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Revelation of Expectations in Latin America

Issue XXXV – October, 2015

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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, growth expectations for 2015 have fallen while inflation expectations have increased in the region. Expected growth fell in four countries and remained stable in a further four. Expected inflation increased in five countries, decreased in two and remained constant in one.

In September, the 2015 simple average growth expectations for the region decreased by 0.2% and the GDP

weighted average growth expectations fell by 0.4%. Driven by Brazil, GDP weighted growth expectations for the region for 2015 fell below zero for the first time in the last two years. The most significant declines in growth expectations were observed in Brazil by 0.7% and Uruguay by 0.4%, followed by Guatemala and Paraguay with falls of 0.1% in both cases. Growth expectations remained stable in Chile, Colombia, Mexico and Peru.

The simple average inflation expectations for 2015 increased by 0.2% and the GDP weighted average expectations rose 0.1%. The most significant increases were observed in Chile, Colombia and Peru (0.5% in all three cases), followed by Uruguay (0.4%) and Brazil (0.2%). Mexico is the only country where inflation expectations remained stable at 2.8%, and decreases were observed in Guatemala (0.2%) and Paraguay (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 Sep 2015	Aug-Sep change	as of Sep 2015	Aug-Sep change
Brazil	-2.7	↓ -0.7	9.5	↑ 0.2
Chile	2.2	⇒ 0.0	4.7	↑ 0.5
Colombia	3.5	⇒ 0.0	4.7	↑ 0.5
Guatemala	3.7	↓ -0.1	3.0	↓ -0.2
Mexico	2.3	⇒ 0.0	2.8	⇒ 0.0
Paraguay	3.9	↓ -0.1	4.4	↓ -0.1
Peru	2.8	⇒ 0.0	3.8	↑ 0.5
Uruguay	2.3	↓ -0.4	9.6	↑ 0.4
Eight country average	2.2	↓ -0.2	5.3	↑ 0.2

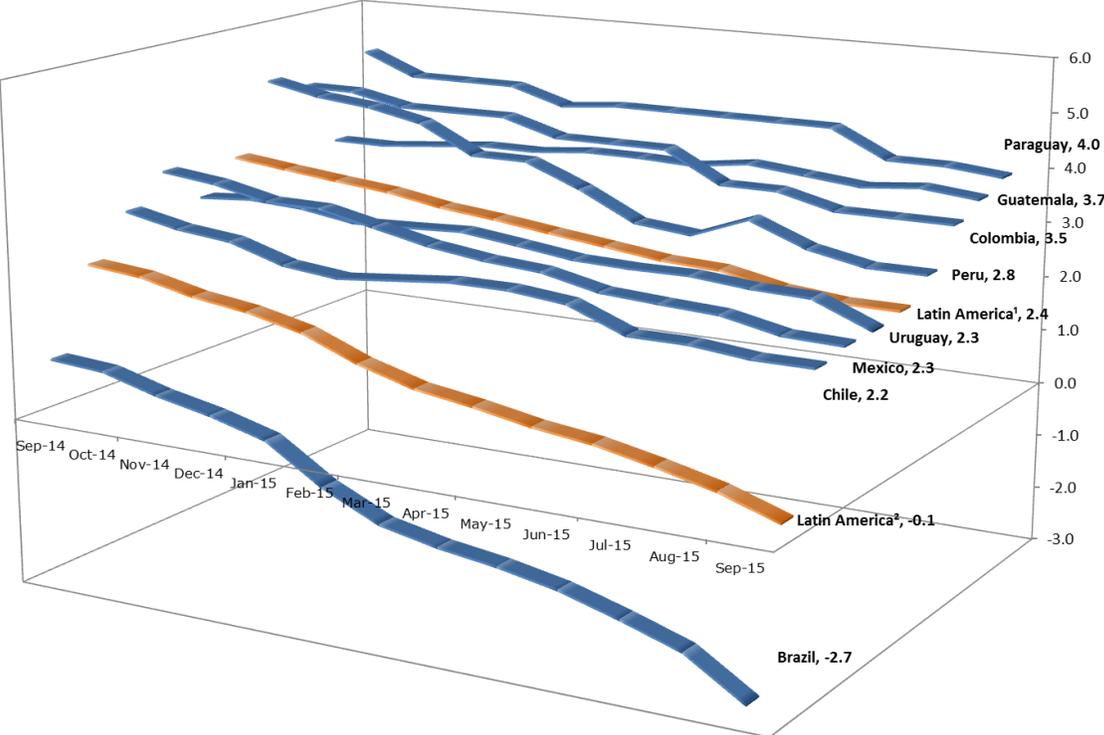
Source: REVELA, IDB 2015. Data available for download [here](#).

