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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, growth expectations fell in Mexico and Peru but rose in Paraguay, Uruguay and Brazil. Growth is expected to be 11.8% in Paraguay this year but only 1.2% for Mexico. Inflation expectations have remained broadly constant in October.

Table 1. Growth and Inflation Expectations for 2013

Country	Growth expectation (percentage expected for 2013)		Inflation expectation (percentage expected for 2013)	
	as of October 2013	Sep-Oct change	as of October 2013	Sep-Oct change
Brazil	2.5	↑ 0.1	5.8	⇒ 0.0
Chile	4.3	⇒ 0.0	2.3	↓ -0.2
Colombia	3.8	⇒ 0.0	2.6	⇒ 0.0
Guatemala	3.2	↑ 0.1	5.0	⇒ 0.0
Mexico	1.2	↓ -0.2	3.5	⇒ 0.0
Paraguay	11.8	↑ 0.2	4.5	↓ -0.2
Peru	5.3	↓ -0.2	3.0	⇒ 0.0
Uruguay	3.7	↑ 0.2	8.9	↑ 0.5
Eight country average	4.5	⇒ 0.0	4.5	⇒ 0.0

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

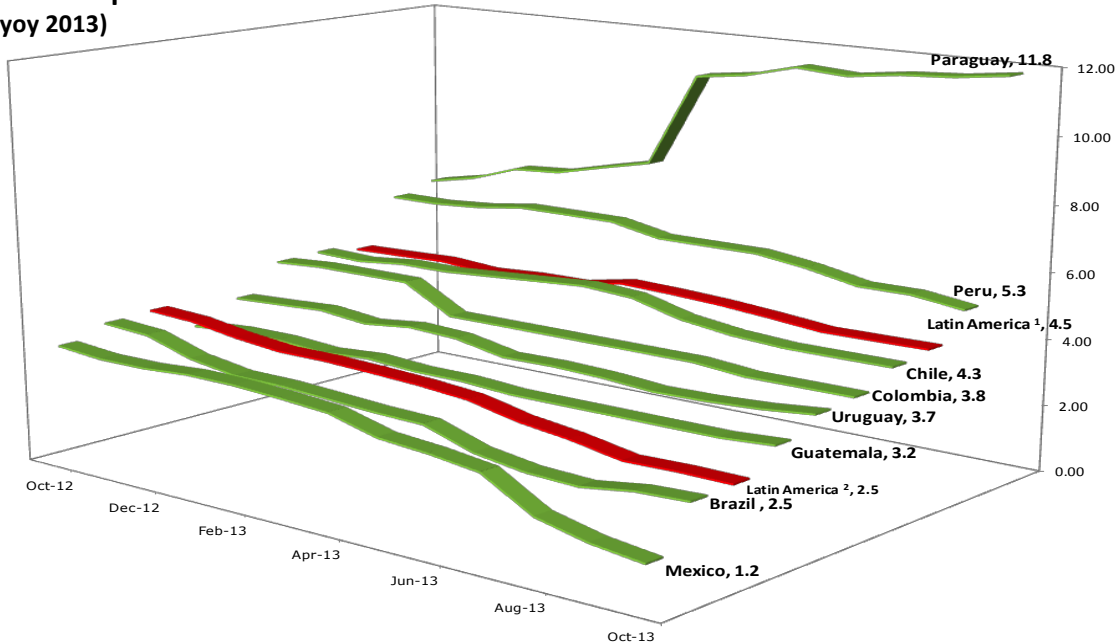
Both the simple average growth expectation for 2013 and the GDP weighted average growth expectation remained stable at 4.5% and 2.6% respectively. In fact, expected growth increased slightly in Brazil (from 2.4% to 2.5%), Paraguay (from 11.6% to 11.8%), Guatemala (from 3.1% to 3.2%) and Uruguay (from 3.5% to 3.7%). By contrast, it fell in Peru (from 5.5% to 5.3%) and for the seventh consecutive month in Mexico (from 1.4% to 1.2%). Finally, in two of the eight countries included in REVELA growth expectations in October remained stable, Chile (at 4.3%) and Colombia (at 3.8%).

The simple average inflation expectation in 2013 remained constant at 4.5%. Inflation expectations fell slightly in Chile (from 2.5% to 2.3%) and Paraguay (from 4.7% to 4.5%). By contrast, they increased sharply only in Uruguay (from 8.4% to 8.9%). They remained stable in Brazil (at 5.8%), Colombia (at 2.6%), Guatemala (at 5.0%), Mexico (at 3.5%) and Peru (at 3.0%).

