both on the simple average and on the weighted average basis, by 0.7% on the former and by 1.2% on the latter. The most significant cumulative declines were observed in Brazil by 1.6% and Peru by 1.2%, followed by Mexico and Colombia with falls of 0.8% in both cases. Further cumulative declines were observed in Chile by 0.5%, Paraguay by 0.5% and Uruguay by 0.4%. Guatemala is the only country where growth expectations for the present year have remained constant at 3.8% in the past six months.

Figure 1. Market Expectations of Growth
(Percentage, yoy 2015)



Source: REVELA, IDB 2015. Data available for download [here](#).

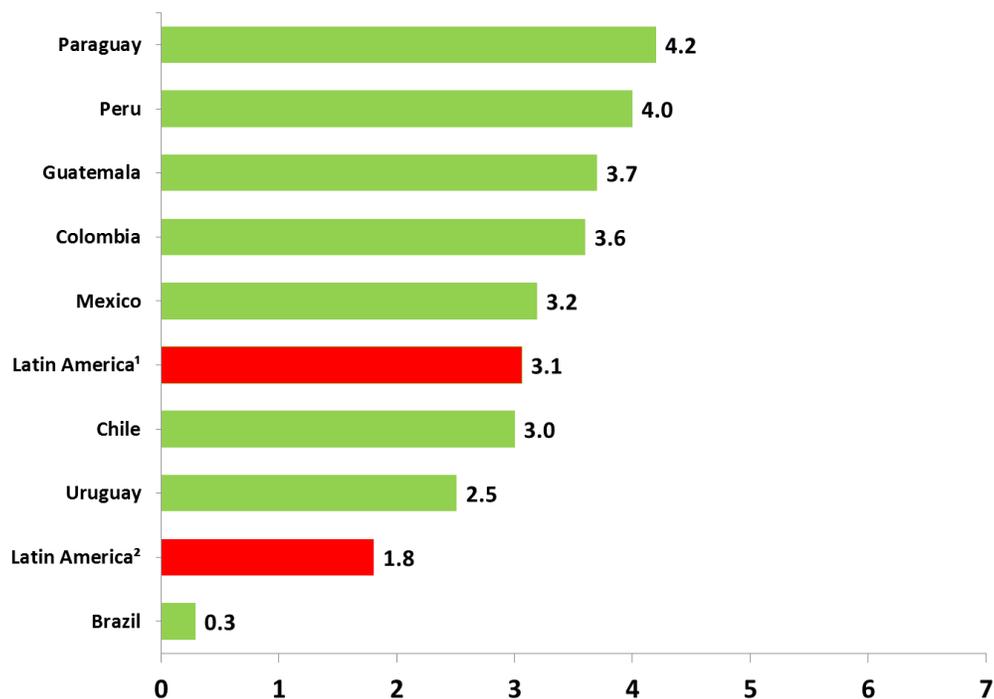
¹ Refers to the simple average of the eight inflation targeting countries.

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

Both the simple mean and the GDP weighted mean growth expectations for 2016 declined in August, the former by 0.2% from 3.1% to 2.9%, and the latter by 0.3% from 1.8% to 1.5%. Growth expectations for the next year fell in five countries, remained constant in two and rose in one, ranging now from -0.2% in Brazil to 4.0% in Paraguay. The most significant decline was observed in Brazil, where growth expectations for next year went below zero for the first time in 2015 surveys, decreasing by 0.5% from 0.3% to -0.2%. Further declines were observed in Peru by 0.3% from 4.0% to 3.7%, and by 0.2% in Chile (from 3.0% to 2.8%), Mexico (from 3.2% to 3.0%), and Paraguay (from 4.2% to 4.0%). Colombia is the only country where growth expectations for 2016 remained stable (at 3.6%), and Guatemala is the only one with higher growth expectations for next year with an increase of 0.2%, from 3.7% to 3.9% compared to previous month.

Compared to the previous six months, 2016 growth expectations for the region fell by 0.8% on the simple average basis and by 1.1% on the weighted average basis. At a country level, growth expectations have decreased in seven countries: Brazil by 1.6%, Paraguay by 0.8%, Peru by 0.8%, Chile by 0.7%, Colombia by 0.7%, and Mexico by 0.6%. Guatemala is the only country where growth expectations for 2016 have remained stable at 3.9% over the last six months.

Figure 2. Growth Market Expectations
(Percentage, yoy 2016)



Source: REVELA, IDB 2015. Data available for download [here](#).

