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Revelation of Expectations in Latin America

Issue LXXII – May 2017

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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 April surveys conducted by Central Banks in the region, the simple average of growth expectations for 2017 fell by 0.1% compared to the previous month, from 2.4% to 2.3%, while the simple average of inflation expectations for 2017 remained stable at 4.6%.

At the individual country level, growth expectations declined sharply (by 0.8%) in Peru and by 0.2% both in Chile and in Colombia. They only rose in Mexico by 0.2%

and remained constant in the other four countries at 0.5% in Brazil, at 3.2% in Guatemala, at 4.0% in Paraguay and at 2.3% in Uruguay.

Inflation expectations declined by 0.1% in four countries: Brazil, Chile, Colombia and Uruguay; while they rose by 0.1% in Mexico and Peru. They remained constant in Guatemala at 4.5% and in Paraguay at 4.0%.

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 2.9% in Chile to 7.8% in Uruguay in April.

Table 1. Growth and Inflation Expectations for 2017

Country	Growth expectation (percentage expected for 2017)		Inflation expectation (percentage expected for 2017)	
	as of Apr 2017	Mar - Apr change	as of Apr 2017	Mar - Apr change
	Brazil	0.5	→ 0.0	4.0
Chile	1.6	↓ -0.2	2.9	↓ -0.1
Colombia	2.4	↓ -0.2	4.4	↓ -0.1
Guatemala	3.2	→ 0.0	4.5	→ 0.0
Mexico	1.7	↑ 0.2	5.7	↑ 0.1
Paraguay	4.0	→ 0.0	4.0	→ 0.0
Peru	2.5	↓ -0.8	3.2	↑ 0.1
Uruguay	2.3	→ 0.0	7.8	↓ -0.1
Eight country average	2.3	↓ -0.1	4.6	→ 0.0

