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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 March surveys conducted by Central Banks in the region, the simple average of growth expectations for 2017 increased by 0.1% compared to the previous month, from 2.3% to 2.4%, while the simple average of inflation expectations for 2017 declined by 0.1% from 4.7% to 4.6%.

Growth expectations rose significantly (by 0.9%) in Uruguay compared to February, and a milder rise was observed in Paraguay, by 0.2%. Growth expectations declined by 0.2%

in Peru, followed by a 0.1% decline in Chile and Guatemala. Growth expectations remained stable in Brazil at 0.5%, Colombia at 2.6% and Mexico at 1.5%.

Inflation expectations declined sharply in Uruguay by 0.6% in March, followed by falls of 0.3% in Brazil and Paraguay and 0.1% in Colombia. Inflation expectations rose by 0.2% in Mexico and by 0.1% both in Chile and Peru, while they remained stable in Guatemala at 4.5%.

Growth expectations for 2017 in the region ranged from 0.5% in Brazil to 4.0% in Paraguay while inflation expectations for 2017 ranged from 3.0% in Chile to 7.9% in Uruguay in March.

Table 1. Growth and Inflation Expectations for 2017

Country	Growth expectation (percentage expected for 2017)		Inflation expectation (percentage expected for 2017)	
	as of Mar 2017	Feb - Mar change	as of Mar 2017	Feb - Mar change
	Brazil	0.5	→ 0.0	4.1
Chile	1.8	↓ -0.1	3.0	↑ 0.1
Colombia	2.6	→ 0.0	4.5	↓ -0.1
Guatemala	3.2	↓ -0.1	4.5	→ 0.0
Mexico	1.5	→ 0.0	5.6	↑ 0.2
Paraguay	4.0	↑ 0.2	4.0	↓ -0.3
Peru	3.3	↓ -0.2	3.1	↑ 0.1
Uruguay	2.3	↑ 0.9	7.9	↓ -0.6
Eight country average	2.4	↑ 0.1	4.6	↓ -0.1

