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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, average growth expectations have risen in April, while average inflation expectations have remained stable. However, inflation expectations have been mixed: increasing in some countries and falling in others.

The simple average inflation expectation for 2013 remains at 4.5% and the GDP weighted average is 4.8%. Inflation expectations increased in three countries:

Guatemala (from 4.6% to 4.9%), Mexico (from 3.7% to 3.9%) and Paraguay (from 5.4% to 5.5%). Conversely, they decreased in three other countries: Chile (from 3.0 to 2.8%), Peru (from 2.7% to 2.5%) and Colombia (from 2.6% to 2.5%). In Brazil and Uruguay they remained stable at 5.7% and 8.2% respectively. For 2014, inflation expectations are 4.5% and 4.7% simple and GDP weighted averages respectively.

Average growth expectations for 2013 increased 0.3%, from 4.6% to 4.9%, mainly driven by the increase of 2.9% in Paraguay. However, growth expectations decreased or remained stable in 5 of the other 6 countries, hence the GDP weighted average growth expectation fell 0.1%, from 3.5% to 3.4%. Growth expectations for 2014 are 4.4% and 3.9% expressed as simple and GDP weighted averages respectively.

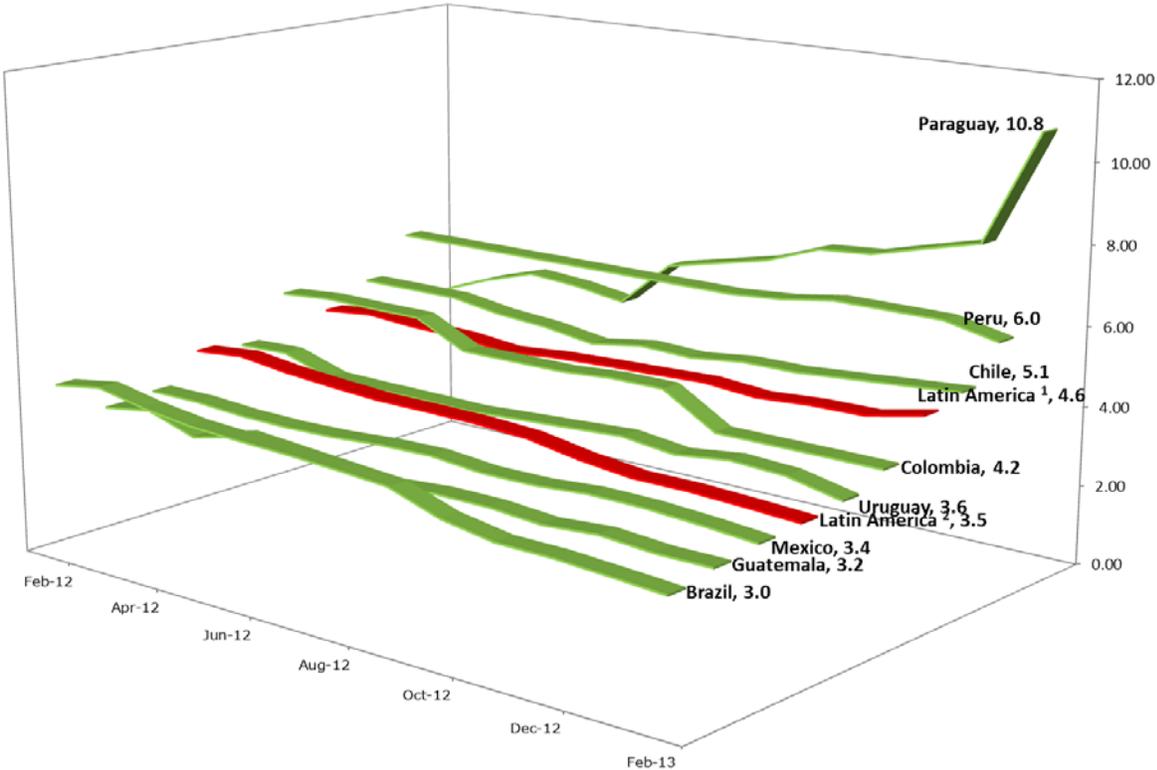
Country	Growth expectation (percentage expected for 2013)		Inflation expectation (percentage expected for 2013)	
	as of April 2013	Mar-Apr change	as of April 2013	Mar-Apr change
Brazil	3.0	↓ -0.1	5.7	⇒ 0.0
Chile	5.1	↑ 0.1	2.8	↓ -0.2
Colombia	3.9	⇒ 0.0	2.5	↓ -0.1
Guatemala	3.2	⇒ 0.0	4.9	↑ 0.3
Mexico	3.4	↓ -0.1	3.9	↑ 0.2
Paraguay	10.8	↑ 2.9	5.5	↑ 0.1
Peru	6.0	↓ -0.3	2.5	↓ -0.2
Uruguay	3.6	↓ -0.3	8.2	⇒ 0.0
Seven country average	4.9	↑ 0.3	4.5	⇒ 0.0