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

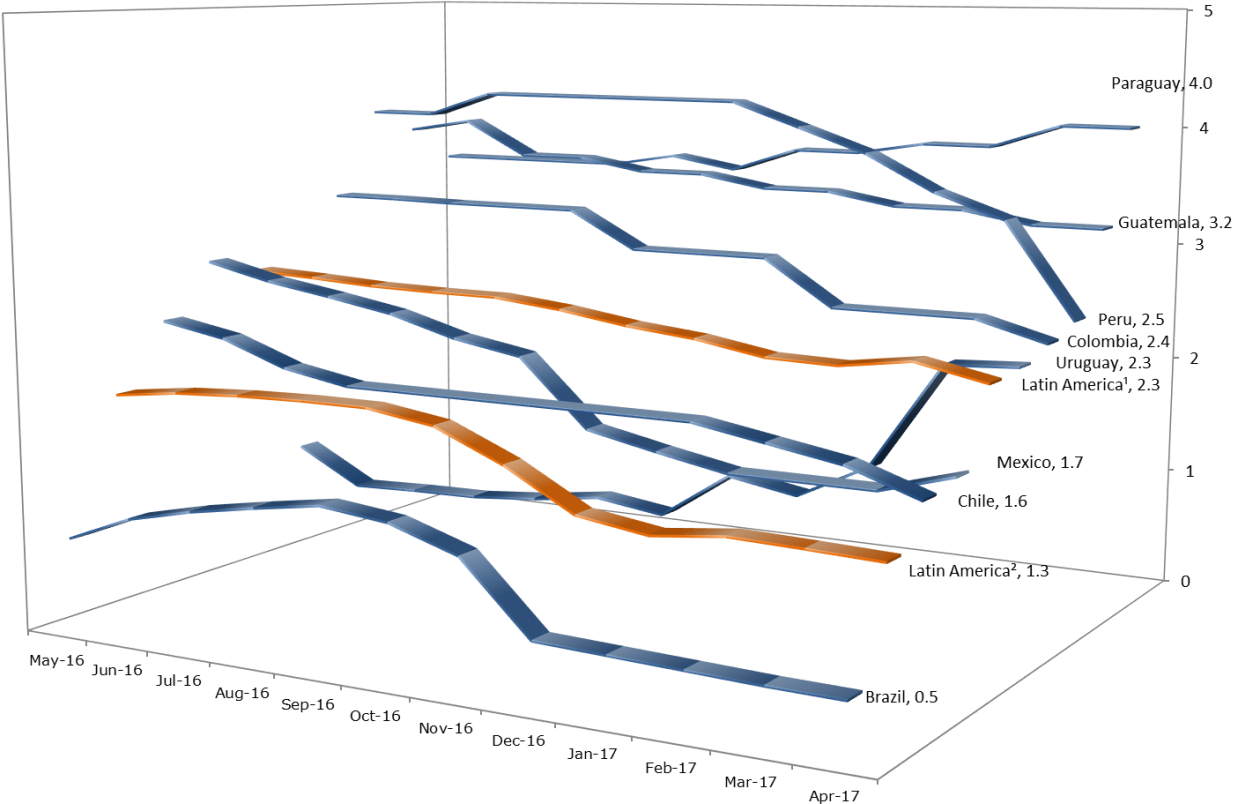
B. Growth

In April, growth expectations for the region for 2017 fell by 0.1% compared to the previous month from 2.4% to 2.3% 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 0.3% on the simple average calculation and by 0.6% on the GDP-weighted average of the surveys.

Growth expectations for 2017 observed a sharp decline in Peru, by 0.8% from 3.3% to 2.5%. They also fell two countries by 2.0%: from 1.8% to 1.6% in Chile and from 2.6% to 2.4% in Colombia. The only rise in growth expectations was observed in Mexico by 0.2% from 1.5% to 1.7%. In the remaining four countries, growth expectations remained stable compared to the previous month: at 4.0% in Paraguay, at 3.2% in Guatemala, at 2.3% in Uruguay and 0.5% in Brazil.

Compared to surveys six months ago, growth expectations fell in most countries and rose only in two. The most significant cumulative increase was in Uruguay by 1.4% followed by Paraguay by 0.5% compared to six months ago. On the other hand, expectations fell sharply in Peru by 1.7% compared to October 2016, followed by Brazil by 0.7%, Mexico by 0.6%, Colombia by 0.5%, Chile by 0.4% and Guatemala by 0.3%. With these results, growth expectations for 2017 in the region ranged from 0.5% in Brazil to 4.0% in Paraguay.

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



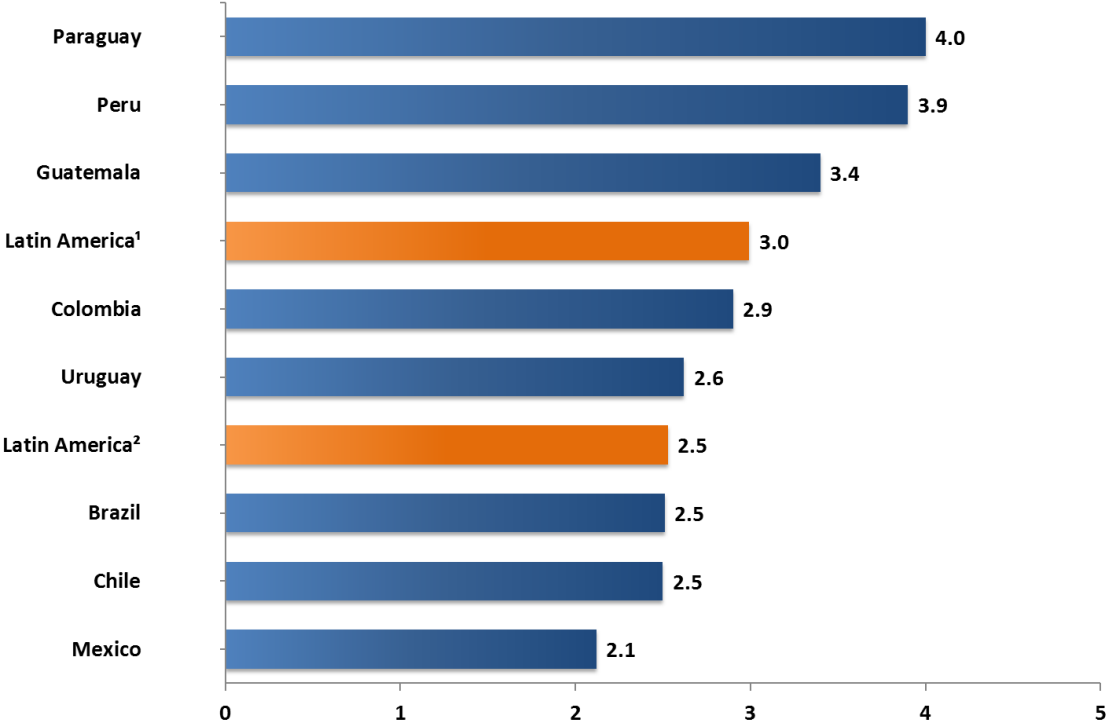
Source: REVELA, IDB 2017. Data available for download [here](#).

