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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, changes in growth expectations have been mixed, while average inflation expectations have increased in September. Growth expectations increased in three countries, and notably in Brazil, they declined in Mexico were stable in the other countries covered by REVELA.

The simple average expectation for growth for 2013 remained stable at 4.5% while the GDP weighted average growth expectation for 2013 slightly increased to 2.6%. In fact, expected growth increased slightly in Brazil (from 2.2% to 2.4%), Paraguay (from 11.5% to 11.6%) and Uruguay (from 3.4% to 3.5%). By contrast, it fell sharply in Mexico (from 1.8% to 1.4%). Finally, in four of the eight countries included in REVELA growth expectations remained stable, Chile (at 4.3%), Colombia (at 3.8%), Guatemala (at 3.1%) and Peru (at 5.5%).

The simple average expectations for inflation in 2013 increased slightly to 4.4%. Expectations for inflation fell only in Guatemala (from 5.1% to 5.1%). They increased slightly in three countries: Paraguay (from 4.6% to 4.7%), Peru (from 2.8% to 3.0%) and Uruguay (from 8.2% to 8.4%). They remained stable in Brazil (at 5.8%), Chile (at 2.5%), Colombia (at 2.6%) and Mexico (at 3.6%).

Table 1. Growth and Inflation Expectations for 2013

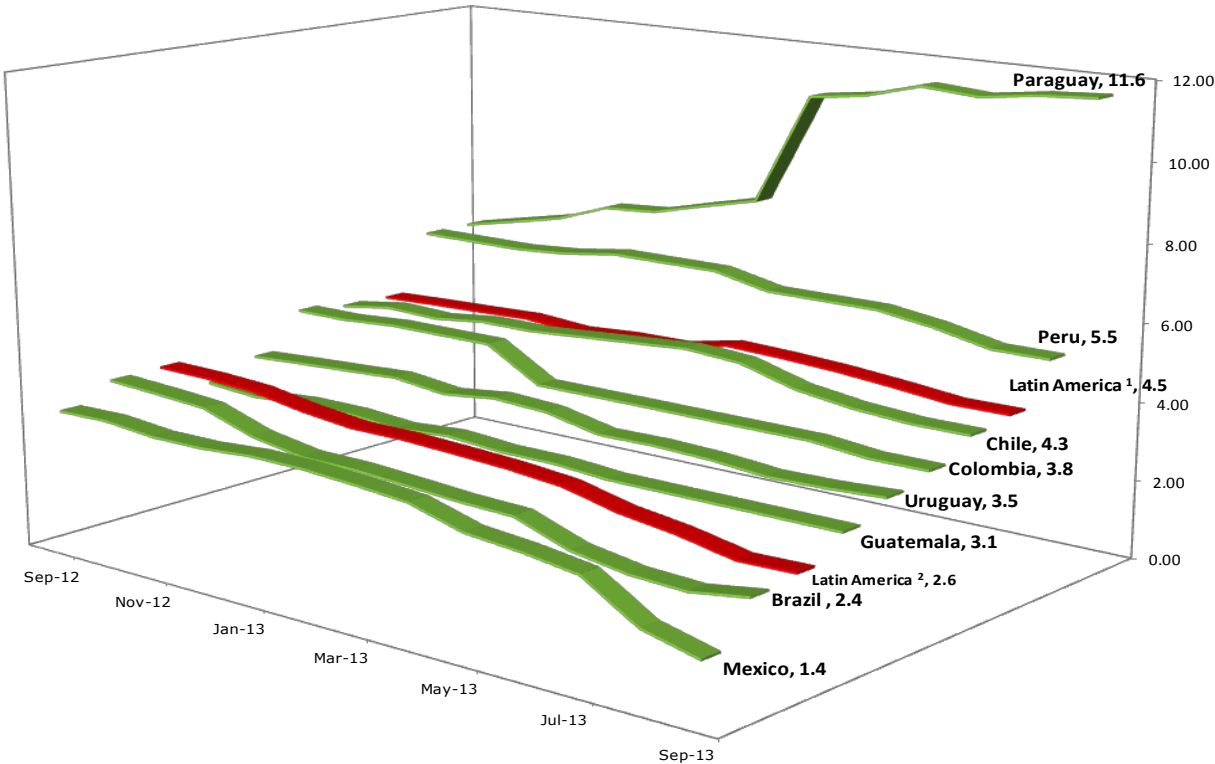
Country	Growth expectation (percentage expected for 2013)		Inflation expectation (percentage expected for 2013)	
	as of September 2013	Aug-Sep change	as of September 2013	Aug-Sep change
Brazil	2.4	0.2	5.8	0.0
Chile	4.3	0.0	2.5	0.0
Colombia	3.8	0.0	2.6	0.0
Guatemala	3.1	0.0	5.0	-0.1
Mexico	1.4	-0.4	3.6	0.0
Paraguay	11.6	0.1	4.7	0.1
Peru	5.5	0.0	3.0	0.2
Uruguay	3.5	0.1	8.4	0.2
Eight country average	4.5	0.0	4.4	0.1

