



<http://www.iadb.org/revela>

Revelation of Expectations in Latin America

Issue IX – June, 2013

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 surveys conducted by Central Banks in the region, average growth and inflation expectations have both fallen 0.1% in May.

The simple average inflation expectation for 2013 fell from 4.5% to 4.4%. Expectations for inflation fell in four countries: Chile (from 2.8% to 2.5%), Guatemala (from 4.9% to 4.7%), Paraguay (from 5.5% to 5.0%), and

Uruguay (from 8.2% to 8.1%). They increased slightly in Brazil (from 5.7% to 5.8%). And they remained stable in Colombia (at 2.5%), Mexico (at 3.9%) and Peru (at 2.5%). For 2014, inflation expectations fell to 4.8% considering a simple average.

Average growth expectations for 2013 fell 0.1%, from 4.9% to 4.8%. This fall was driven by an expected decline in growth in Mexico (from 3.4% to 3.0%), Guatemala (from 3.2% to 3.1%) and Chile (from 5.1% to 5.0%). Growth expectations only increased in Paraguay from 10.8% to 11.0%. And they remained stable in four countries: Brazil (at 3.0%), Uruguay (at 3.5%), Colombia (at 3.9%), and Peru (at 6.0%). Growth expectations for 2014 increased from 4.4% to 4.6% on a simple average basis.

Table 1. Growth and Inflation Expectations for 2013

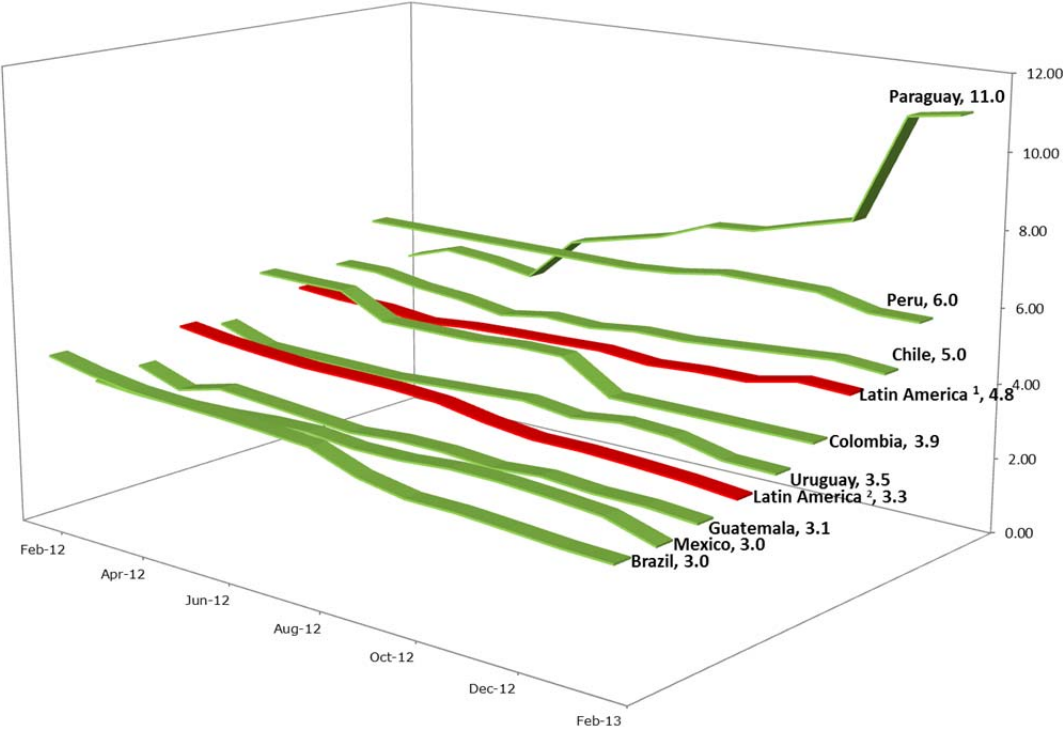
Country	Growth expectation (percentage expected for 2013)		Inflation expectation (percentage expected for 2013)	
	as of May 2013	Apr-May change	as of May 2013	Apr-May change
Brazil	3.0	⇒ 0.0	5.8	↑ 0.1
Chile	5.0	↓ -0.1	2.5	↓ -0.3
Colombia	3.9	⇒ 0.0	2.5	⇒ 0.0
Guatemala	3.1	↓ -0.1	4.7	↓ -0.2
Mexico	3.0	↓ -0.4	3.9	⇒ 0.0
Paraguay	11.0	↑ 0.2	5.0	↓ -0.5
Peru	6.0	⇒ 0.0	2.5	⇒ 0.0
Uruguay	3.5	⇒ 0.0	8.1	↓ -0.1
Seven country average	4.8	↓ -0.1	4.4	↓ -0.1

