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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 inflation expectations have remained stable, while average growth expectations have fallen in August. In fact, growth expectations fell sharply this month in some of the countries included in REVELA.

The simple average expectation for growth for 2013 is 4.5%. The GDP weighted average growth expectation for 2013 fell 0.3%, from 2.8% to 2.5%. A modest decline was observed in expected growth in Brazil (from 2.3% to 2.2%), in Chile (from 4.4% to 4.3%) and in Colombia (from 3.9% to 3.8%) while a larger decline was observed in Peru (from 5.8% to 5.5%) and in Mexico (from 2.7% to 1.8%). Expected growth remained stable in just two countries: Guatemala (at 3.1%) and Uruguay (at 3.5%), and it increased in just one case - Paraguay (from 11.3% to 11.5%). Regional growth expectations for 2014 are 4.1% and 3.2% - simple and GDP weighted averages respectively.

Expectations for inflation in 2013 remained at 4.4%. Expectations for inflation fell in two countries: Guatemala (from 5.1% to 5.0%) and Mexico (from 3.7% to 3.6%). They increased slightly in Chile (from 2.4% to 2.5%) and in Peru (from 2.6% to 2.8%). They remained stable in

Table 1. Growth and Inflation Expectations for 2013

Country	Growth expectation (percentage expected for 2013)		Inflation expectation (percentage expected for 2013)	
	as of August 2013	Jul-Aug change	as of August 2013	Jul-Aug change
	Brazil	2.2	-0.1	5.8
Chile	4.3	-0.1	2.5	0.1
Colombia	3.8	-0.1	2.6	0.0
Guatemala	3.1	0.0	5.0	-0.1
Mexico	1.8	-0.9	3.6	-0.1
Paraguay	11.5	0.2	4.6	0.0
Peru	5.5	-0.3	2.8	0.2
Uruguay	3.5	0.0	8.2	0.0
Eight country average	4.5	-0.2	4.4	0.0

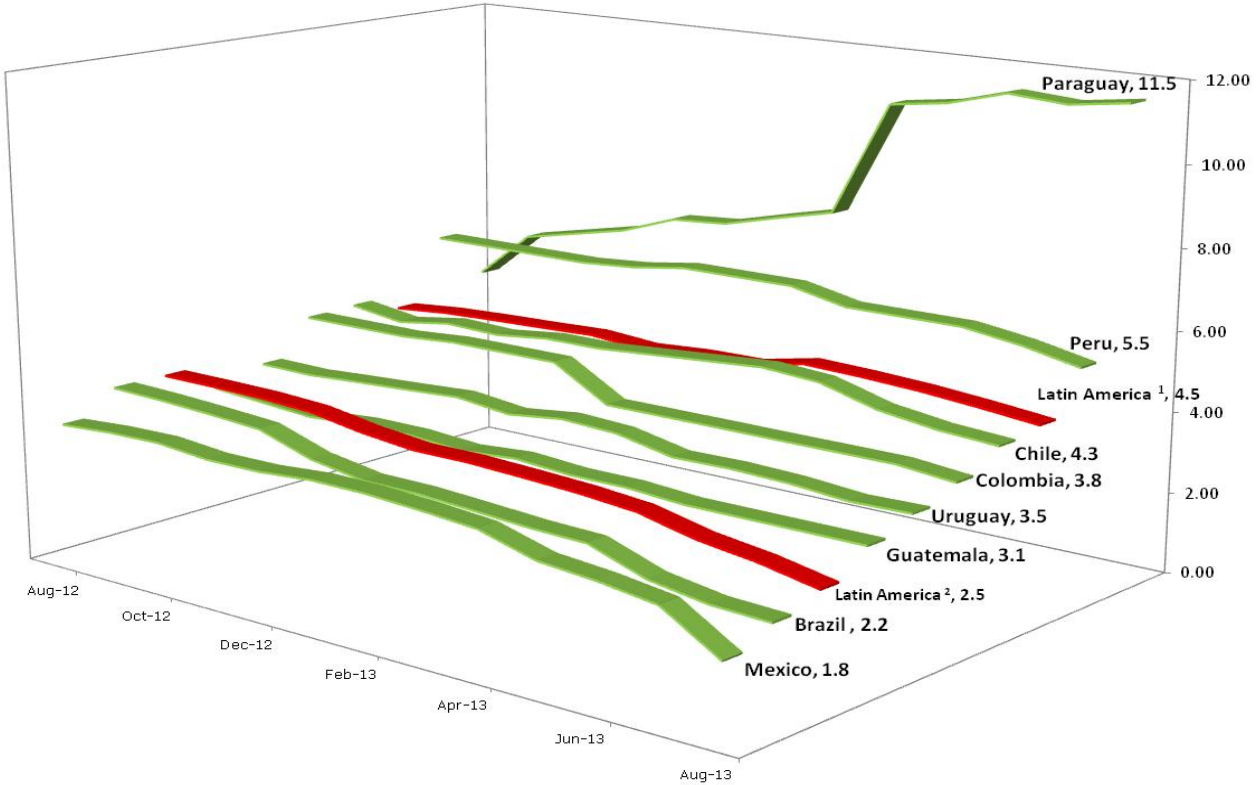
Source: REVELA, IDB 2013. Data available for download [here](#).