B. Growth

Growth expectations for the region for 2015 fell by 0.2% from 2.4% to 2.2% on a simple average basis over the course of September. GDP weighted average growth expectations decreased by 0.4% from 0.3% to -0.1%. Growth expectations for the region not only continued their downward path observed during the last two years, but also for the first time in that period they fell below zero. The significant reduction in weighted average expectations is driven by a fall of 0.7% in Brazil’s growth expectation, from -2.0% to -2.7%. Further falls were observed in Uruguay by 0.4% from 2.7% to 2.3%, and Paraguay by 0.1% from 4.0% to 3.9% and Guatemala by 0.1% from 3.8% to 3.9%. Growth expectations for 2015 remained stable four countries: Colombia at 3.5%, Peru at 2.8%, Mexico at 2.3% and Chile at 2.2%. No increases in growth expectations were observed in any country covered by REVELA. Now, 2015 growth expectations for the region rank from -2.7% in Brazil to 3.9% in Paraguay.

Compared to the surveys six months ago, growth expectations for 2015 have declined both in terms of the simple average and the weighted average, by 0.8% on the former and by 1.3% according to the latter. Six month cumulative declines were observed in all eight countries of the sample including a decline of 1.8% in Brazil, 0.8% in Colombia and Peru, 0.7% in Mexico and Uruguay, 0.6% in Chile and Paraguay, and 0.1% in Guatemala.

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



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

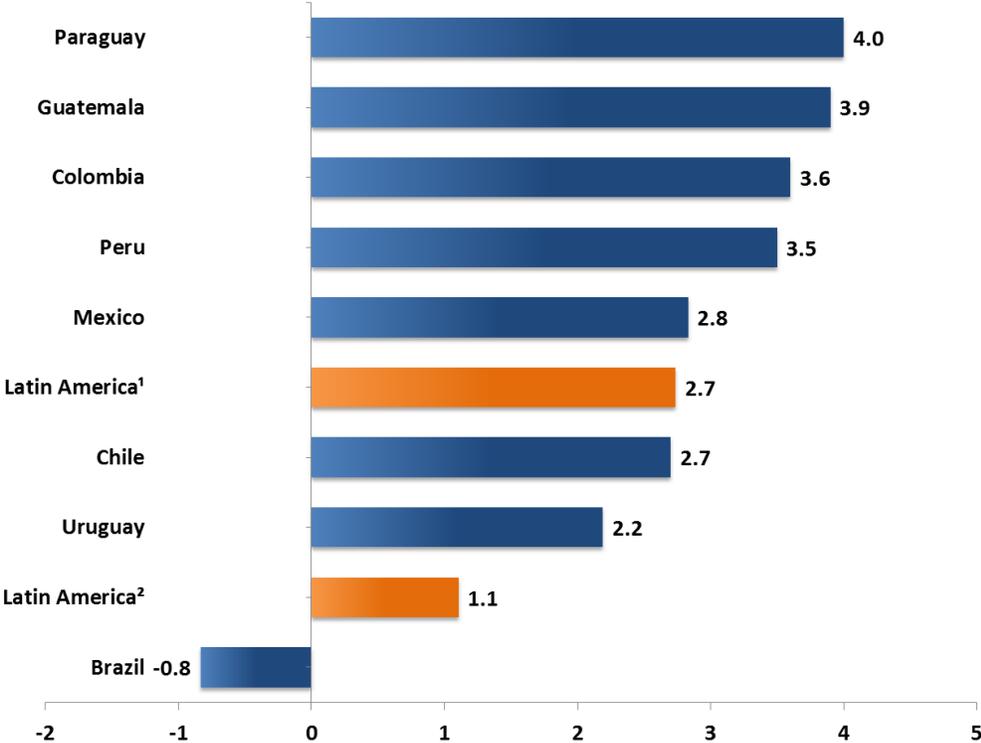
¹ Refers to the simple average of the eight inflation targeting countries.

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

Growth expectations for 2016 fell both, on a simple average basis by 0.2% from 2.9% to 2.7%, and on a GDP weighted average basis by 0.4% from 1.5% to 1.1%. At the individual country level, growth expectations for next year decreased in five countries and remained stable in three. The most significant decline was observed in Brazil by 0.6% from -0.2% to -0.8%. More modest declines were observed Uruguay by 0.3% from 2.5% to 2.2%, Peru by 0.2% from 3.7% to 3.5%, Mexico by 0.2% from 3.0% to 2.8% and Chile by 0.1% from 2.8% to 2.7%. Compared to previous month, growth expectations for next year remained stable in Paraguay at 4.0%, Guatemala at 3.9% and Colombia at 3.6%. Now, growth expectations for 2016 rank from -0.8% in Brazil to 4.0% in Paraguay.

