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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, 2016 growth expectations decreased by 0.1% and inflation expectations increased by 0.2% in February. At the individual country level, growth expectations rose in three countries, remained constant in one and fell in four. Inflation expectations increased in five countries, remained constant in two and fell in one.

Growth expectations for 2016 increased by 0.2% in Paraguay, and by 0.1% both in

Guatemala and Peru. They remained constant in Colombia at 3.0% and fell in Brazil by 0.4%, in Chile and Mexico by 0.2% in the two cases and in Uruguay by 0.1%.

Inflation expectations for 2016 increased by 0.7% in Colombia, by 0.5% in Brazil, by 0.2% both in Mexico and Paraguay, and by 0.1% in Chile. They remained constant in Guatemala at 3.9% and in Peru at 3.5%, and decreased in Uruguay by 0.2%.

Table 1. Growth and Inflation Expectations for 2016

Country	Growth expectation (percentage expected for 2016)		Inflation expectation (percentage expected for 2016)	
	as of Feb 2016	Jan-Feb change	as of Feb 2016	Jan-Feb change
	Brazil	-3.4	↓ -0.4	7.6
Chile	1.9	↓ -0.2	3.6	↑ 0.1
Colombia	3.0	⇒ 0.0	5.5	↑ 0.7
Guatemala	3.8	↑ 0.1	3.9	⇒ 0.0
Mexico	2.5	↓ -0.2	3.3	↑ 0.2
Paraguay	3.3	↑ 0.2	4.7	↑ 0.2
Peru	3.3	↑ 0.1	3.5	⇒ 0.0
Uruguay	1.1	↓ -0.1	9.7	↓ -0.2
Eight country average	1.9	↓ -0.1	5.2	↑ 0.2

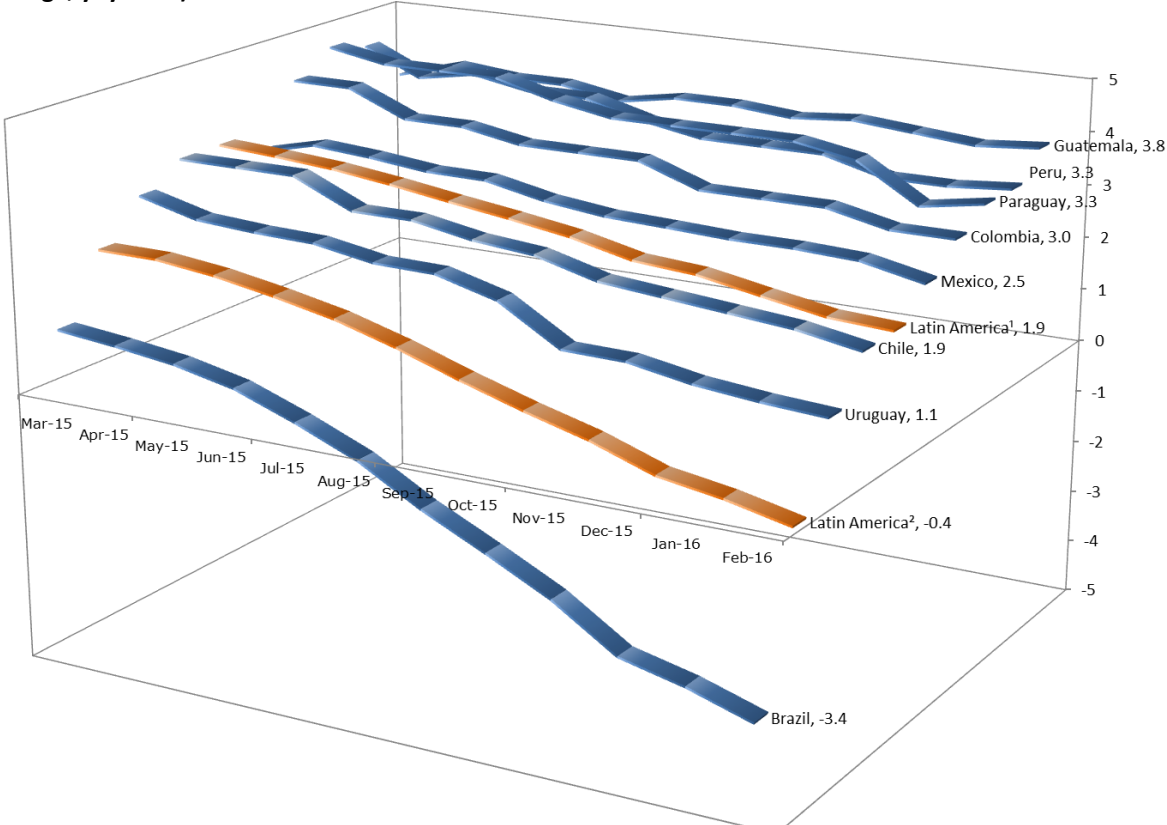
Source: REVELA, IDB 2015. Data available for download [here](#).