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 remained constant at 3.0% on the simple average basis and at 2.5% on the GDP-weighted average basis in April compared to the previous month. At the individual country level, growth expectations for 2018 fell by 0.3% from 2.9% to 2.6% in Uruguay and by 0.1% in two other countries: Colombia from 3.0% to 2.9% and Guatemala from 3.5% to 3.4%. In the remaining countries, 2018 expected growth remained stable compared to the previous month. Growth expectations for 2018 ranged from 2.1% in Mexico to 4.0% in Paraguay according to surveys in April.

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



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

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

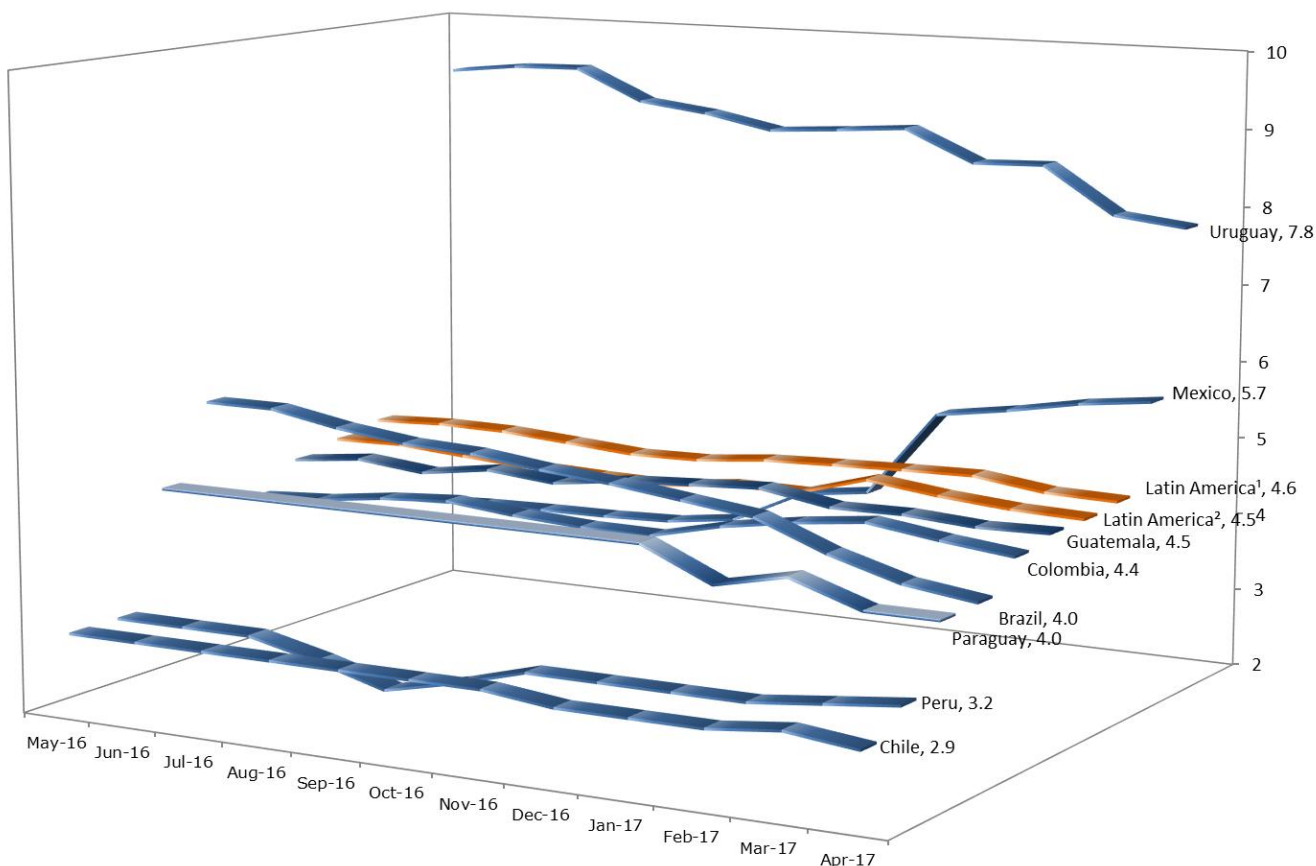
C. Inflation

Inflation expectations for the region for 2017 remained constant in April both under the simple average of the surveys at 4.6% and under the GDP-weighted average basis at 4.5%. Compared to surveys six months ago, both calculations increased by 0.1%.

