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Revelation of Expectations in Latin America

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Research Department
Andrew Powell and Pilar Tavella
Inter-American Development Bank (IDB)

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 October surveys conducted by Central Banks in the region both growth and inflation expectations for 2012 have been mostly revised upwards. Inflation expectations have risen quite significantly in Uruguay (+0.5%), reaching 8.3% for December 2012.

Growth expectations have risen in Chile, Paraguay, Peru and Uruguay. And there is higher expected inflation in Brazil, Colombia, Peru and Uruguay.

Changes in growth expectations were mixed this month. Uruguay had the greatest rise (+0.2%) and Guatemala the greatest fall (-0.1%). The simple average expectation for 2012 growth remains at 3.4% and the GDP weighted mean at 2.8%. For 2013, simple average growth in the region is expected to be 4.5%, 0.1% higher than last month and GDP weighted mean remains at 4.0%.

Conversely, inflation expectations have changed relatively more in October. They increased 0.5% in Uruguay and 0.3% in Peru. Simple average expectations for December 2012 are 4.4%, which represents a 0.1% increase in the last month. Regarding December 2013, simple average expectations remain stable at 4.5%.

Table 1. Growth and Inflation Expectations for 2012

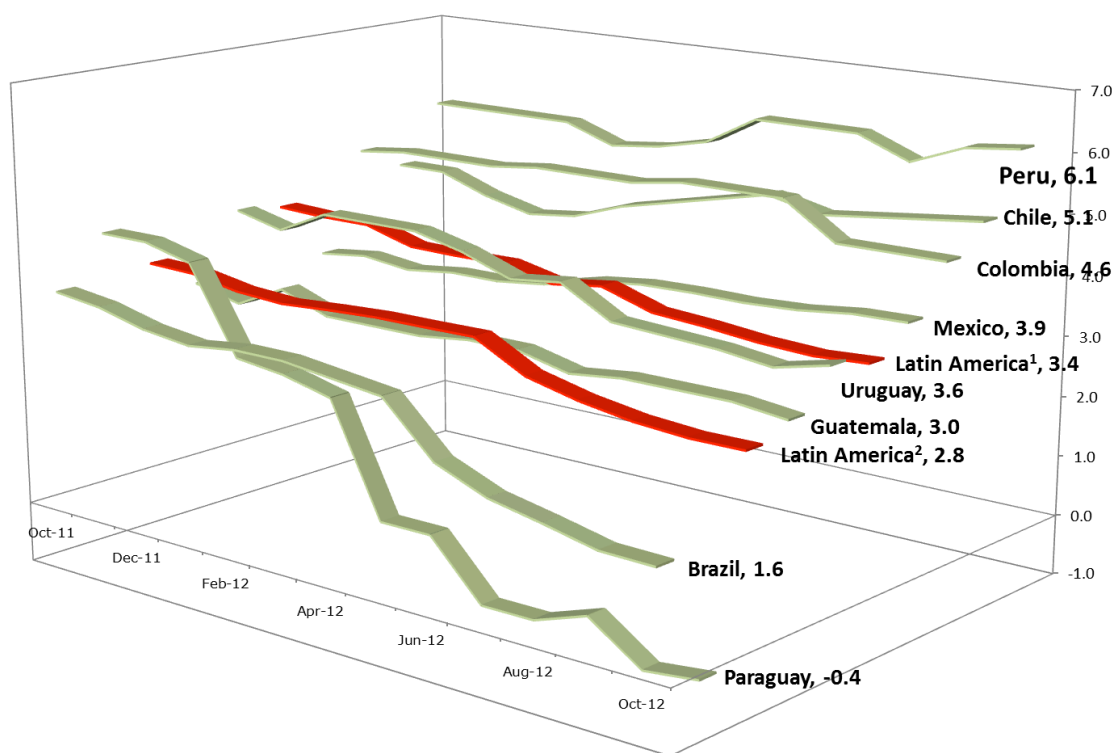
Country	Growth expectation (percentage expected for 2012)		Inflation expectation (percentage expected for 2012)	
	as of October 2012	Sep-Oct change	as of October 2012	Oct-Nov change
Brazil	1.6	⇒ 0.0	5.4	↑ 0.1
Chile	5.1	↑ 0.1	2.1	⇒ 0.0
Colombia	4.6	⇒ 0.0	3.1	↑ 0.1
Guatemala	3.0	↓ -0.1	4.6	⇒ 0.0
Mexico	3.9	⇒ 0.0	4.2	⇒ 0.0
Paraguay	-0.4	↑ 0.1	4.7	↓ -0.1
Peru	6.1	↑ 0.1	3.3	↑ 0.3
Uruguay	3.6	↑ 0.2	8.3	↑ 0.5
Eight country average	3.4	↑ 0.1	4.4	↑ 0.1

Source: REVELA, IDB 2012. Data available for download [here](#).