Source: REVELA, IDB 2013. Data available for download [here](#).

B. Growth

As illustrated in Figure 1, growth expectations for 2013 have increased from 4.6% to 4.9% on a simple average (Latin America 1), however they decreased from 3.5% to 3.4% on a GDP weighted average (Latin America 2). The former increase was driven by expectations for growth in Paraguay that jumped very strongly in April from 7.9% to 10.8%. This also implies an increase of 4.5% in the last six months, confirming a sharply increasing trend. Chile was the only other country to see an increase in growth expectations in April, albeit a moderate increase, from 5.0% to 5.1%. Growth expectations decreased in Uruguay for the second consecutive month, this time from 3.9% to 3.6%, reaching a new 11 month minimum for the series. In Peru, growth expectations also decreased 0.3% in April, reaching 6.0%, the first fall after three months of being consistently at 6.3%. The third country where growth expectations fell this month is Mexico, but the fall was modest; from 3.5% to 3.4%. Growth expectations in Mexico have been fluctuating between 3.6% and 3.4% since January 2012. In two countries, growth expectations stable in April, namely Colombia and Guatemala, at 4.2% and 3.2% respectively.

Figure 1. Market Expectations of Growth
(percentage, yoy 2013)



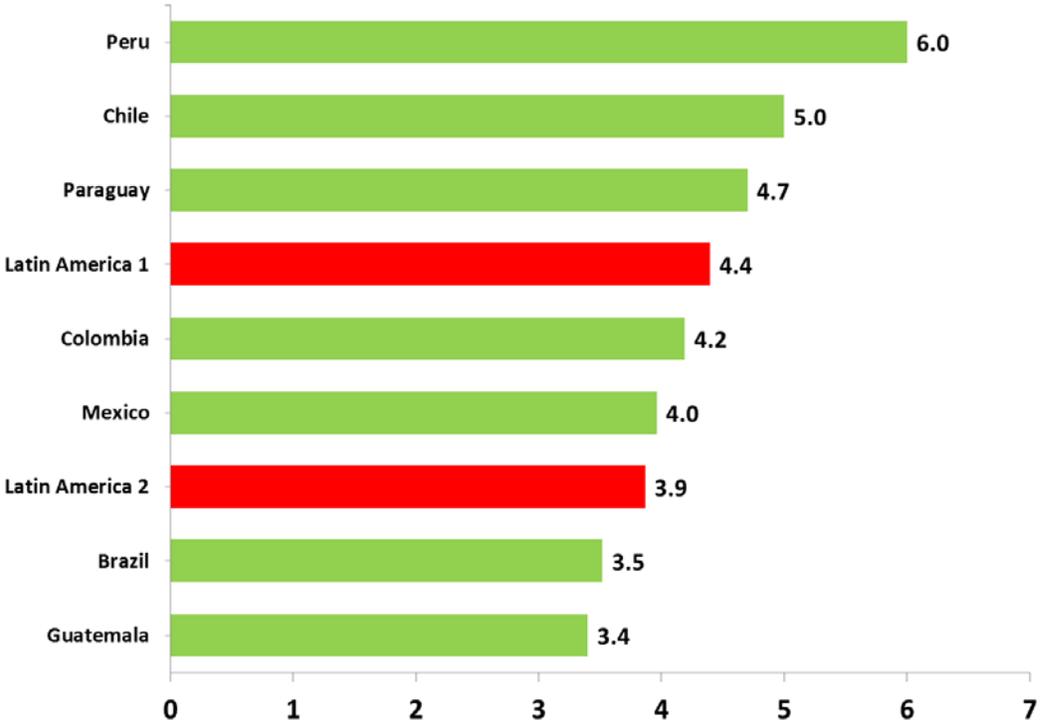
Source: REVELA, IDB 2013. Data available for download [here](#).