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 at 2.5% considering the GDP weighted average (Latin America 2). Compared to six months ago we see a cumulative decline of 0.4% for the simple average and of 0.9% for the GDP weighted average. However, these results are hiding two opposite trends 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 0.1% in October for the second consecutive month. This recent recovery has shrunk the gap with the expectations formulated six months ago; current expectations are only 0.5% below them. By contrast, growth expectations in Mexico have continued their now seven-month long decline and are 0.2% below the September figure and 2.1% below the level expected six months ago. This trend was also observed among some other countries in the region. On the one hand, compared to September, growth expectations increased in Guatemala, Paraguay and Uruguay, by 0.1%, 0.2% and 0.2% respectively. This has allowed the Guatemala to regain the level observed six months ago while the latter two countries are now 1% and 0.1% respectively, above their level in April 2013. On the other hand, growth expectations in Peru decreased for the fourth month in a row, this month by 0.2%. Therefore, growth expectations for 2013 in Peru are now 0.7% below their level six months ago. In the last two countries covered by REVELA, growth expectations have remained constant this month, but are still lower than six months ago: Chile (with a cumulated decline of 0.8%) and Colombia (0.2%).

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



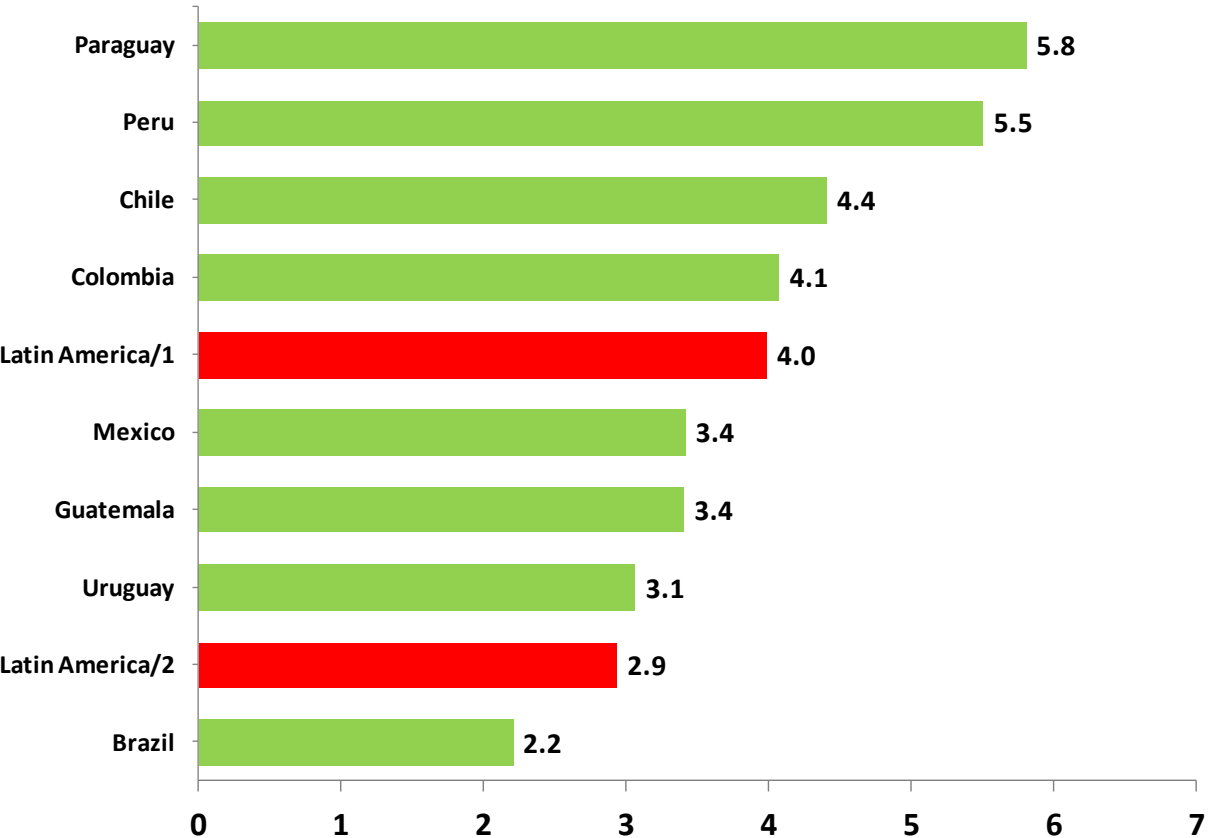
Source: REVELA, IDB 2013. Data available for download [here](#).