Brazil (at 5.8%), Colombia (at 2.6%), Paraguay (at 4.6%) and Uruguay (at 8.2%). For 2014, regional inflation expectations are 4.5% and 4.9% - simple and GDP weighted averages respectively.

B. Growth

As illustrated in Figure 1, average growth expectations for 2013 have decreased from 4.6% to 4.5% for the simple average (Latin America 1) and from 2.8% to 2.5% on a GDP weighted average basis (Latin America 2). The main driver of these results was the sharp fall in expected growth in Mexico that declined by 0.9% between July and August. This implies a decrease of 1.8% in the last six months for the second largest economy in the region. Compared to the July figure, there was a small decline of 0.1% in expected growth for 2013 in Brazil, Chile and Colombia and a larger decline in Peru (0.3%). Compared to 6 months ago, expected growth for 2013 has declined by 1% in Brazil, by 0.8% in Peru, by 0.6% in Chile and by 0.2% in Colombia. Growth expectations remained constant for Guatemala and Uruguay this month - at 3.1% and 3.5% respectively. However, compared to six months ago, growth expectations have declined by 0.2% in Guatemala and by 0.5% in Uruguay. Only Paraguay witnessed an improvement, of 0.2% in the growth expectations for 2013 between July and August and of 4% compared to six months ago.

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



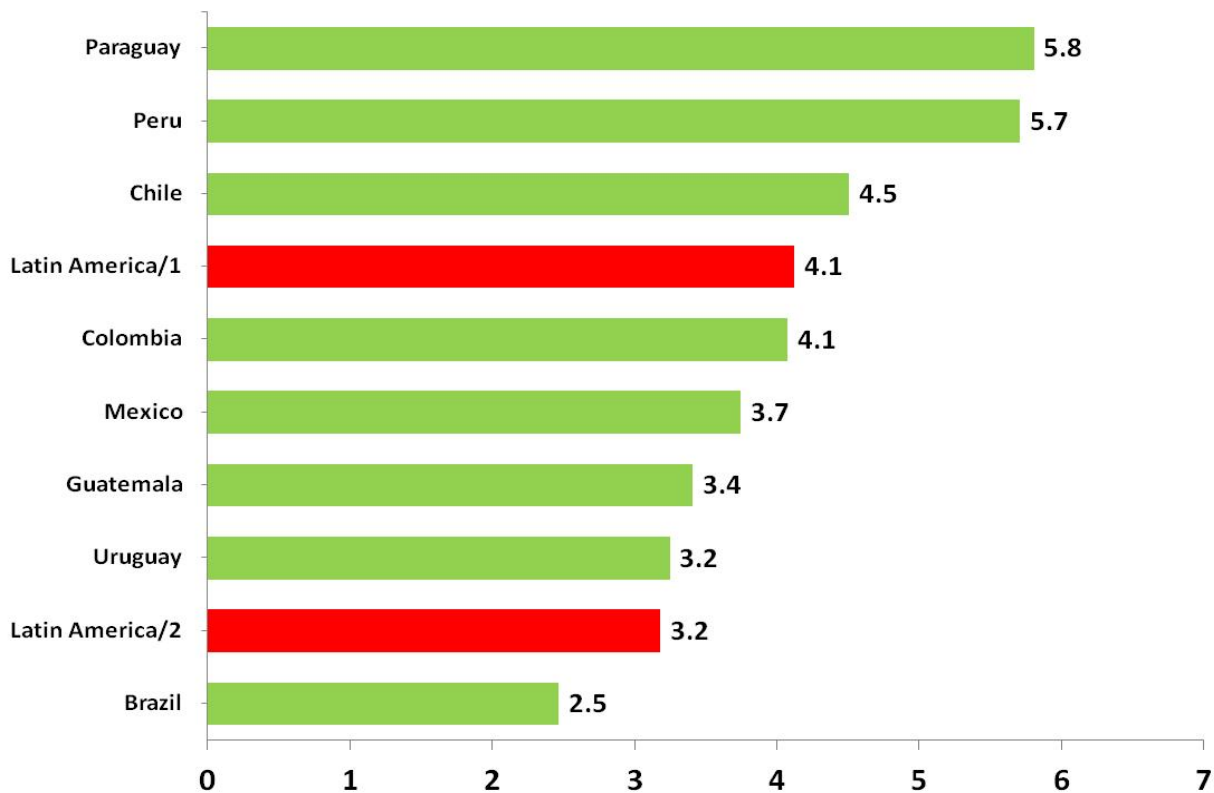
Source: REVELA, IDB 2013. Data available for download [here](#).