B. Growth

In February, growth expectations for the region for 2016 fell by 0.1% from 2.0% to 1.9% according to the simple average and by 0.3% from -0.1% to -0.4% according to the GDP weighted average, compared to the previous month. At the individual country level growth expectations evolved heterogeneously for the eight countries covered by *Revela*, rising in three, falling in four and remaining stable in one. Growth expectations rose in Paraguay by 0.2% from 3.1% to 3.3%, in Guatemala by 0.1% from 3.7% to 3.8% and in Peru by 0.1% from 3.2% to 3.3. On the contrary, growth expectations fell in Brazil by 0.4% from -3.0% to -3.4%. Brazil is the only country of the sample with negative expected growth for 2016 and the main driver for the negative GDP weighted mean growth expectations. Further declines were observed in Chile by 0.2% from 2.1% to 1.9%, in Mexico by 0.2% from 2.7% to 2.5% and in Uruguay by 0.1% from 1.2% to 1.1%. Colombia is the only country where expected growth remained constant for 2016 at 3.0% in February. February surveys indicate that growth expectations for 2016 are particularly disperse for the eight countries in the sample, ranking from -3.4% in Brazil to 3.8% in Guatemala.

Compared to surveys six months ago, 2016 growth expectations for the region fell by 1.0% on a simple average basis and by 1.9% on a GDP weighted average basis. The most significant cumulative fall was observed in Brazil by 3.2%, followed by Uruguay (by 1.4%), Chile (by 0.9%), Paraguay (by 0.7%), Colombia (by 0.6%), Mexico (by 0.5%), Peru (by 0.4%) and Guatemala (by 0.1%).

Figure 1. Market Expectations of Growth
(Percentage, yoy 2016)