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 September to October 2013, the simple mean growth expectation for 2014 has decreased from 4.1% to 4.0% and the GDP weighted mean from 3.0% to 2.9%. While Brazil and Colombia have maintained their 2014 expectations at 2.2% and 4.1% respectively, in most of the other countries covered by REVELA there has been a downward adjustment of growth expectations for 2014. In Chile, Paraguay and Peru growth expectations for 2014 are now 0.1% below their level one month ago and in Uruguay and Mexico the monthly decline has been of 0.2%. Guatemala is the only country covered by REVELA where growth expectations for 2014 have increased this last month, from 3.3% to 3.4%.

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



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

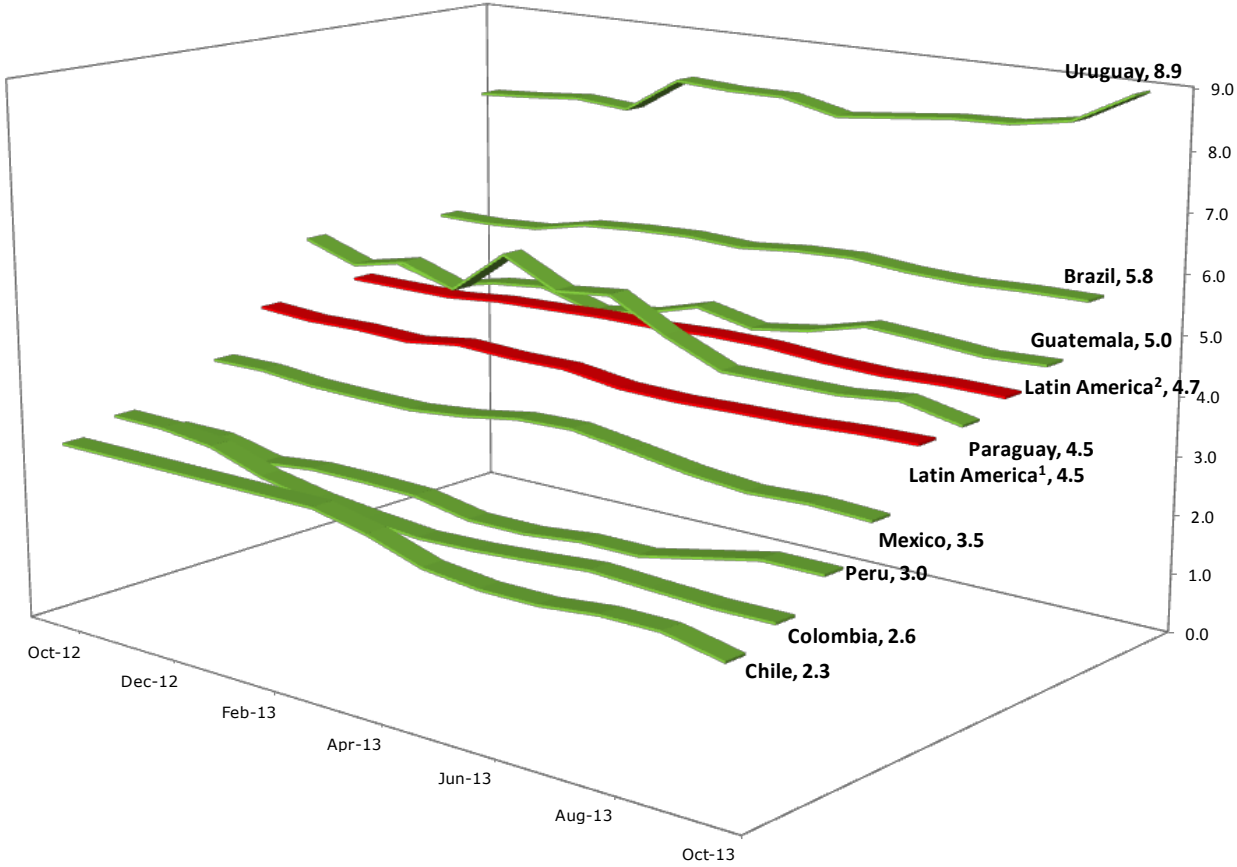
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C. Inflation

Both the simple average and the GDP weighted average inflation expectations for 2013 have remained stable this month. However, this result hides significant individual variations among countries. While inflation expectations for 2013 decreased over the past month by 0.2% in Chile and Paraguay and by 0.1% in Mexico, they have increased sharply, by 0.5%, in Uruguay. Additionally, they have remained stable in Brazil, Colombia, Guatemala and Peru. Compared to six months ago, inflation expectations measured both as a simple average or a GDP adjusted mean have also remained stable. Once again, individual variations are also large. On the one hand, inflation expectations have increased over the last six months in Brazil, Colombia, Guatemala, Peru and Uruguay – by 0.1%, 0.1%, 0.1%, 0.5% and 0.8% respectively. On the other hand, inflation expectations in Chile, Mexico and Paraguay are now 0.5%, 0.4% and 1% below their values six months ago.