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

B. Growth

As illustrated in Figure 1, this past month, average growth expectations for 2013 have remained stable at 4.5% on a simple average basis (Latin America 1) and have increased from 2.5% to 2.6% considering the GDP weighted average (Latin America 2). However, compared to six months ago we see a cumulative decline of 1% for the GDP weighted average. These results are due to the divergence in growth expectations that have recently emerged between the two largest economies of the region. After six months of sustained decline, growth expectations in Brazil increased 0.2% in September. Despite this, they are still 0.7% below the expectations formulated six months ago. By contrast, growth expectations in Mexico are 0.4% below the August figure, confirming the trend observed over the last 6 months and implying a 2% decline over the same period. A small increase of 0.1% in growth expectations were observed between August and September in Paraguay and Uruguay. However, expected growth is now 0.3% less than the same figure six months ago in Uruguay and 3.7% more in Paraguay. In all the other countries covered by REVELA, growth expectations have remained constant this month, but are still lower than six months ago: Chile (with a decline of 0.7%), Colombia (0.2%), Peru (0.3%) and Guatemala (0.1%).

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



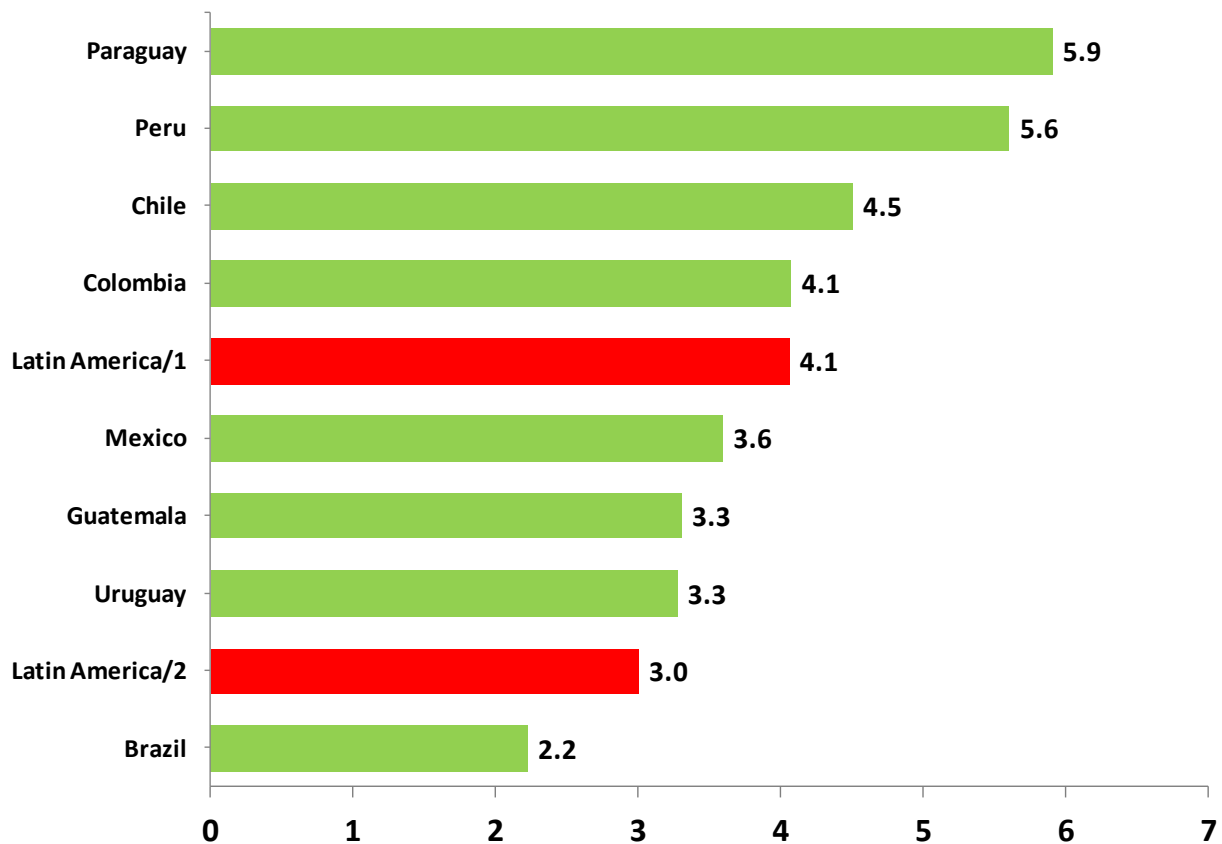
Source: REVELA, IDB 2013. Data available for download [here](#).