Compared to expectations six months ago, 2016 expected growth decreased by 0.8% on the simple average and by 1.3% on the GDP weighted average. At the individual country level, growth expectations for 2016 fell in Brazil by 2.0%, Peru by 1.0%, Uruguay by 0.9%, Chile by 0.8%, Colombia and Paraguay by 0.7% in both cases, and Mexico by 0.3%. Guatemala is the only country where growth expectations for next year rose by 0.2% compared to the previous 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.

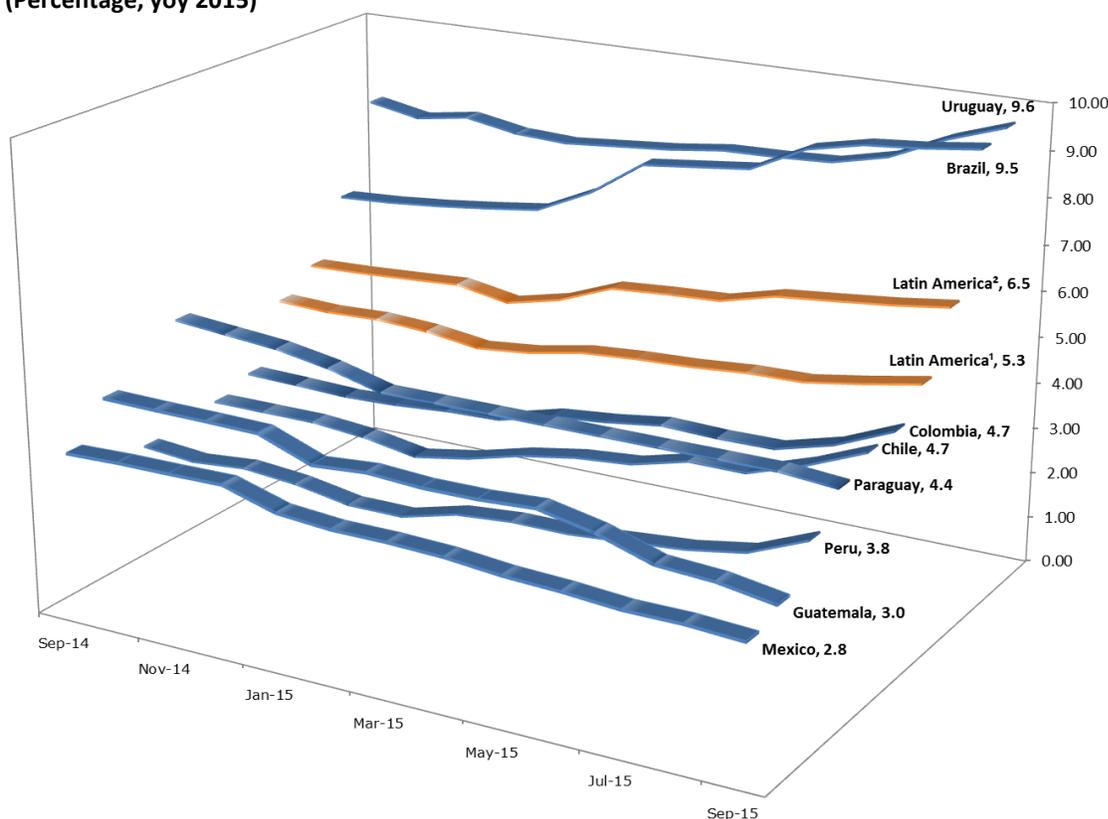
² Refers to the GDP weighted average of the eight inflation targeting countries.

C. Inflation

Over the course of September, inflation expectations for 2015 increased by 0.2% from 5.1% to 5.3% considering the simple average, and by 0.1% from 6.4% to 6.5% on a GDP weighted average basis. Inflation expectations rose by 0.5% in three countries: Chile (from 4.2% to 4.7%), Colombia (from 4.2% to 4.7%) and Peru (from 3.3% to 3.8%). Further increases were observed in Uruguay by 0.4% from 9.2% to 9.6% and Brazil by 0.2% from 9.3% to 9.5%. Inflation expectations remained constant in Mexico at 2.8% and fell in Guatemala by 0.2% from 3.2% to 3.0% and in Paraguay by 0.1% from 4.5% to 4.4% compared to previous month. Now, expected inflation for the region ranges from 2.8% in Mexico to 9.6% in Uruguay.