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

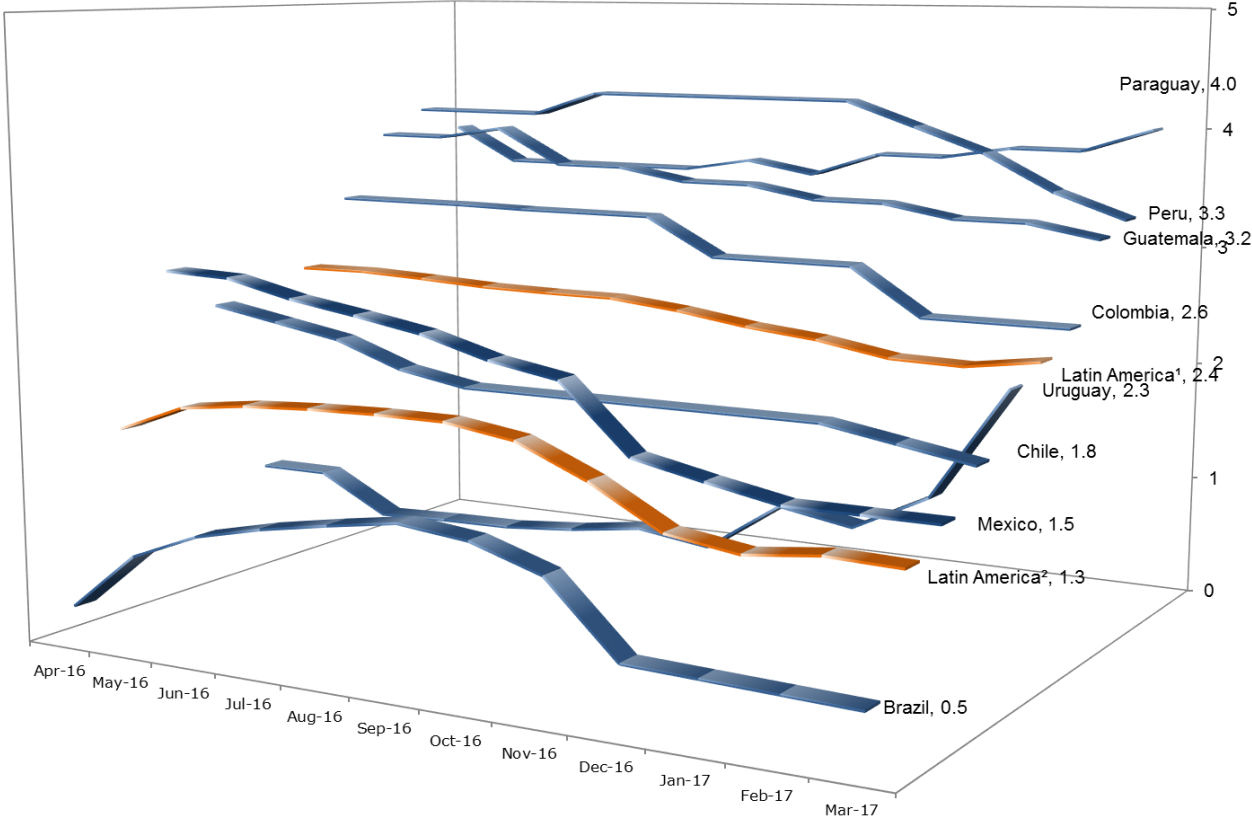
B. Growth

In March, growth expectations for the region for 2017 rose by 0.1% compared to the previous month from 2.3% to 2.4% according to the simple average of the expectations. Under the GDP-weighted average, growth expectations remained stable at 1.3%. Compared to surveys six months ago, expected growth in the region fell by 0.2% on the simple average calculation and by 0.7% on the GDP-weighted average of the surveys.

Growth expectations for 2017 increased sharply in Uruguay by 0.9% compared to February from 1.4% to 2.3%. A milder increase was observed in Paraguay, where growth expectations rose by 0.2% from 3.8% to 4.0%. Declines were observed in Peru by 0.2% from 3.5% to 3.3% and by 0.1% in two countries, Chile from 1.9% to 1.8% and Guatemala from 3.3% to 3.2%. In the remaining three countries, growth expectations were stable at 2.6% in Colombia, 1.5% in Mexico and 0.5% in Brazil.

Compared to surveys six months ago, growth expectations fell in six countries and increased in two. Expectations had a significant recovery in Uruguay by 1.5%, and a milder rise in Paraguay by 0.4% compared to September 2016. Growth expectations fell by 0.9% both in Mexico and Peru, by 0.8% in Brazil, by 0.7% in Colombia, by 0.3% in Guatemala and by 0.2% in Chile.

Figure 1. Market Expectations of Growth
(Percentage, yoy 2017)



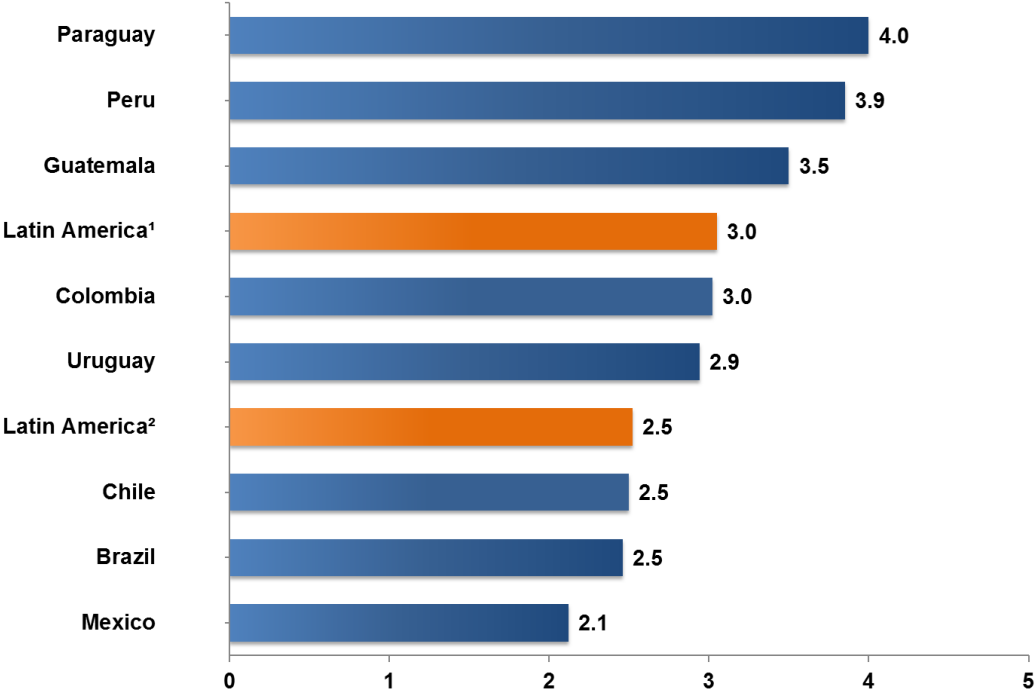
Source: REVELA, IDB 2017. Data available for download [here](#).

