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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 in May, growth expectations for 2016 remained constant at 1.7% compared to the previous month. Similarly, inflation expectations for the region remained stable at 5.3%. At the individual country level growth expectations remained constant in six countries and fell in two, while inflation expectations remained constant in four countries, increased in three and fell in one.

Growth expectations fell in Brazil and Peru by 0.1% in both cases and remaining constant in the other six countries: Guatemala at 3.7%, Paraguay at 3.0%, Colombia at 2.9%, Mexico at 2.4%, Chile at 1.7% and Uruguay at 0.3%. Expected growth ranges from -3.9% in Brazil to 3.7% in Guatemala.

Inflation expectations fell only in Mexico by 0.1%, and remained constant in four countries: Uruguay at 10.1%, Colombia at 6.0%, and Chile and Peru at 3.5%. They increased in Paraguay by 0.2% and in Brazil and Guatemala by 0.1% Inflation expectations for the region range from 3.1% in Mexico to 10.1% in Uruguay.

Table 1. Growth and Inflation Expectations for 2016

Country	Growth expectation (percentage expected for 2016)		Inflation expectation (percentage expected for 2016)	
	as of May 2016	Apr-May change	as of May 2016	Apr-May change
	Brazil	-3.9	↓ -0.1	7.1
Chile	1.7	⇒ 0.0	3.5	⇒ 0.0
Colombia	2.9	⇒ 0.0	6.0	⇒ 0.0
Guatemala	3.7	⇒ 0.0	4.3	↑ 0.1
Mexico	2.4	⇒ 0.0	3.1	↓ -0.1
Paraguay	3.0	⇒ 0.0	4.8	↑ 0.2
Peru	3.5	↓ -0.1	3.5	⇒ 0.0
Uruguay	0.3	⇒ 0.0	10.1	⇒ 0.0
Eight country average	1.7	⇒ 0.0	5.3	⇒ 0.0

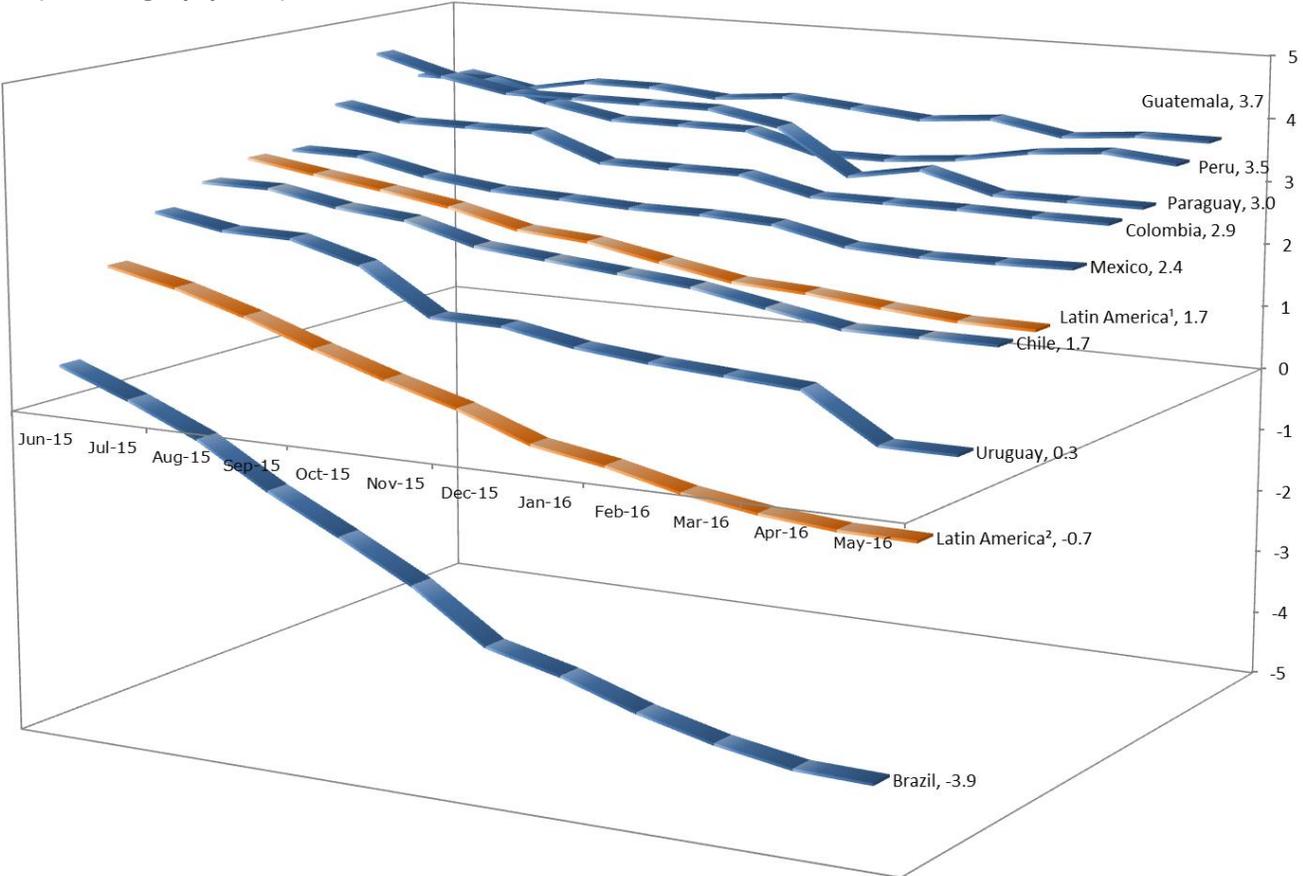
Source: REVELA, IDB 2015. Data available for download [here](#).

