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

The simple average expectation for growth for 2013 is 4.7%. Average growth expectations for 2013 fell 0.1%, from 4.8% to 4.7%. This fall was driven by declines in expected growth in Brazil (from 3.0% to 2.5%), Chile (from 5.0% to 4.6%) and Mexico (from 2.9% to 2.8%). Growth expectations only increased in Paraguay from 11.0% to 11.4%. And they remained stable in four countries: Guatemala (at 3.1%), Uruguay (at 3.5%), Colombia (at 3.9%) and Peru (at 6.0%). Growth expectations for 2014 are 4.5% and 3.6% - simple and GDP weighted averages respectively.

Expectations for inflation in 2013 remained at 4.3% and the expected GDP growth for 2013 is now 4.7%. Expectations for inflation fell in three countries: Chile (from 2.5% to 2.4%), Mexico (from 3.9% to 3.8%) and Paraguay (from 5.0% to 4.6%). They increased slightly in Colombia (from 2.5% to 2.6%), Guatemala (from 4.7% to 4.8%), Peru (from 2.5% to 2.6%) and Uruguay (from 8.0% to 8.1%). And they remained stable in Brazil (at 5.9%). For 2014, inflation expectations are 4.5% and 4.8% - simple and GDP weighted averages respectively.

Table 1. Growth and Inflation Expectations for 2013

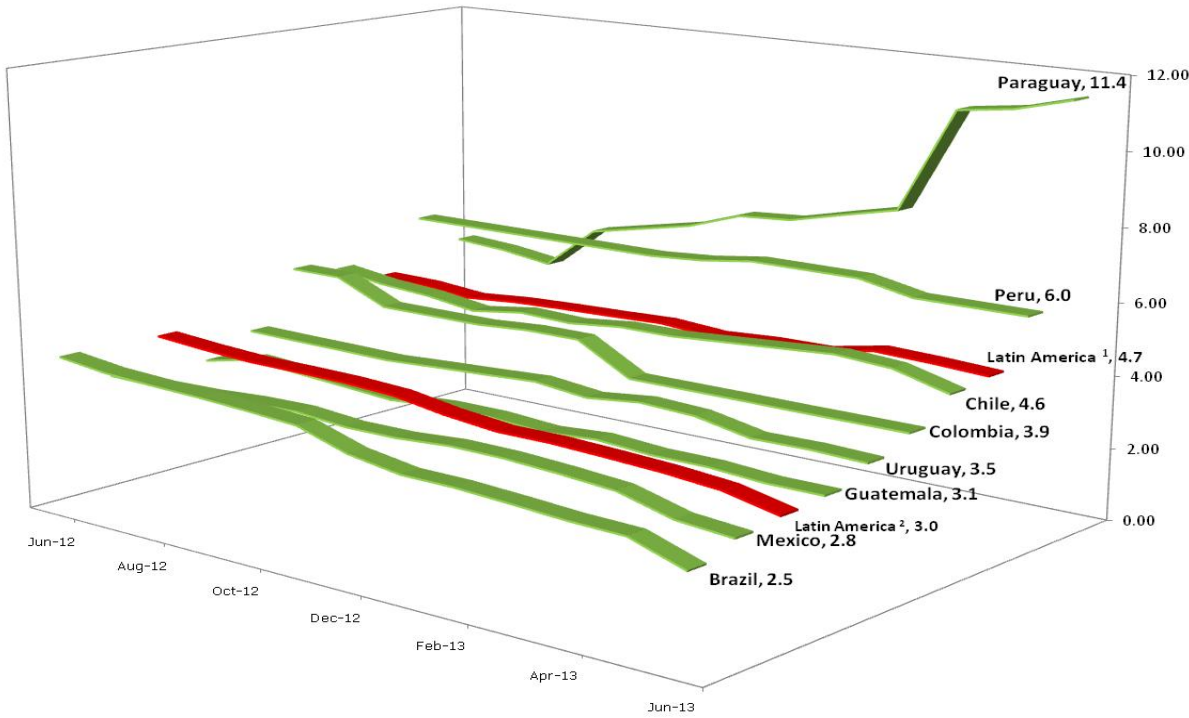
Country	Growth expectation (percentage expected for 2013)		Inflation expectation (percentage expected for 2013)	
	as of June 2013	May-Jun change	as of June 2013	May-Jun change
	Brazil	2.5	↓ -0.5	5.9
Chile	4.6	↓ -0.4	2.4	↓ -0.1
Colombia	3.9	⇒ 0.0	2.6	↑ 0.1
Guatemala	3.1	⇒ 0.0	4.8	↑ 0.1
Mexico	2.8	↓ -0.1	3.8	↓ -0.1
Paraguay	11.4	↑ 0.4	4.6	↓ -0.4
Peru	6.0	⇒ 0.0	2.6	↑ 0.1
Uruguay	3.5	⇒ 0.0	8.1	↑ 0.1
Eight country average	4.7	↓ -0.1	4.3	⇒ 0.0