B. Growth

Simple mean and GDP weighted mean growth expectations remain stable at 3.4% and 2.8% respectively. Growth expectations have risen in half of the countries this month. In particular, they increased in Uruguay and Paraguay, where they had been revised downwards last month. They went from 3.4% to 3.6% in the former and from -0.5% to -0.4% in the latter. The other two countries whose growth expectations increased were Chile (from 5.0% to 5.1%) and Peru (from 6.0% to 6.1%). They have remained stable in Brazil at 1.6%, Colombia at 4.6% and Mexico at 3.9% and have only dropped in Guatemala (from 3.1% to 3.0%).

Figure 1. Market Expectations of Growth (percentage, yoy 2012)



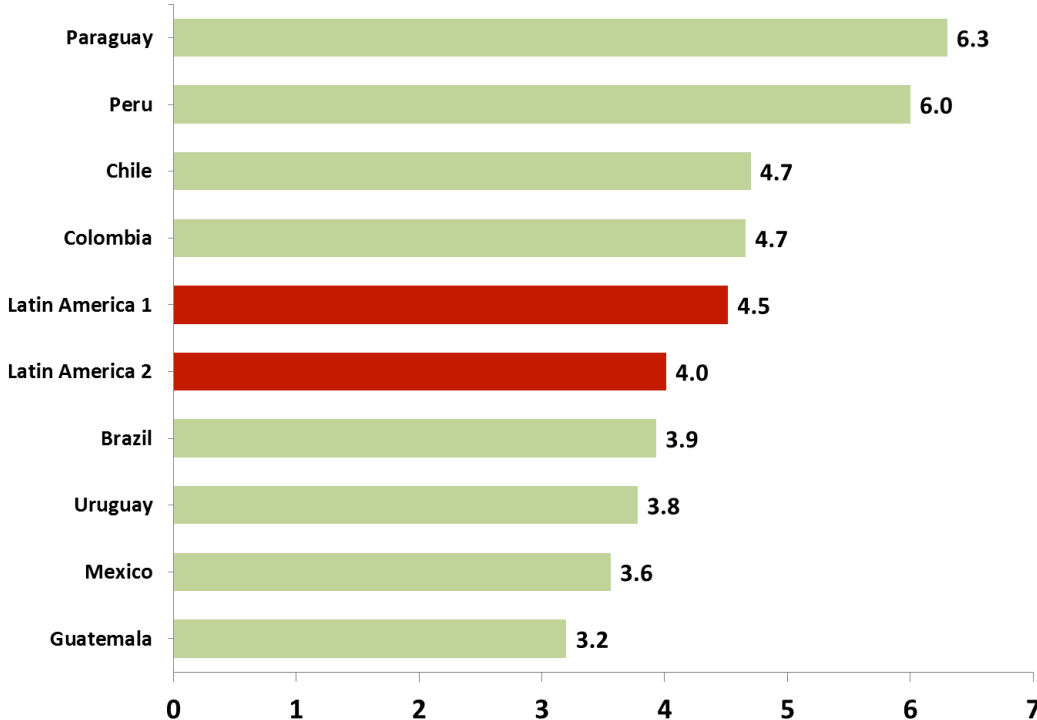
Source: REVELA, IDB 2012. Data available for download [here](#).

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.

The simple mean growth expectation for 2013 is 4.5% (1.1% greater than for 2012) and the GDP weighted mean is 4.0% (1.2% greater than for 2012). Expectations for 2013 have risen 0.3% in Paraguay, 0.2% in Chile and 0.1% in Uruguay. Conversely, they have dropped 0.1% in Guatemala and 0.1% in Brazil. They have remained stable in Mexico, Colombia and Peru.

Figure 2. Growth Market Expectations (percentage, yoy 2013)



Source: REVELA, IDB 2012. Data available for download [here](#).

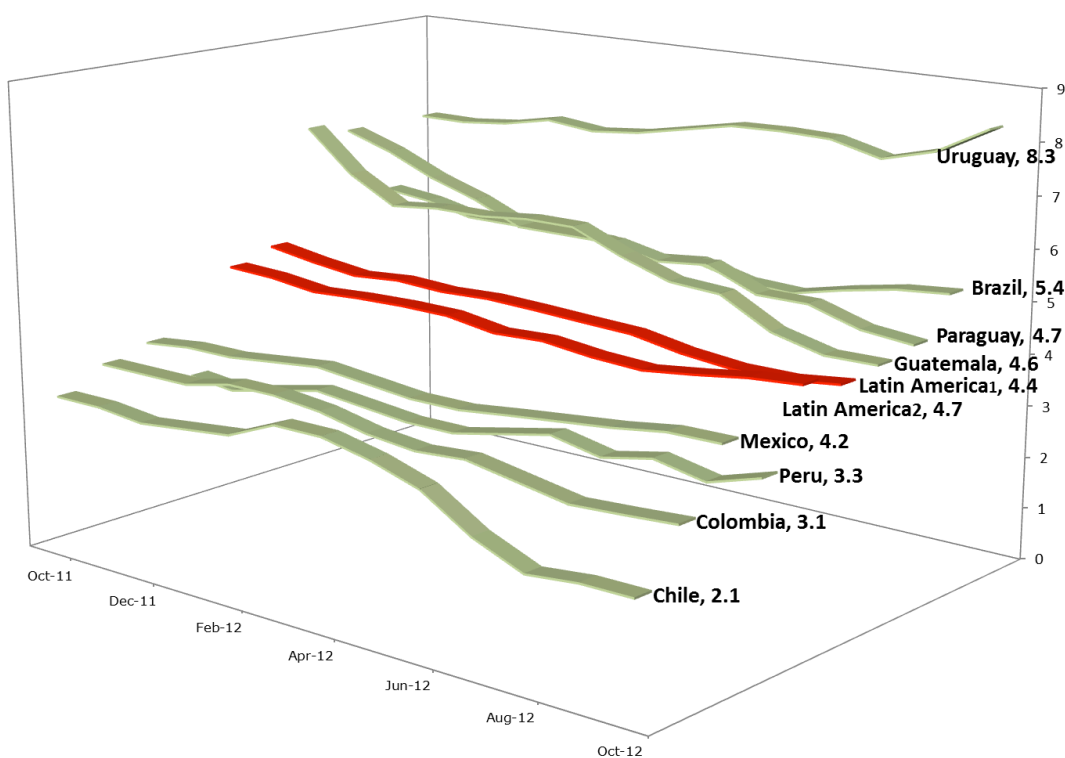
¹ Refers to the simple average of the eight inflation targeting countries.