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 2018 fell by 0.1% from 3.1% to 3.0% according to the simple average of the surveys and remained stable at 2.5% under the GDP-weighted average in March compared to the previous month. At the individual country level, growth expectations remained stable in most countries, falling only in Peru by 0.1% from 4.0% to 3.9% and rising only in Brazil by 0.1% from 2.4% to 2.5%. Growth expectations for 2018 ranged from 2.1% in Mexico to 4.0% in Paraguay according to surveys in March.

Figure 2. Growth Market Expectations
(Percentage, yoy 2018)



Source: REVELA, IDB 2017. Data available for download [here](#).

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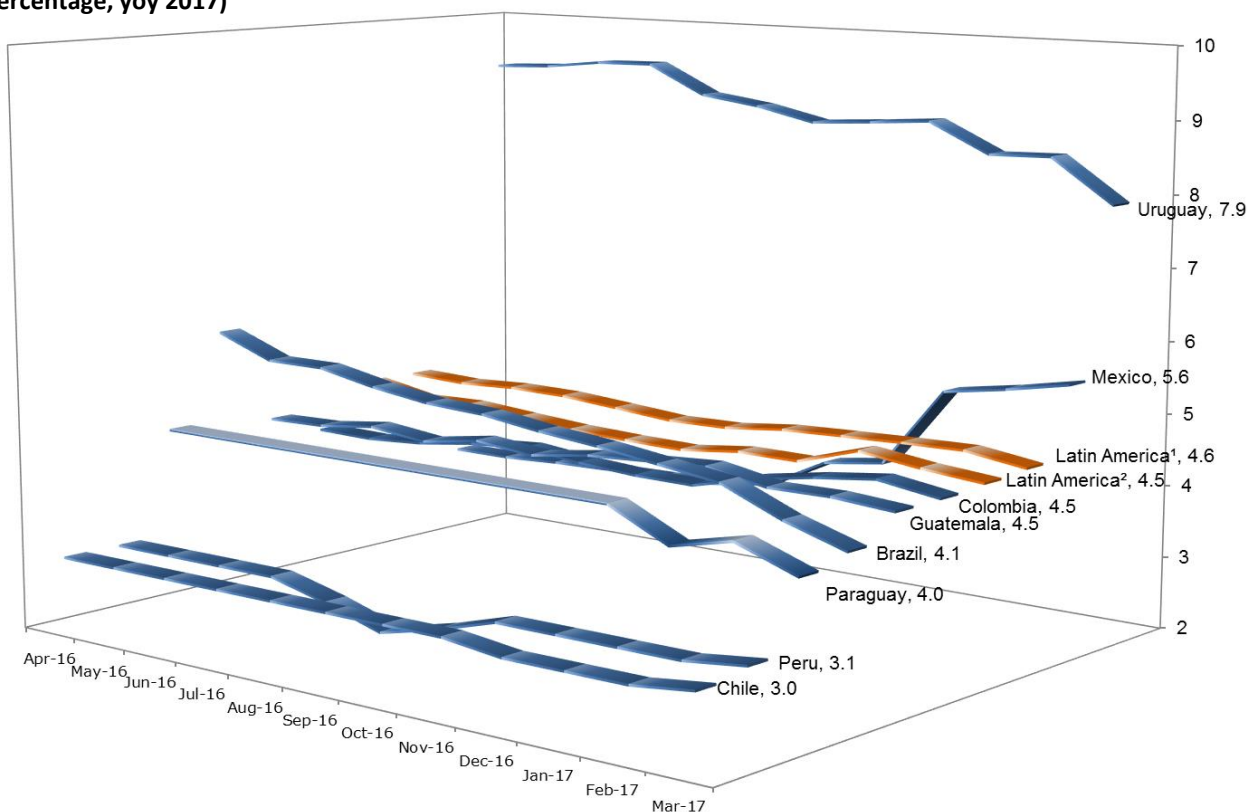
C. Inflation

Inflation expectations for the region for 2017 declined by 0.1% in March both under the simple average basis and the GDP-weighted average basis, from 4.7% to 4.6% on the former and from 4.6% to 4.5% on the latter. Despite this decline, inflation expectations were 0.1% above their levels six months ago under both calculations.