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 2014 is 4.4% (0.5% lower than for 2013) and the GDP weighted mean is 3.9% (0.4% greater than for 2013). Expectations for growth for 2014 remained stable for most of the countries, except in Paraguay where they increased 0.2% and Peru where they decreased 0.3%. Still, Peru has the highest expected growth for 2014, at 6.0%, well above the average. Guatemala and Brazil are the two countries with the lowest expected growth rates for 2014: 3.4% and 3.5% respectively.

Figure 2. Growth Market Expectations
(percentage, yoy 2014)



Source: REVELA, IDB 2013. Data available for download [here](#).

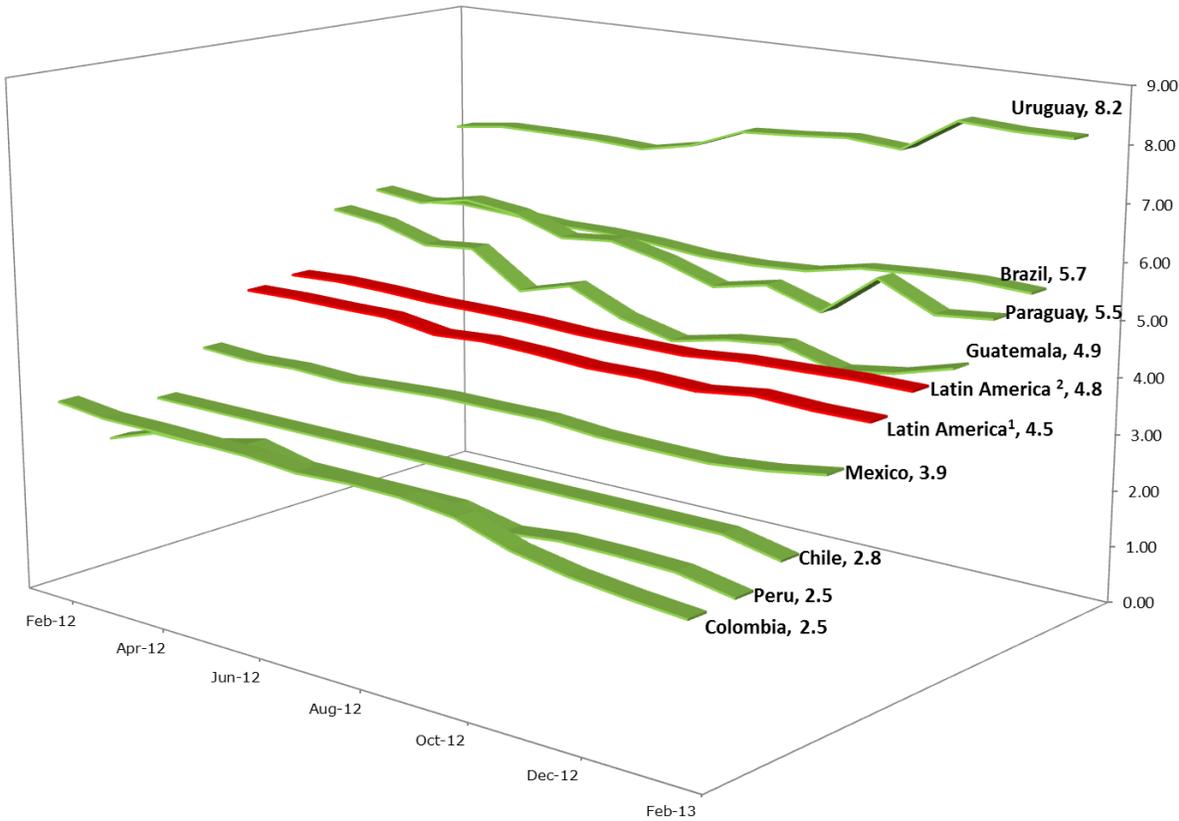
¹ Refers to the simple average of the eight inflation targeting countries.