Inflation expectations observed only mild changed in the countries covered by REVELA, in no case larger than 0.1%. Inflation expectations declined by 0.1% in: Uruguay from 7.9% to 7.8%, Colombia from 4.5% to 4.4%, Brazil from 4.1% to 4.0% and Chile from 3.0% to 2.9%. They increased by 0.1% in Mexico from 5.6% to 5.7% and in Peru from 3.1% to 3.2%. Inflation expectations remained stable at 4.5% in Guatemala and at 4.0% in Paraguay.

Expected inflation rose by 2.1% in Mexico compared to surveys six months followed by Peru by 0.4% and by Colombia by 0.2%. The most significant cumulative decline was observed in Brazil by 1.1% compared to October followed by Uruguay by 0.9%. Milder falls were surveyed in Paraguay by 0.5%, and both in Chile and Guatemala by 0.1% compared to expectations in October 2016. With these results, inflation expectations for 2017 ranged from 2.9% in Chile to 7.8% in Uruguay.

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



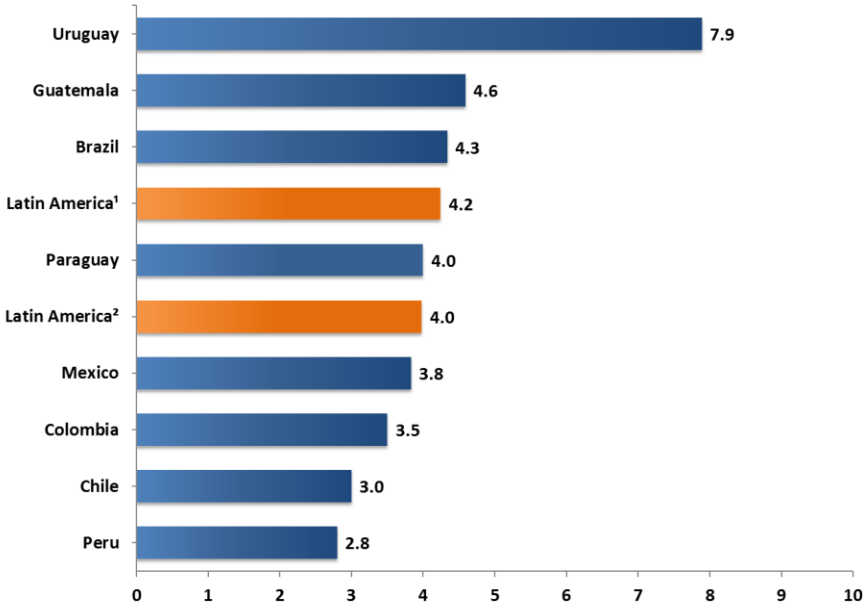
Source: REVELA, IDB 2017. Data available for download [here](#).

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Inflation expectations for 2018 fell by 0.1% from 4.3% to 4.2% according to the simple average of the expectations in April. However, inflation expectations for next year remained constant according to the GDP-weighted average of the surveys. At the individual country level, inflation expectations for 2018 fell in most cases, six out of the eight countries in the sample. They declined by 0.2% in Peru from 3.0% to 2.8% and by 0.1% in: Uruguay from 8.0% to 7.9%, Brazil from 4.4% to 4.3%, Paraguay from 4.1% to 4.0%, Mexico from 3.9% to 3.8% and Colombia from 3.6% to 3.5%. Inflation expectations for next year remained stable in Guatemala and Chile at 4.6% and 3.0% respectively. Inflation expectations for 2018 ranged from 2.8% in Peru to 7.9% in Uruguay in April 2017.

Figure 4. Inflation Market Expectations
(Percentage, yoy 2018)



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

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