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 4.1% (0.4% lower than for 2013) and the GDP weighted mean is 3.2% (0.7% greater than for 2013). Between July and August there has been a widespread decline in growth expectations for 2014. In fact, the decline in expected growth over the last month was some 0.3% in Peru, 0.2% in Brazil and Mexico and 0.1% in Colombia. Additionally, growth expectations for 2014 only improved in Guatemala (by 0.1%) between July and August. Finally, the other countries included in REVELA maintained stable growth expectations for 2014. All in all, the simple average growth expectation for the eight countries included in REVELA fell by 0.1% while the GDP weighted growth expectations declined by 0.2% in August.

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



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

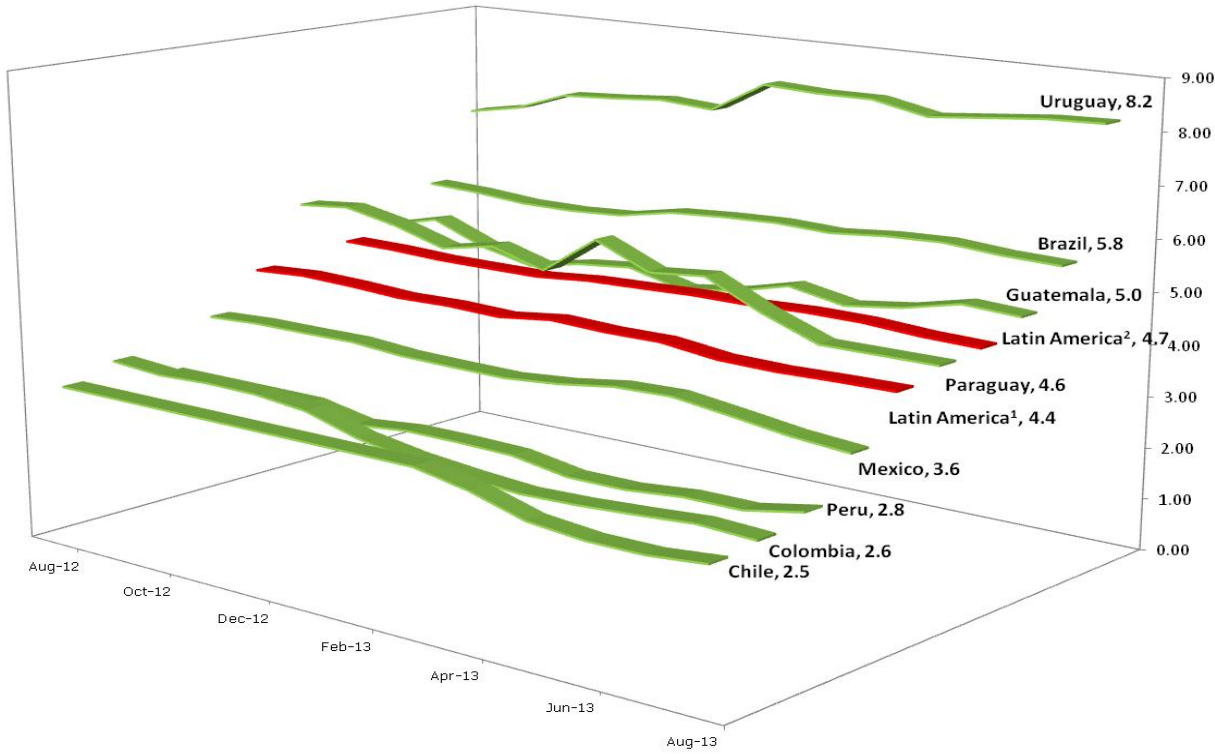
¹ Refers to the simple average of the eight inflation targeting countries.