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

B. Growth

As illustrated in Figure 1, average growth expectations for 2013 have decreased from 4.8% to 4.7% on a simple average (Latin America 1) and from 3.3% to 3.0% on a GDP weighted average (Latin America 2). The main driver of these results is the sharp contraction of expected growth in Brazil that declined 0.5% between May and June. This implies a decrease of 0.9% in the last six months. There was also a significant decline, of 0.4%, in expected growth for 2013 in Chile compared to the May figure, although only a 0.2% decline compared to December 2012. Mexico also experienced a slight decrease of 0.1% compared to May and the expected growth is now 0.6% less than the same figure six months ago. On the other hand, Paraguay continued on an increasing trend for 2013 expected growth, which is now 0.4% above the value in May and 4.30% above the expected value of six months ago. The four countries that maintained their growth expectations constant this month, but still have lower growth expectations than six months ago are: Colombia (with a decline of 0.8%), Uruguay (0.4%), Guatemala (0.2%) and Peru (0.1%).

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



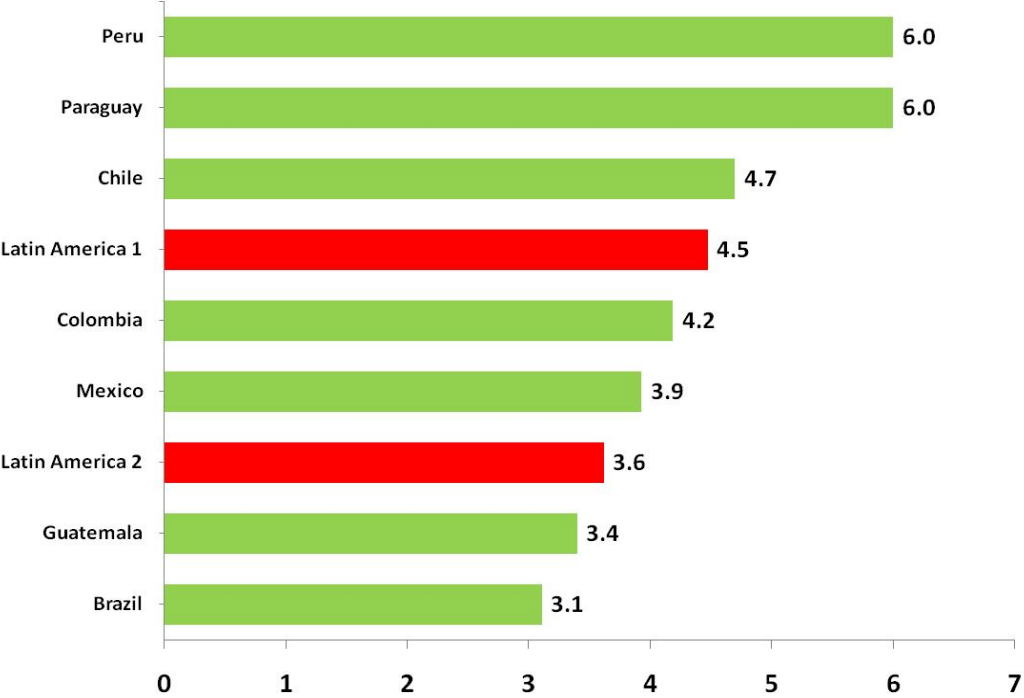
Source: REVELA, IDB 2013. Data available for download [here](#).