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

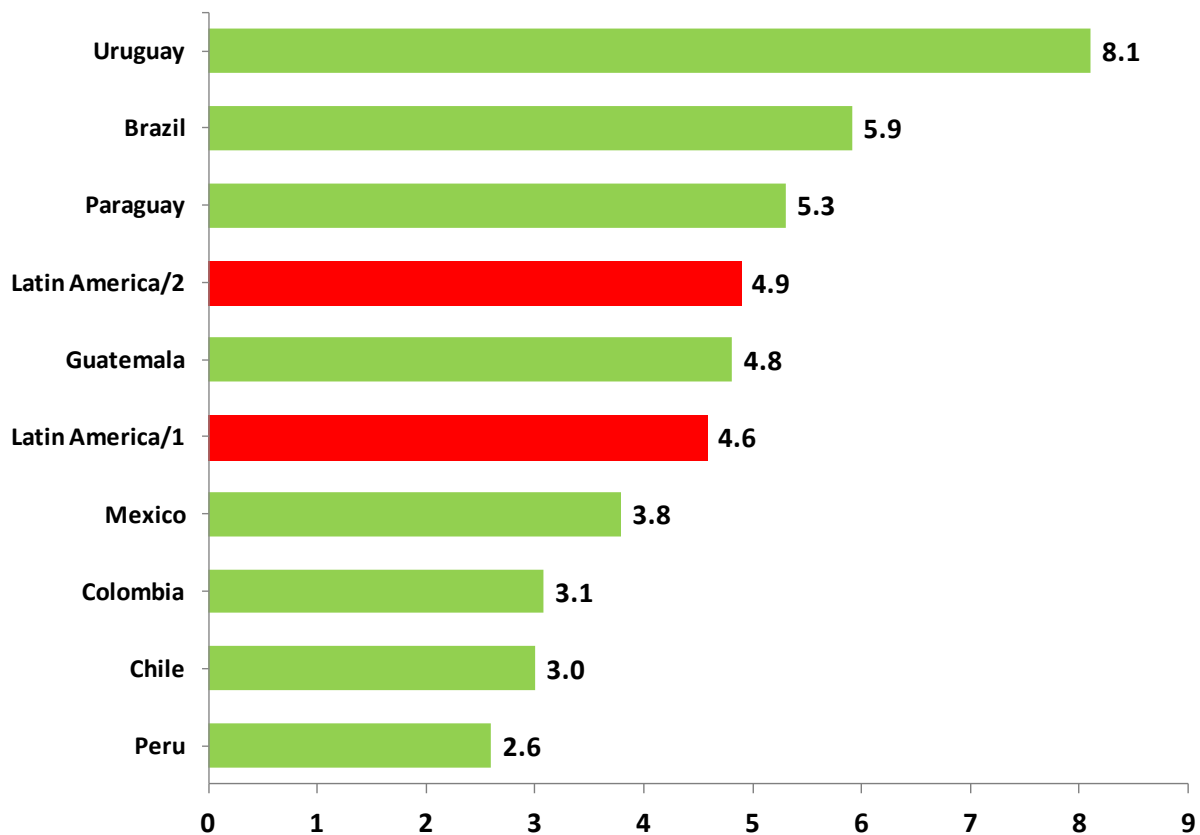


Source: REVELA, IDB 2013. Data available for download [here](#).
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² Refers to the GDP weighted average of the eight inflation targeting countries.

Expected inflation for 2014 is currently 4.6% and 4.9% (simple mean and GDP weighted mean respectively) and they have both remained stable during October 2013. They have slightly decreased in Guatemala and Paraguay, by 0.1% in both cases over the last month. This was compensated by a 0.2% increase in inflation expectations for 2014 in Uruguay, the country which currently has the highest expected inflation for both 2013 and 2014. In all the other countries covered by REVELA, inflation expectations for 2014 have remained stable this past month, Brazil (at 5.9%), Mexico (at 3.8%), Colombia (at 3.1%) and Chile (at 3%).

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



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

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