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.

From August to September 2013, the simple mean growth expectation for 2014 has decreased from 4.2% to 4.1% and the GDP weighted mean from 3.1% to 3.0%. The growth expectations for Brazil and Mexico, 2.2% and 3.5% respectively, are 0.2% below their level last month. Similarly, growth expectations for Guatemala and Peru decreased by 0.1% and are now 3.3% and 5.6% respectively. In addition, Uruguay, Colombia and Chile have maintained their 2014 expectations at 3.3%, 4.1% and 4.5% respectively. Finally, Paraguay is the only country covered by REVELA where growth expectations for 2014 have increased this last month, from 5.8% to 5.9%.

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



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

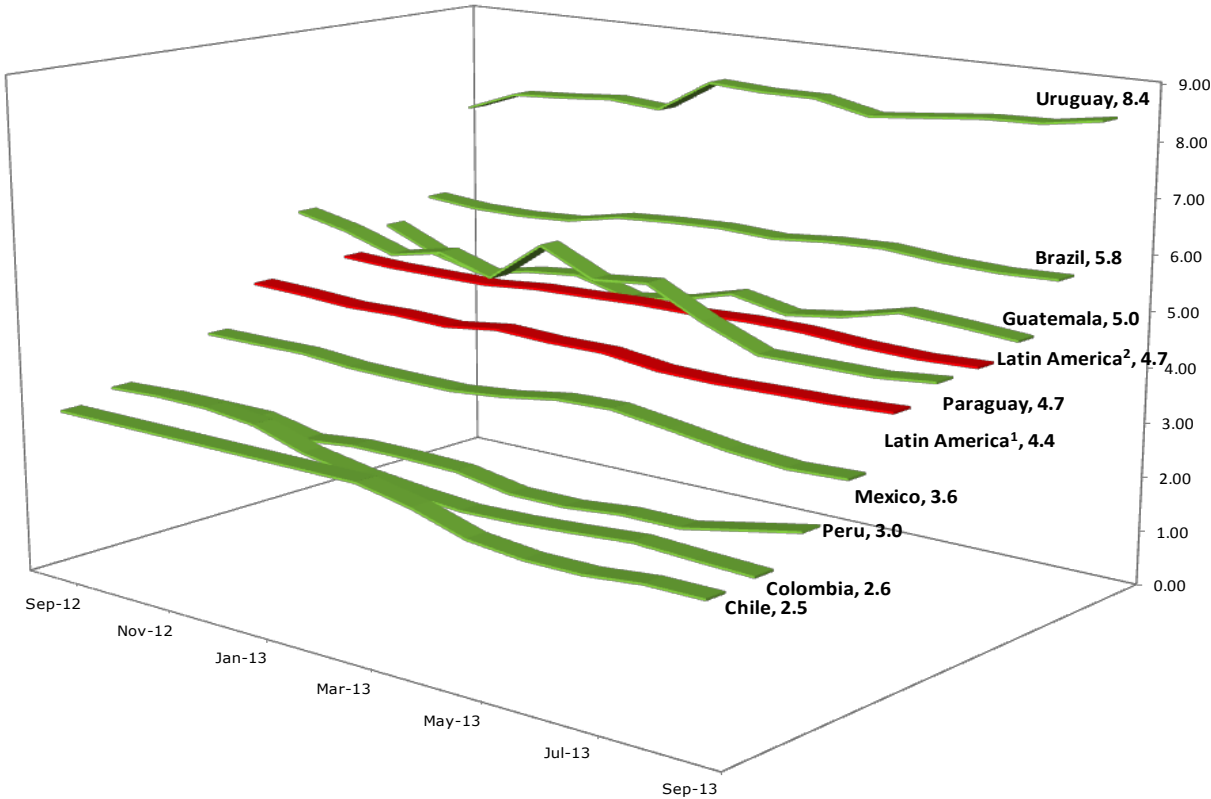
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C. Inflation

The GDP weighted average inflation expectations remained stable this month but the simple mean increased by 0.1%. This is consistent with the fact that, while inflation expectations remained stable in Brazil, Mexico, Colombia and Chile there was a slight increase in expectations in Paraguay (0.1%), Peru (0.2%) and Uruguay (0.2%) that was partially compensated by a decrease in Guatemala (0.1%). Compared to six months ago, inflation expectations measured both as a simple average or a GDP adjusted mean have remained stable. However, this result hides significant individual variations among countries. On the one hand, inflation expectations have increased over the last six months in Guatemala Peru and Uruguay – by 0.3%, 0.3% and 0.2% respectively. On the other hand, inflation expectations in Chile, Mexico and Paraguay are now 0.5%, 0.2% and 0.7% below their values six months ago. Finally, inflation expectations were stable in Brazil and Colombia over this period at 5.8% and 2.7% respectively.