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

B. Growth

As illustrated in Figure 1, average growth expectations for 2013 remained relatively stable with respect to April at 4.8% and 3.3%, simple and GDP weighted averaged respectively. The lower figure for the GDP weighted average is dominated by Brazil which has the lowest expected growth rate for 2013 (3.0%) of the countries included in REVELA. The five countries with the lowest growth expectations are those with the largest declines in expected growth in the last six months: namely Brazil (with a decline of 0.9%), Mexico (decline of 0.5%), Guatemala (0.2%), Uruguay (0.3%), and Colombia (0.8%). On the other hand, the countries that have seen increases in expected growth over the same period include Paraguay (4.4%) and Chile (0.4%). In Peru growth expectations are at the same level compared to 6 months ago: 6.0%. In May, the only country that had an increase in growth expectations was Paraguay. The increase from 10.8% to 11.0% confirms the upward trend of expectations that has been in place for the last nine months: growth expectations increased from 4.8% in August 2012 to 11.0% in May.

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



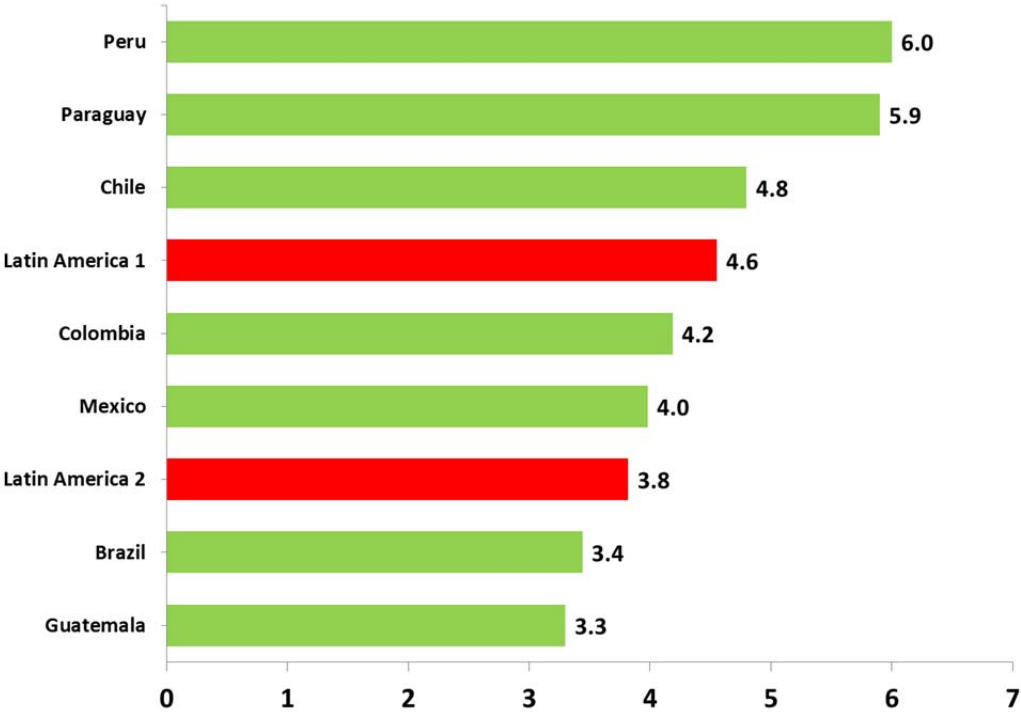
Source: REVELA, IDB 2013. Data available for download [here](#).