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 4.5% (0.2% lower than for 2013) and the GDP weighted mean is 3.6% (0.6% greater than for 2013). However, there is substantial heterogeneity in these expectations for 2014, with Peru and Paraguay having the highest expected growth (both at 6.0%) and Brazil and Guatemala the lowest (3.1% and 3.4% respectively). Simple average growth expectations remained constant in June, as the decline of 0.3% in Brazil was compensated by increases in Peru (0.1%) and Guatemala (0.1%)

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



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

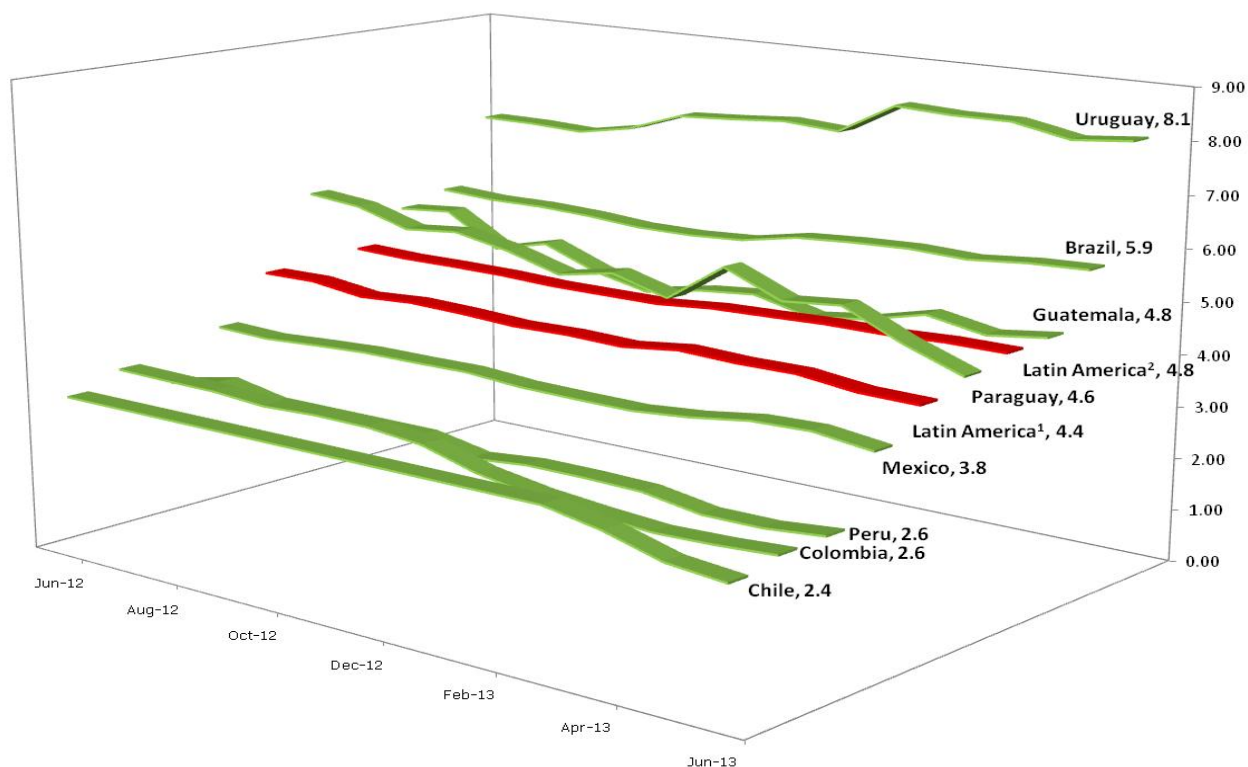
¹ Refers to the simple average of the eight inflation targeting countries.