Compared to previous six months, expected inflation increased by 0.6% on the simple average basis, and by 0.8% on the GDP weighted average basis. The most significant cumulative increases were observed in Chile and Uruguay by 1.5% in both cases, and in Brazil by 1.4%. Further increases were observed Colombia and Peru by 1.0% in both countries. Inflation expectations fell in Guatemala by 0.8%, in Mexico by 0.3% and Peru by 0.1% compared to expectations six months ago.

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



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

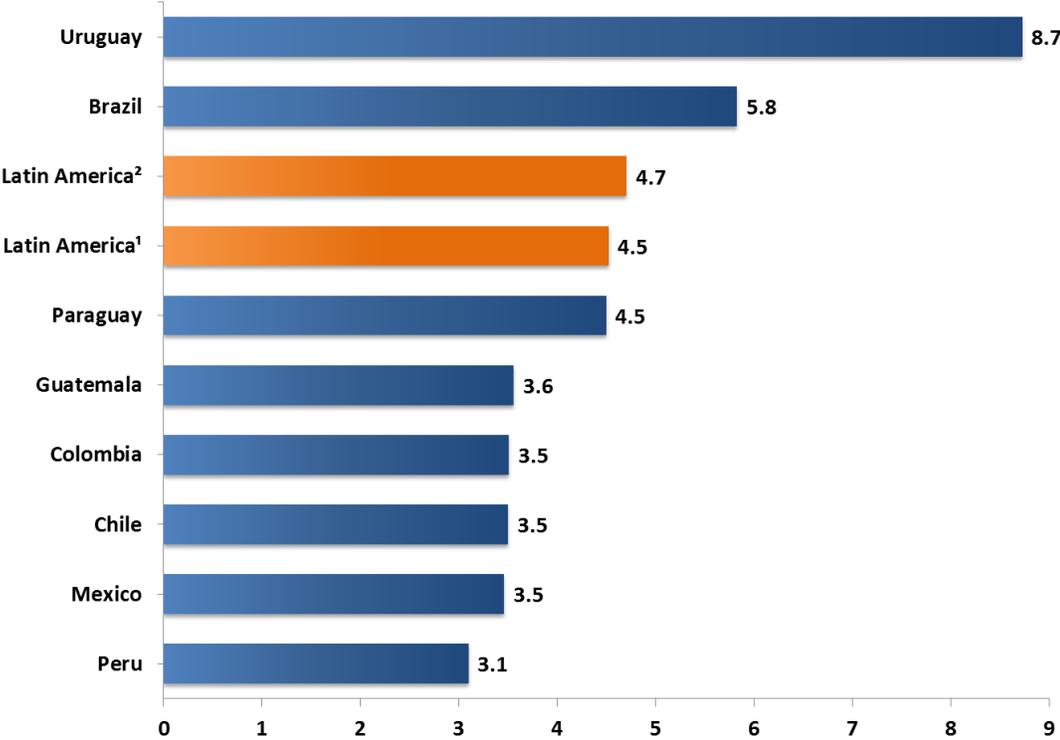
¹ Refers to the simple average of the eight inflation targeting countries.

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

Inflation expectations for 2016 have increased compared to the previous month both on a simple average and on a weighted average basis - the former by 0.1% from 4.4% to 4.5% and the latter by 0.2% from 4.5% to 4.7%. At the individual country level, expected inflation for 2016 increased in by 0.4% in Chile from 3.1% to 3.5%, by 0.3% in Brazil from 5.5% to 5.8%, by 0.2% in Uruguay from 8.5% to 8.7%, and by 0.1% in four countries: Guatemala (from 3.5% to 3.6%), Colombia (by 3.4% to 3.5%), Mexico (from 3.4% to 3.5%) and Peru (from 3.0% to 3.1%). Finally, 2016 expected inflation remained stable in Paraguay at 4.5% compared to previous month. Now, inflation expectations for next year rank from 3.1% in Peru to 8.7% in Uruguay.

Compared to expectations six months ago, 2016 inflation expectations have increased by 0.2% both on the simple average and on the GDP weighted average basis. At the individual country level, inflation expectations for next year increased in Uruguay by 0.9%, Chile by 0.5%, Peru by 0.4%, Colombia by 0.3% and Brazil by 0.1%. They remained stable in Paraguay at 4.5% and Mexico at 3.5% and fell in Guatemala by 0.5%.

Figure 4. Inflation 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.

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