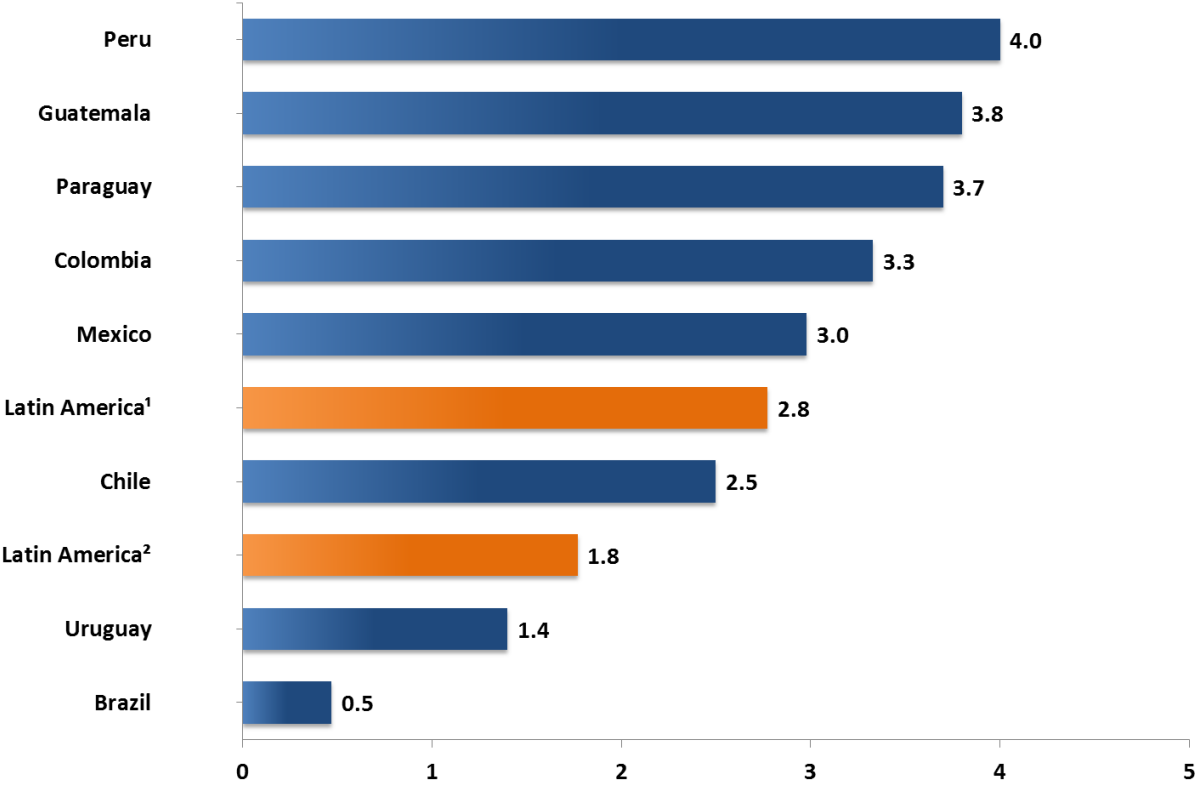
Source: REVELA, IDB 2016. Data available for download [here](#).

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.

In February 2016, growth expectations for 2017 remained constant at 2.8% on a simple average basis and fell by 0.1% from 1.9% to 1.8% on a GDP weighted average basis compared to previous month's surveys. At the individual country level, expected growth for the next year increased in one country, remained constant in three and fell in four. Inflation expectations for 2017 rose in Paraguay by 0.2% from 3.5% to 3.7%, and remained constant in Peru at 4.0%, Colombia at 3.3% and Uruguay at 1.4%. On the contrary, they fell in Chile by 0.3% from 2.8% to 2.5%, in Brazil by 0.2% from 0.7% to 0.5%, in Mexico by 0.2% from 3.2% to 3.0% and in Guatemala by 0.1% from 3.9% to 3.8% compared to previous month's survey. 2017 growth expectations now rank from 0.5% in Brazil to 4.0% in Peru.

Figure 2. Growth Market Expectations
(Percentage, yoy 2017)



Source: REVELA, IDB 2016. Data available for download [here](#).