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

C. Inflation

Average inflation expectations remained stable this month. While there was a substantial decline for those expectations in Paraguay (0.4%), this was compensated by a slight increase (0.1%) in four other countries (Colombia, Guatemala, Peru and Uruguay). The GDP weighted average also remained stable at 4.8% this month. Compared to six months ago, inflation expectations have remained relatively stable; the simple average has decreased 0.1% and the GDP adjusted mean has increased 0.2%. However, this result hides significant individual variations among countries. In Brazil and Uruguay expected inflation in 2013 is now 0.4% and 0.4% above their values of six months ago, respectively. Inflation expectations have also increased in Guatemala and Mexico over the last six months, by 0.2% and 0.1% respectively. Only Peru has maintained completely stable inflation expectations - at 2.6%. At the other side of the spectrum, Colombia, Chile and especially Paraguay have accumulated a significant decline of inflation expectations over the last six months, the respective declines are 0.6%, 0.6% and 0.8%.

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



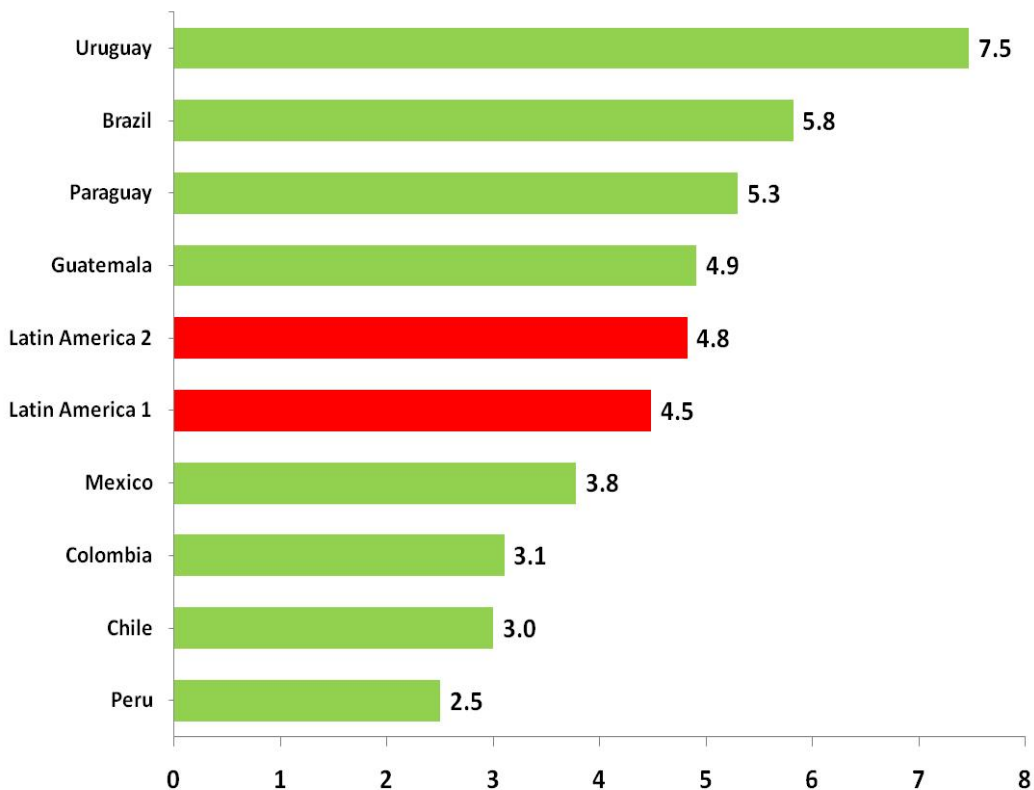
Source: REVELA, IDB 2013. Data available for download [here](#).

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Expected inflation for 2014 is currently 4.5% and 4.8% (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 June, expectations for 2014 inflation remained stable in most of the countries included in REVELA, only decreasing slightly in Paraguay (from 5.4% to 5.3%). Conversely they increased slightly in Guatemala, from 4.7% to 4.9% and in Uruguay from 7.4% to 7.5%.

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



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

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