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

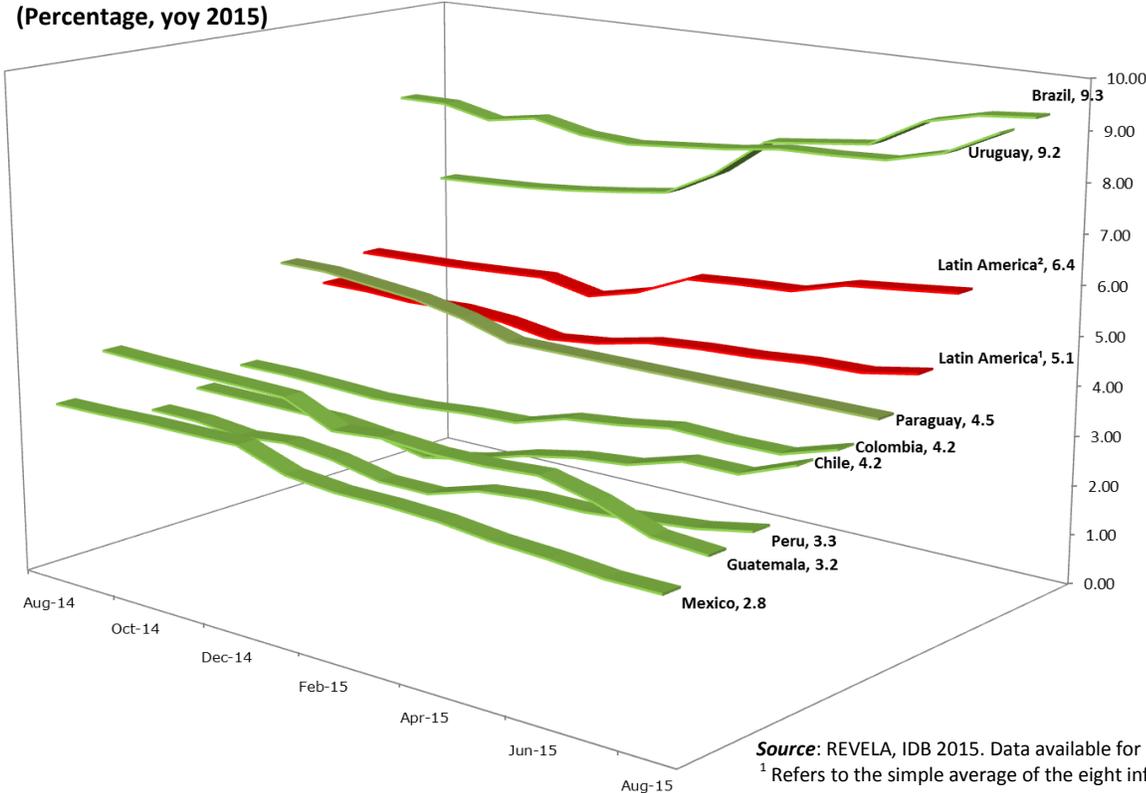
² Refers to the GDP weighted average of the eight inflation targeting countries.

C. Inflation

Inflation expectations for 2015 rose by 0.2% from 4.9% to 5.1% in the region on the simple average basis, and by 0.1% from 6.3% to 6.4% on the GDP weighted average basis compared to the previous month. At the individual country level, inflation expectations increased in five countries, remained constant in two and decreased in one. The most significant increase in inflation expectations was observed in Uruguay by 0.5% from 8.7% to 9.2%, followed by Chile with a rise of 0.4% from 3.8% to 4.2% and Colombia by 0.3% from 3.9% to 4.2%. Further increases were observed in Peru by 0.2%, from 3.1% to 3.3%, and in Brazil by 0.1% from 9.2% to 9.3%. Inflation expectations remained stable in Paraguay at 4.5% and Mexico at 2.8%, and fell in Guatemala by 0.1% from 3.3% to 3.2%. Expected inflation for 2015 now ranks from 2.8% in Mexico to 9.3% in Brazil.

Compared to six months ago, inflation expectations for 2015 have increased on the simple average basis by 0.7%, and on the GDP weighted average basis by 1.1%. The most significant cumulative increases have been observed in Brazil with a rise of 2.0%, followed by Chile (1.3%), Uruguay (1.2%), Colombia (0.8%) and Peru (0.8%). Inflation expectations remained stable in Paraguay at 4.5%, and decreased in Guatemala by 0.7% and in Mexico by 0.3% over the last six months.