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

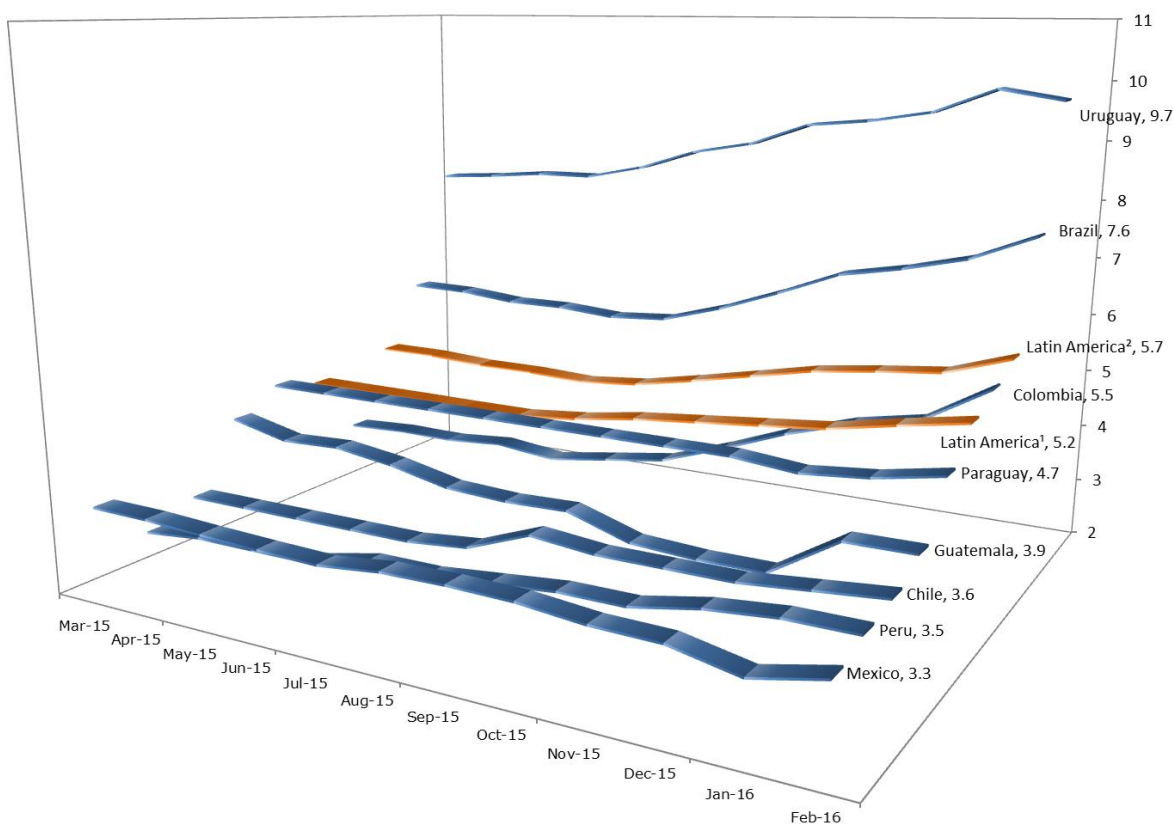
² Refers to the GDP weighted average of the eight inflation targeting countries.

C. Inflation

According to the February surveys, the simple mean inflation expectations for 2016 increased by 0.2% from 5.0% to 5.2%, while the GDP weighted mean increased by 0.3% from 5.4% to 5.7% compared to January. At the individual country level, the most significant increase was observed in Colombia by 0.7% from 4.8% to 5.5%, followed by Brazil with a rise of 0.5% from 7.1% to 7.6%. Further increases included Paraguay by 0.2% from 4.5% to 4.7%, Mexico by 0.2% from 3.1% to 3.3% and Chile by 0.1% from 3.5% to 3.6%. Inflation expectations remained constant in Guatemala at 3.9% and in Peru at 3.5%. Finally, they decreased in Uruguay by 0.2% from 9.9% to 9.7%. Even with this last decline, Uruguay remains as the country with the highest inflation expectations in the region (9.7%) and Mexico as the country with the lowest level (3.3%) for 2016.

Compared to surveys six months ago, inflation expectations for the region for 2016 increased by 0.8% on a simple average basis and by 1.2% on a GDP weighted average basis. Six months cumulative increases were observed in seven out of eight countries covered by *Revela*: Brazil and Colombia by 2.1% in both cases, Uruguay by 1.2%, Chile and Peru by 0.5% in both cases, Guatemala by 0.4% and Paraguay by 0.2%. Finally, Mexico is the only country with a six month cumulative decline (by 0.1%) in inflation expectations.