At the individual country level, inflation expectations evolved heterogeneously in March, falling in four countries, rising in three and remaining stable in one. The most significant fall was observed in Uruguay by 0.6% from 8.5% to 7.9%, where inflation expectations for 2017 depict a clear downward trend from the 9.4% peak of July 2016 onwards. Still, inflation expectations in Uruguay were the highest in the sample and are close to doubling the simple average of expectations. Milder declines, by 0.3%, were observed in two countries: Brazil from 4.4% to 4.1% and Paraguay from 4.3% to 4.0%. Finally, inflation expectations also fell in Colombia by 0.1% from 4.6% to 4.5%. On the other hand, inflation expectations for 2017 rose in Mexico by 0.4% from 5.4% to 5.6%, and by 0.1% both in Peru from 3.0% to 3.1% and in Chile from 2.9% to 3.0%.

Compared to expectations six months ago, inflation expectations rose sharply in Mexico by 2.1%, after the jump in January and continued rise thereafter. Further increases were observed in Peru by 0.5% and Colombia by 0.3%. On the contrary, inflation expectations declined compared to surveys six months ago in Brazil by 1.1%, Uruguay by 1.0% and in Paraguay by 0.5%. Inflation expectations for 2017 ranged from 3.0% in Chile to 7.9% in Uruguay in March.

Figure 3. Inflation Market Expectations
(Percentage, yoy 2017)



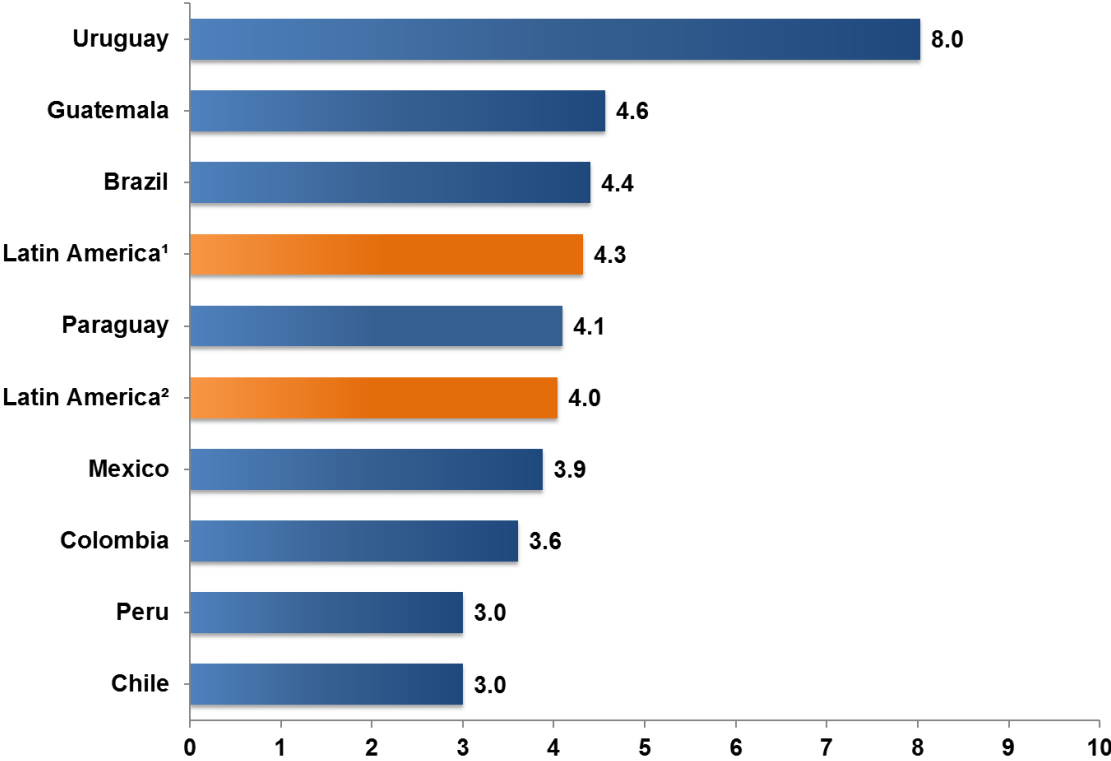
Source: REVELA, IDB 2017. Data available for download [here](#).