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 4.6% (0.3% lower than for 2013) and the GDP weighted mean is 3.8% (0.5% greater than for 2013). However, there is substantial heterogeneity in the expectations for 2014, with Peru and Paraguay having the highest (6.0% and 5.9% respectively) and Brazil and Guatemala the lowest (3.4% and 3.3% respectively). Simple average growth expectations increased 0.2% in May driven by a significant rise in Paraguay, where they went from 4.7% to 5.9%.

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



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

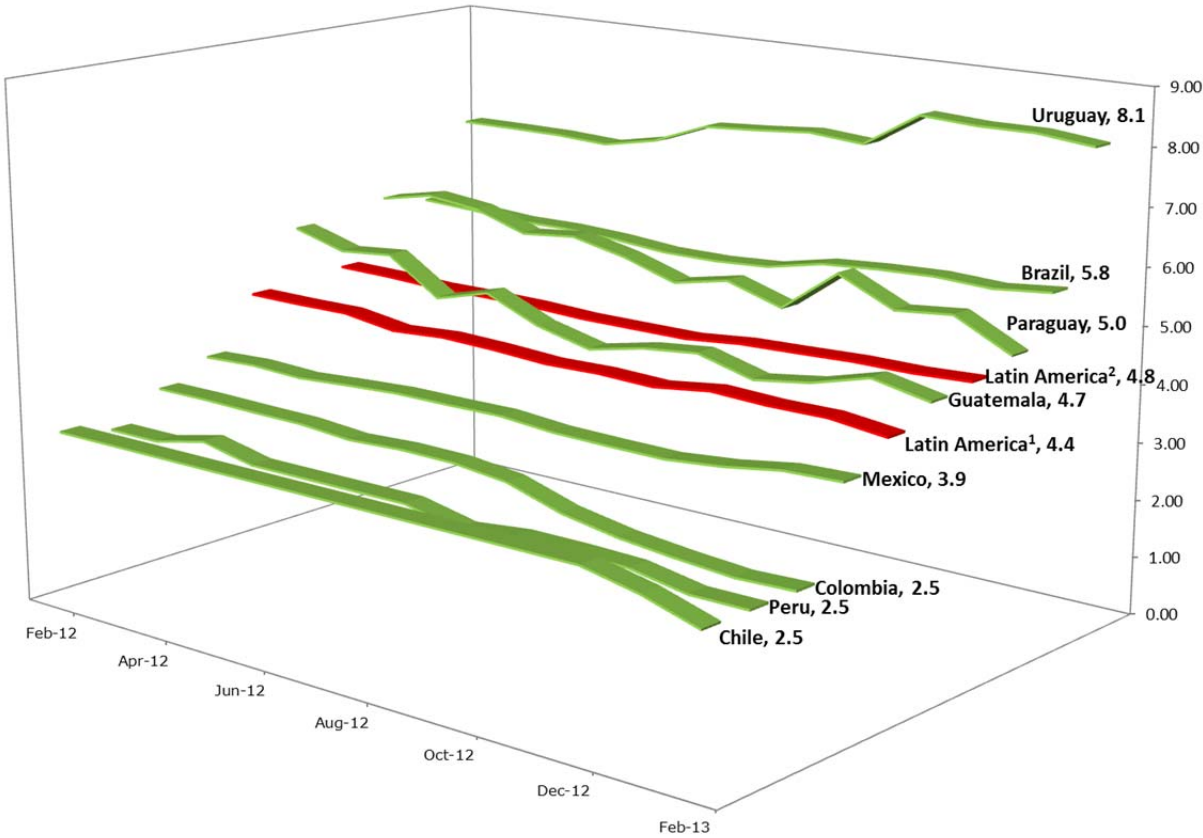
¹ Refers to the simple average of the eight inflation targeting countries.