## B. Growth

Growth expectations for the region for 2016 remained stable in May, according to both the simple average basis and the GDP weighted average basis, for the eight countries covered by REVELA, at the level of 1.7% for the former (simple average) and -0.7% for the latter (GDP weighted). The stability in regional growth expectations was also observed at the individual country level, with constant expectations in six out of eight countries and mild decreases in two. Growth expectations fell by 0.1% both in Brazil (from -3.8% to -3.9%) and in Peru (from 3.6% to 3.5%), and remained constant in Guatemala at 3.7%, Paraguay at 3.0%, Colombia at 2.9%, Mexico at 2.4%, Chile at 1.7% and Uruguay at 0.3%. Growth expectations ranked from -3.9% in Brazil to 3.7% in Guatemala.

Compared to surveys six months ago, growth expectations decreased by 0.7% on the simple average basis and by 1.1% on the GDP weighted average basis. At the individual country level, growth expectations decreased in seven countries and remained constant in one, depicting a negative trend for the last six months. The most significant cumulative decline was observed in Brazil by 1.9% followed by Uruguay by 1.3% and Paraguay by 1.0%. Further falls were surveyed in Chile by 0.6%, Colombia and Mexico by 0.3% and Guatemala by 0.2%. Peru is the only country where growth expectations remained constant at 3.5% compared to the previous six months.

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



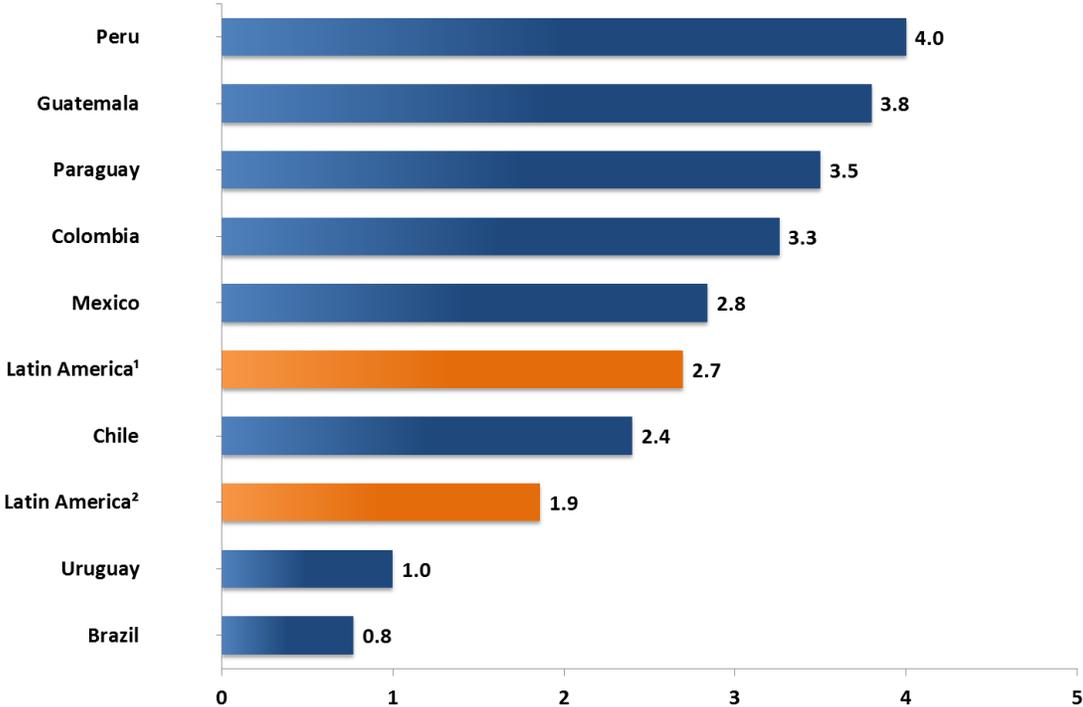
Source: REVELA, IDB 2016. Data available for download [here](#).