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

C. Inflation

Inflation expectations have been stable throughout the year in most of the countries. However, they have risen quite significantly in Uruguay, going from 7.5% to 8.3% in the last two months. This tendency was stronger in October than in September: they went from 7.7% to 8.3% (+0.5%) this month, whereas they had increased 0.3% last month. Surveys reveal a higher expectation of inflation in three other countries: Peru (from 3.0% to 3.3%), Brazil (from 5.3% to 5.4%) and Colombia (from 3.0% to 3.1%) and Colombia (from 3.0% to 3.1%). They have only dropped in Paraguay (from 4.8% to 4.7%), confirming the annual downward trend (-2.3%).

Figure 3. Inflation Market Expectations
(percentage, yoy 2012)



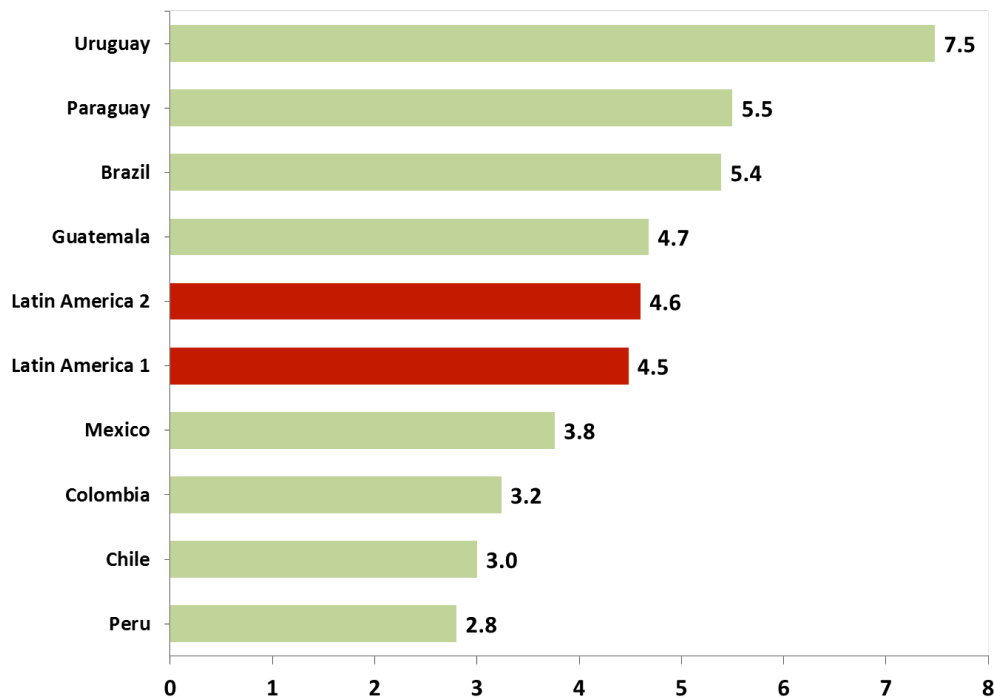
Source: REVELA, IDB 2012. Data available for download [here](#).

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

Inflation expectations for 2013 have remained stable in the last year in most of the countries. Expected inflation is currently at 4.5% and 4.6% (simple mean and GDP weighted mean respectively). However, they increased significantly in Uruguay (from 7.1% to 7.5%). On the other hand, they dropped in Guatemala (from 5.1% to 4.7%), in Paraguay (from 5.7% to 5.5%) and in Brazil (from 5.5% to 5.4%).

**Figure 4. Inflation Market Expectations
(percentage, yoy 2013)**



Source: REVELA, IDB 2012. Data available for download [here](#).

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