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

Average inflation expectations remained relatively stable this month – continuing the stability we have seen over the last twelve months. The simple average declined from 4.6% to 4.4% although the GDP weighted average increased slightly from 4.7% to 4.8% in that period. However, the simple average expectations did fall 0.1% in May, with the most significant fall occurring in Paraguay where they declined from 5.5% to 5.0%. This movement is in line with the downward trend of the last three months, when they fell 0.9%. Expected inflation also fell in Guatemala from 4.9% to 4.7% following an increase of 0.3% in April; they have been fluctuating around 4.7% for the last six months. Moreover, they fell in Chile from 2.8% to 2.5% accumulating a decrease of 0.5% in the last six months. Expected inflation also fell slightly in Uruguay, from 8.2% to 8.1%. However, they have risen 0.5% and 1.1% in the last six and twelve months respectively. Inflation expectations increased slightly in Brazil for 2013 from 5.7% to 5.8%, and remained stable in the other countries included in *Revela*.

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

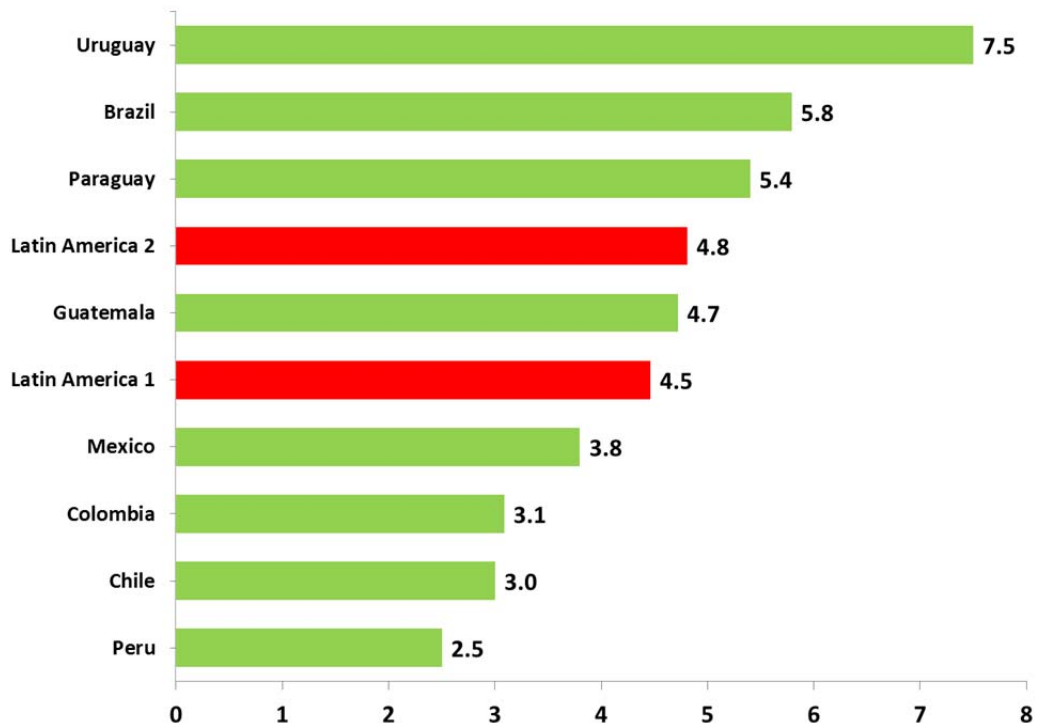


Source: REVELA, IDB 2013. Data available for download [here](#).

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.

Expected inflation for 2014 is currently 4.5% and 4.8% (simple mean and GDP weighted mean respectively). However, there is a considerable range across countries: from 7.5% in Uruguay, to 2.5% in Peru. In May, expectations for 2014 inflation remained stable in most of the countries analyzed, only decreasing slightly in Guatemala (from 4.8% to 4.7%), Paraguay (from 5.5% to 5.4%) and Uruguay (from 7.6% to 7.5%). Conversely they increased slightly in Brazil, from 5.7% to 5.8%.

Figure 4. Inflation 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.

The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the Inter-American Development Bank, its Board of Directors, or the countries they represent. The unauthorized commercial use of Bank documents is prohibited and may be punishable under the Bank's policies and/or applicable laws.

Copyright © 2012 Inter-American Development Bank. All rights reserved; may be freely reproduced for any non-commercial purpose.