Figure 3. Inflation Market Expectations
(Percentage, yoy 2016)



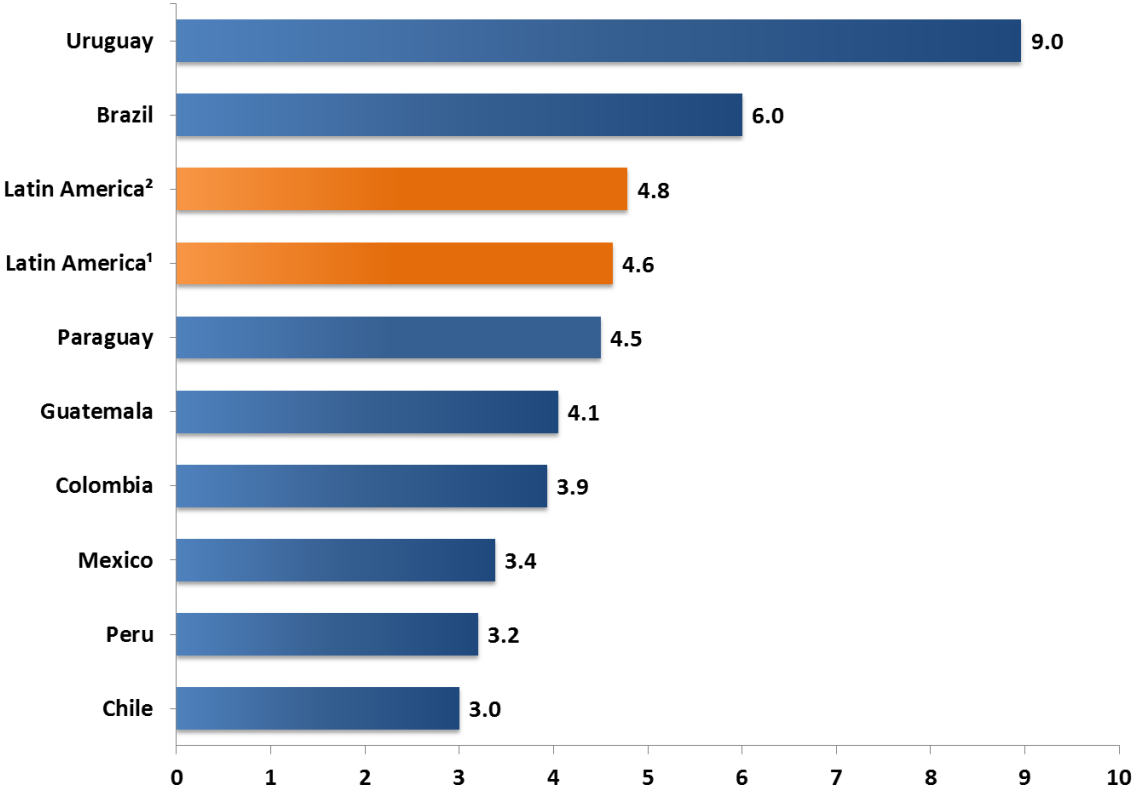
Source: REVELA, IDB 2016. Data available for download [here](#).

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In February 2016, inflation expectations for the region for 2017 increased by 0.1% on a simple average basis from 4.5% to 4.6% and by 0.3% on a GDP weighted average basis from 4.5% to 4.8%, compared to previous month's surveys. At the individual country level, inflation expectations for 2017 rose in five countries and remained constant in three. Increases were observed in Brazil by 0.5% from 5.5% to 6.0%, Colombia by 0.2% from 3.7% to 3.9%, Peru by 0.2% from 3.0% to 3.2%, Guatemala by 0.1% from 4.0% to 4.1% and Mexico by 0.1% from 3.3% to 3.4%. 2017 inflation expectations remained constant in Uruguay at 9.0%, Paraguay at 4.5% and Chile at 3.0%. The highest level of inflation expectations for next year is observed in Uruguay (9.0%) while the lowest level is observed in Chile (3%).

Figure 4. Inflation Market Expectations
(Percentage, yoy 2017)



Source: REVELA, IDB 2016. Data available for download [here](#).

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