<sup>1</sup> Refers to the simple average of the eight inflation targeting countries.

<sup>2</sup> Refers to the GDP weighted average of the eight inflation targeting countries.

Growth expectations for 2017 remained constant at 2.7% considering the simple average and rose by 0.3% under the GDP weighted average from 1.6% to 1.9% compared to the previous months. This increase in the GDP weighted mean was driven by a 0.5% increase in Brazil, where growth expectations went from 0.3% to 0.8%, although it was compensated by declines in three countries: Paraguay by 0.3% from 3.8% to 3.5%, Mexico by 0.1% from 2.9% to 2.8%, and Chile by 0.1% from 2.5% to 2.4%. In the four remaining countries, growth expectations remained constant at the levels of: 4.0% in Peru, 3.8% in Guatemala, 3.3% in Colombia and 1.0% in Uruguay. Growth expectations for 2017 now rank from 0.8% in Brazil to 4.0% in Peru.

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



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

<sup>1</sup> Refers to the simple average of the eight inflation targeting countries.

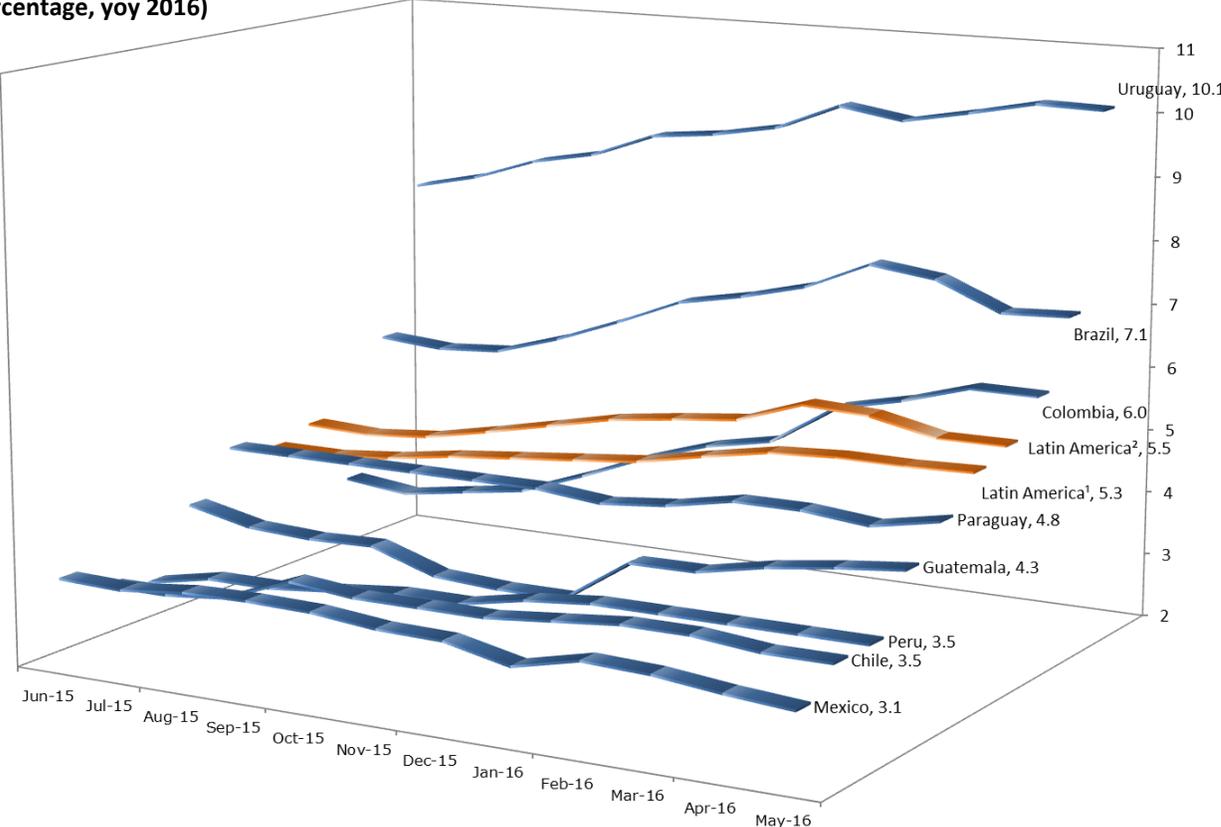
<sup>2</sup> Refers to the GDP weighted average of the eight inflation targeting countries.