² Refers to the GDP weighted average of the eight inflation targeting countries. Colombia and Uruguay don't have growth expectations data for December 2014.

C. Inflation

Both simple and GDP weighted average expected inflation remain stable at 4.5% and 4.8%, respectively. They have actually remained stable around these figures for the last 12 months. However, inflation expectations have risen in Guatemala this month, moving from 4.6% to 4.9% and more moderately in Paraguay, increasing from 5.4% to 5.5%. On the other hand, they have fallen in Peru (from 2.7% to 2.5%), in Chile (from 3.0% to 2.8%), and in Colombia (from 2.6% to 2.5%). The drop in Chile is the first after 11 consecutive months of inflation expectations at 3.0%. The fall in Colombia confirms a downwards trend such that the accumulated fall is some 0.75% in the last 6 months.

Figure 3. Inflation Market Expectations
(percentage, yoy 2013)



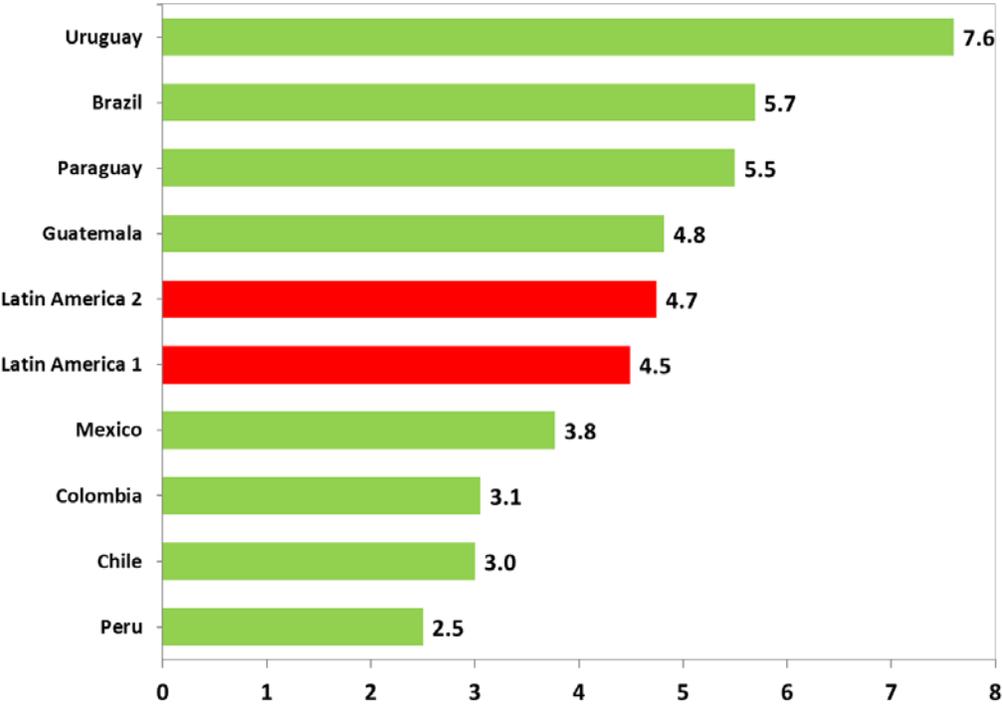
Source: REVELA, IDB 2013. Data available for download [here](#).

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Expected inflation for 2014 is currently 4.5% and 4.7% (simple mean and GDP weighted mean respectively). However, there is a considerable range across countries: from 7.6% in Uruguay, to 2.5% in Peru. In April, expectations for 2014 inflation rose 0.1% in Brazil, Guatemala and Uruguay. On the other hand they fell 0.2% in Paraguay and 0.1% in Colombia.

Figure 4. Inflation Market Expectations
(percentage, yoy 2014)



Source: REVELA, IDB 2013. Data available for download [here](#).

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