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

C. Inflation

Both the simple mean and the GDP weighted mean inflation expectations for 2013 have remained stable this month. In fact, inflation expectations remained stable this month in four of the eight countries included in REVELA (Brazil, Colombia, Paraguay and Uruguay). The slight increase for those expectations in Peru (0.2%) and Chile (0.1%) were compensated by similar decreases in Guatemala (0.1%) and Mexico (0.1%). Compared to six months ago, inflation expectations measured as a simple average has however decreased by 0.2% while the GDP adjusted mean have remained stable. This result can be explained first by the fact that current inflation expectations for 2013 have remained stable, compared to six months ago, in Brazil and Colombia and have slightly decreased in Mexico (0.1%). Additionally, a more pronounced variation has been observed among the other countries included in REVELA. On the one hand, inflation expectations have increased over the last six months in Guatemala and Peru, 0.5% and 0.1% respectively. On the other hand, inflation expectations in Chile and Paraguay are now 0.5% and 1.3% below their values six months ago. Finally, inflation expectations in Uruguay rose but have now fallen back to the value of six months ago (8.2%).

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

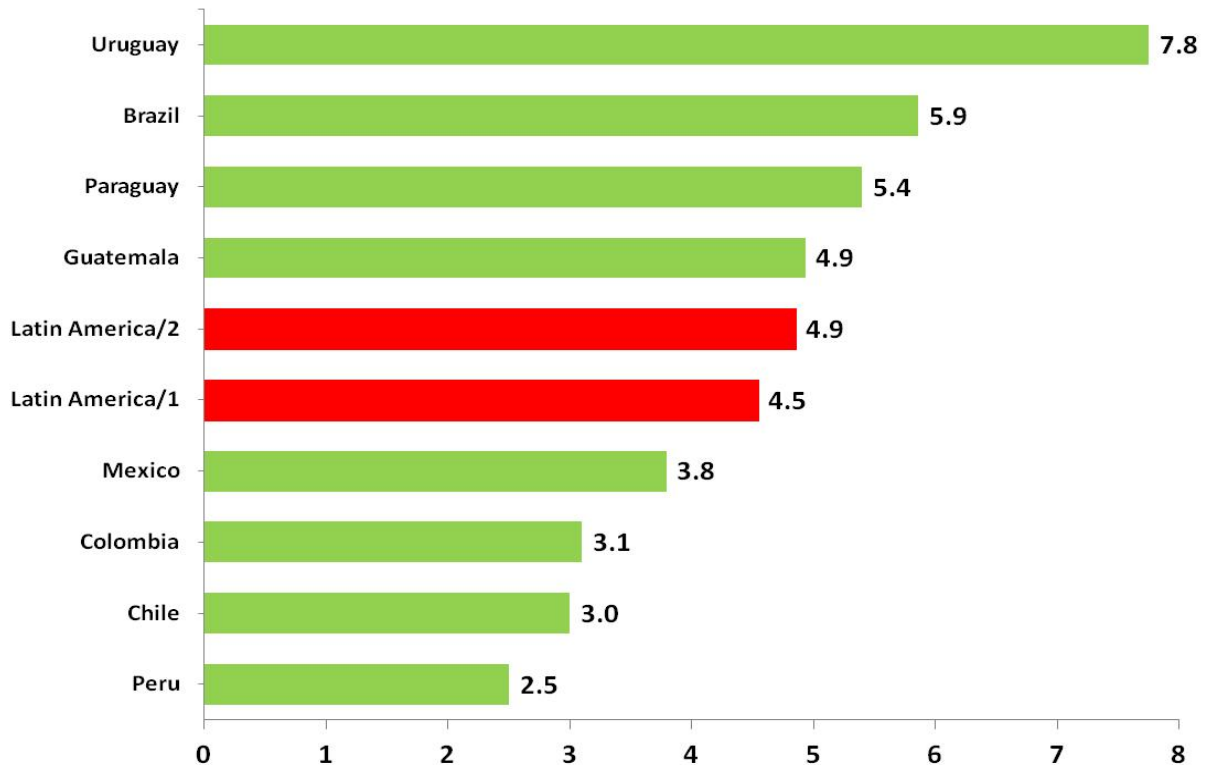


Source: REVELA, IDB 2013. Data available for download [here](#).
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Expected inflation for 2014 is currently 4.5% and 4.9% (simple mean and GDP weighted mean respectively). However, there is a widening range across countries: from 7.8% in Uruguay, to 2.5% in Peru. During the last month, expectations for 2014 inflation remained stable in all countries below the regional average (Peru, Chile, Colombia and Mexico) and also in Brazil. Conversely they decreased in Guatemala, from 5.1% to 4.9% and Paraguay from 5.5% to 5.4% and they increased in Uruguay from 7.7% to 7.8%.

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



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