### C. Inflation

2016 inflation expectations for the region remained constant at 5.3% in May, according to the simple average of the surveys for the eight countries covered by REVELA. Similarly, the GDP weighted average remained constant at 5.5% compared to the previous month. At the individual country level, inflation expectations decreased in one country, rose in three and remained constant in four. Mexico is the only country with declining inflation expectations compared to previous month, by 0.1% from 3.2% to 3.1%. Increases were observed in Paraguay by 0.2% from 4.6% to 4.8%, Brazil by 0.1% from 7.0% to 7.1% and Guatemala by 0.1% from 4.2% to 4.3%. Finally, inflation expectations remained constant in Uruguay at 10.1%, Colombia at 6.0%, and Chile and Peru at 3.5% in both countries. With these results, Mexico remained as the country with lowest level of inflation expectations (3.1%), and Uruguay the one with the highest level (10.1%).

Compared to surveys six months ago, inflation expectations increased by 0.6% on the simple average basis and by 0.4% on the GDP weighted average basis. Increasing trends in inflation expectations are observed in seven out of eight countries. Inflation expectations rose in Colombia by 1.7%, Guatemala by 1.1% and Uruguay by 0.9%. Further rises were surveyed in Brazil by 0.4%, Paraguay and Peru by 0.3% in both cases, and Chile by 0.1%. The only country at odds with the regional rising trend is Mexico, where inflation expectations fell by 0.2% compared to the previous six months.

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



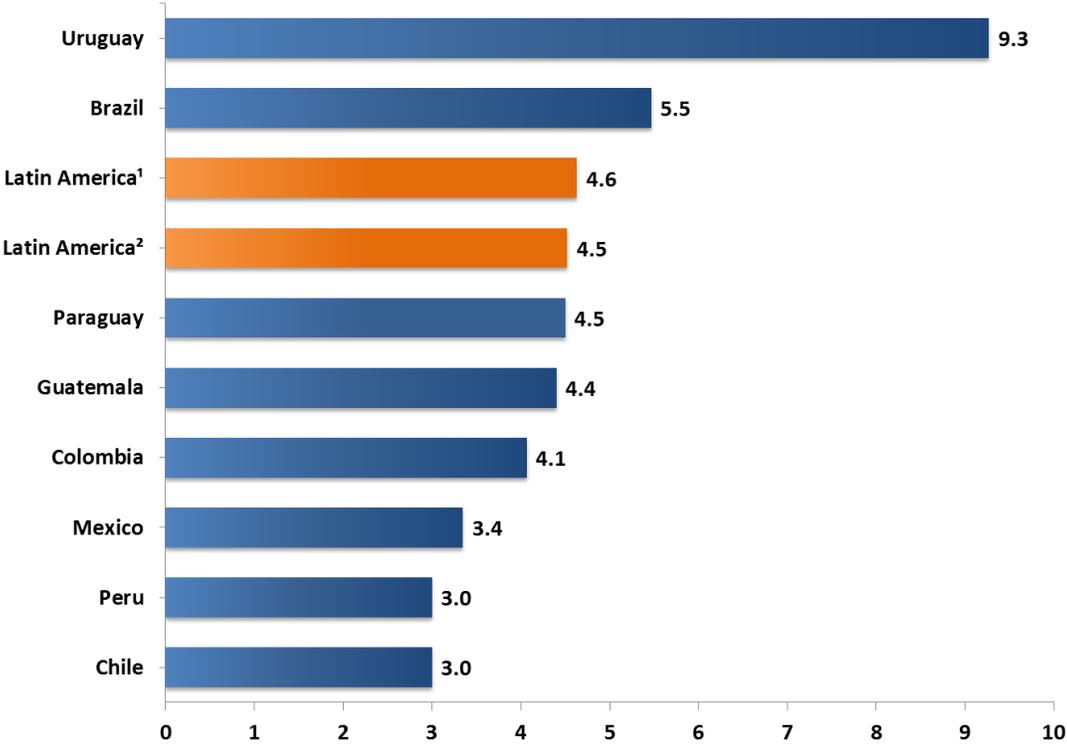
Source: REVELA, IDB 2016. Data available for download [here](#).

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<sup>2</sup> Refers to the GDP weighted average of the eight inflation targeting countries.

Inflation expectations for 2017 fell by 0.1% from 4.7% to 4.6% according to the simple average and by 0.2% from 4.7% to 4.5% under the GDP weighted average in May compared to the previous month. This decline was driven by Brazil where inflation expectations for next year decreased by 0.3% from 5.8% to 5.5%, and was partially compensated by a 0.1% increase in Uruguay from 9.2% to 9.3%. In the remaining seven countries, inflation expectations for 2017 remained constant at the levels of: 4.5% in Paraguay, 4.4% in Guatemala, 4.1% in Colombia, 3.4% in Mexico, and 3.0% both in Peru and Chile. Inflation expectations for 2017 range from 3.0% in Chile and Peru, to 9.3% in Uruguay.

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



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

<sup>1</sup> Refers to the simple average of the eight inflation targeting countries.

<sup>2</sup> Refers to the GDP weighted average of the eight inflation targeting countries.

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