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Inflation expectations for 2018 fell by 0.1% from 4.4% to 4.3% according to the simple average of the expectations in March. They fell also by 0.1% under the GDP-weighted average basis from 4.1% to 4.0% in the same period. At the individual country level, inflation expectations fell by 0.4% both in Paraguay from 4.5% to 4.1% and in Uruguay from 8.4% to 8.0%. Despite this decline in Uruguay, inflation expectations in that country for 2018 are twice as high as the GDP-weighted average of the sample, similar expectations for 2017. A milder decline was observed in Colombia by 0.1% from 3.7% to 3.6%. Finally, inflation expectations for next year rose in Peru by 0.1% from 2.9% to 3.0%. With these results, inflation expectations for 2018 ranged from 3.0% in Chile and Peru to 8.0% in Uruguay.

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



Source: REVELA, IDB 2017. Data available for download [here](#).

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D. Change in weights

The data of GDP used to compute the GDP-weighted averages has been updated in the calculations for February’s expectations. Maintaining the previous methodology, weights were calculated based on the series of *Gross Domestic Product Based on Purchasing-Power-Parity* (GDP-PPP) from WEO, IMF. Previously, GDP-PPP data for 2013 was used to calculate the GDP-weighted average. From February’s expectations onwards, GDP-PPP data for 2015 was used instead. Weights for each country were calculated as the ratio of 2015 GDP-PPP of each country over the sum of 2015 GDP-PPP across the eight countries in the sample of REVELA.

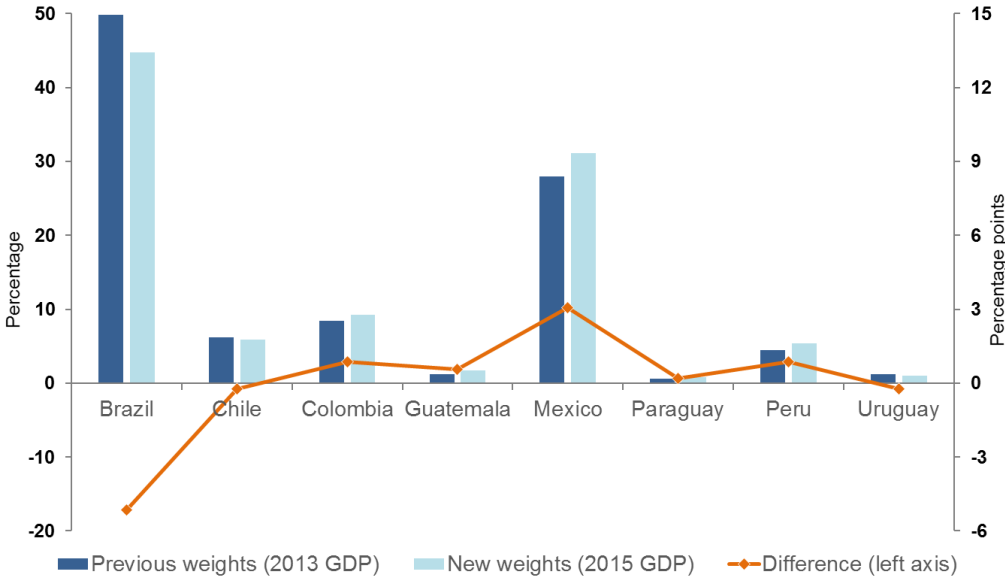
Table 2. GDP-Weighted Average previous and new weights

Country	Previous (percentage)	New (percentage)	Difference (percentage points)
Brazil	49.9	44.7	-5.1
Chile	6.2	5.9	-0.2
Colombia	8.4	9.3	0.9
Guatemala	1.2	1.8	0.6
Mexico	28.0	31.1	3.1
Paraguay	0.6	0.8	0.2
Peru	4.5	5.4	0.9
Uruguay	1.2	1.0	-0.2
Total	100	100	-

Note: New weights from 2015 GDP-PPP data.
 Previous weights from 2013 GDP-PPP data.
 Source: WEO, IMF

Table 2 and Figure 5 summarize the differences between previous and current weights. The main differences are the reduction in the weight for Brazil by 5.1 percentage points and the increase in the weight for Mexico by 3.1 percentage points. For the remaining countries, the changes in weights were between +/- 1 percentage points.

Figure 5. Previous and new weights used to compute GDP-weighted averages



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