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



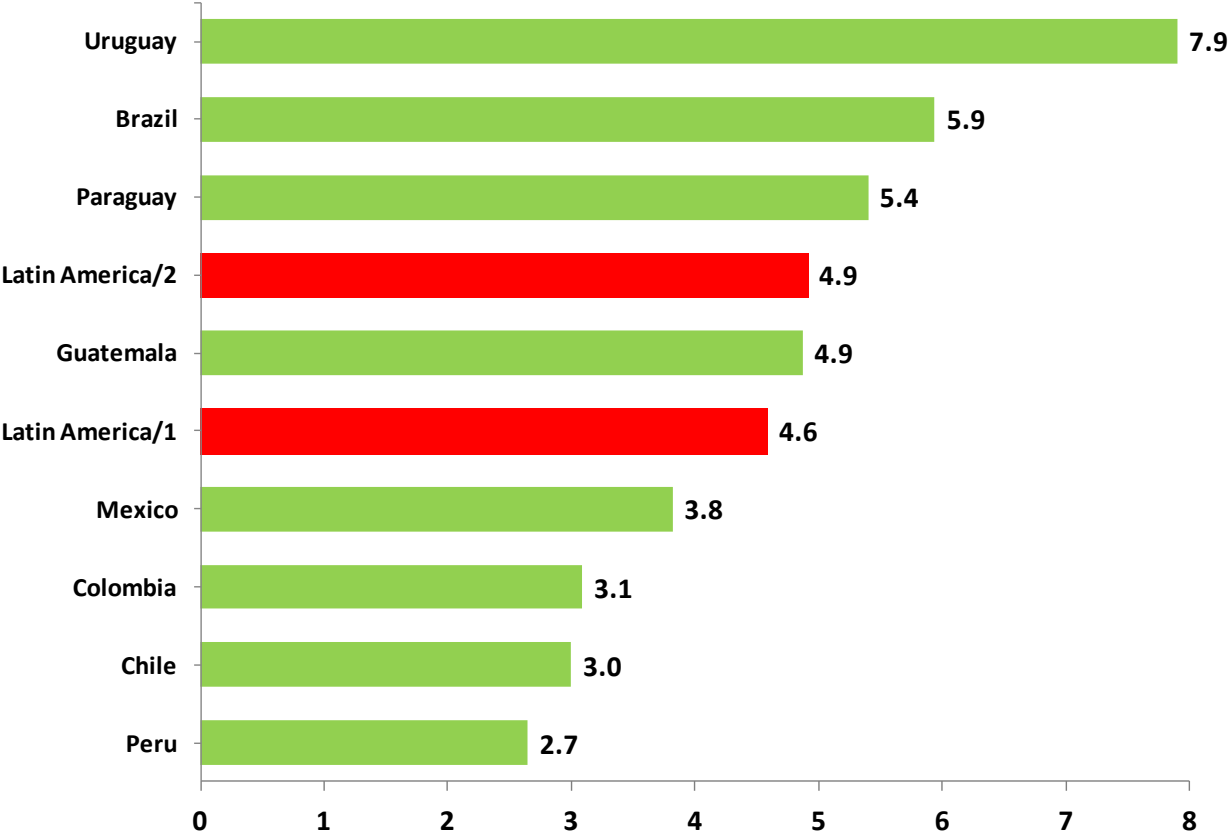
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Expected inflation for 2014 is currently 4.6% and 4.9% (simple mean and GDP weighted mean respectively). Compared to August 2013, the simple mean has remained stable while the GDP weighted mean has increased by 0.1%. This last month inflation expectation for 2014 increased in Uruguay from 7.7% to 7.9%, Brazil, from 5.8% to 5.9% and Peru from 2.5% to 2.7%. Conversely they remained stable in Chile (at 3%), Colombia (at 3.1%), Mexico (at 3.8%) and Paraguay (at 5.4%). In September, expectations for 2014 inflation only decreased in Guatemala, from 4.9% to 4.8%.

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



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

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