Figure 3. Inflation Market Expectations (Percentage, yoy 2015)



Source: REVELA, IDB 2015. Data available for download [here](#).

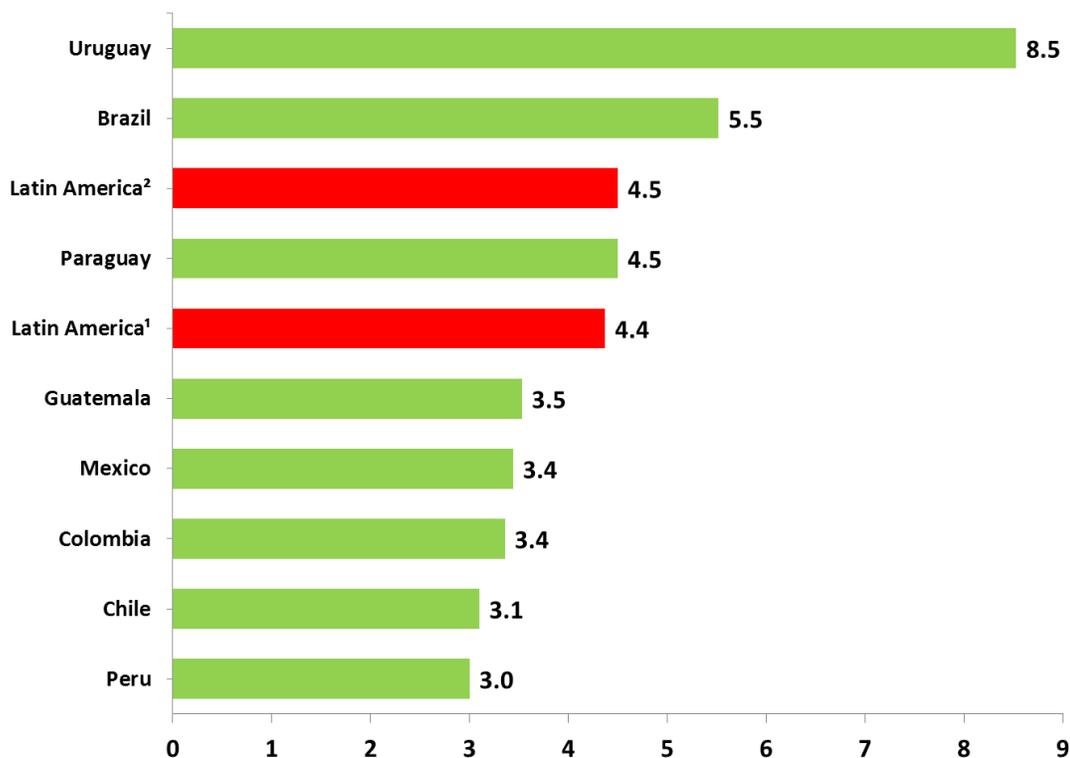
¹ Refers to the simple average of the eight inflation targeting countries.

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

Inflation expectations for 2016 have increased by 0.1% both on the simple average from 4.3% to 4.4%, and on the GDP weighed average basis from 4.4% to 4.5%, compared to the previous month. At country level, inflation expectations for next year increased in four countries, remained stable in three and decreased in one. They rose in Uruguay by 0.3% from 8.2% to 8.3%, in Colombia by 0.2% from 3.2% to 3.4%, in Chile by 0.1% from 3.0% to 3.1% and in Mexico by 0.1% from 3.3% to 3.4%. Inflation expectations for 2016 remained stable in Paraguay at 4.5% and in Peru at 3.0%, and decreased in Guatemala by 0.1% from 3.6% to 3.5%. With this evolution, inflation expectations for 2016 now rank from 3.0% in Peru to 8.5% in Uruguay.

Compared to expectations six months ago, expected inflation for the region for next year has increased by 0.1% on a simple average basis and has remained constant on a GDP weighted average basis at 4.5%. At a country level, expectations have evolved heterogeneously, rising in four countries, remaining constant in one and falling in two. Six months cumulative increases have been observed in Uruguay (+0.6%), Peru (0.5%), Colombia (0.2%) and Chile (0.1%). Inflation expectations for 2016 have remained stable in Paraguay at 4.5% and have decreased in Guatemala by 0.6% and Brazil by 0.1%.

Figure 4. Inflation Market Expectations
(Percentage, yoy 2016)



Source: REVELA, IDB 2015. Data available for download [here](#).

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