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Revelation of Expectations in Latin America

Issue XXXVIII – January, 2016

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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 surveys conducted by Central Banks in the region, 2016 growth expectations have decreased by 0.2% and inflation expectations have increased by 0.2% in January. At the individual country level, growth expectations fell in six countries and remained constant in two. Inflation expectations increased in seven countries and fell in one.

Growth expectations for 2016 decreased in Paraguay by 0.7% followed by Brazil and Colombia, falling 0.3% and 0.2% respectively compared to the previous month. Further

declines were observed in Chile, Guatemala and Uruguay, all by 0.1% in the three cases. Growth expectations remained constant in Peru at 3.2% and in Mexico at 2.7%.

Inflation expectations for 2016 increased in Guatemala by 0.7%, in Uruguay by 0.5%, in Brazil and Colombia by 0.2% in both cases, and in Chile, Paraguay and Peru by 0.1% in all three cases. Mexico is the only country where 2016 inflation expectations fell (by 0.2%) compared to the expectations as of December 2015.

Table 1. Growth and Inflation Expectations for 2016

Country	Growth expectation (percentage expected for 2016)		Growth expectation (percentage expected for 2016)	
	as of Jan 2016	Dec 2015 - Jan 2016 change	as of Jan 2016	Dec 2015 - Jan 2016 change
Brazil	-3.0	↓ -0.3	7.1	↑ 0.2
Chile	2.1	↓ -0.1	3.5	↑ 0.1
Colombia	3.0	↓ -0.2	4.8	↑ 0.2
Guatemala	3.7	↓ -0.1	3.9	↑ 0.7
Mexico	2.7	⇒ 0.0	3.1	↓ -0.2
Paraguay	3.1	↓ -0.7	4.5	↑ 0.1
Peru	3.2	⇒ 0.0	3.5	↑ 0.1
Uruguay	1.2	↓ -0.1	9.9	↑ 0.5
Eight country average	2.0	↓ -0.2	5.0	↑ 0.2

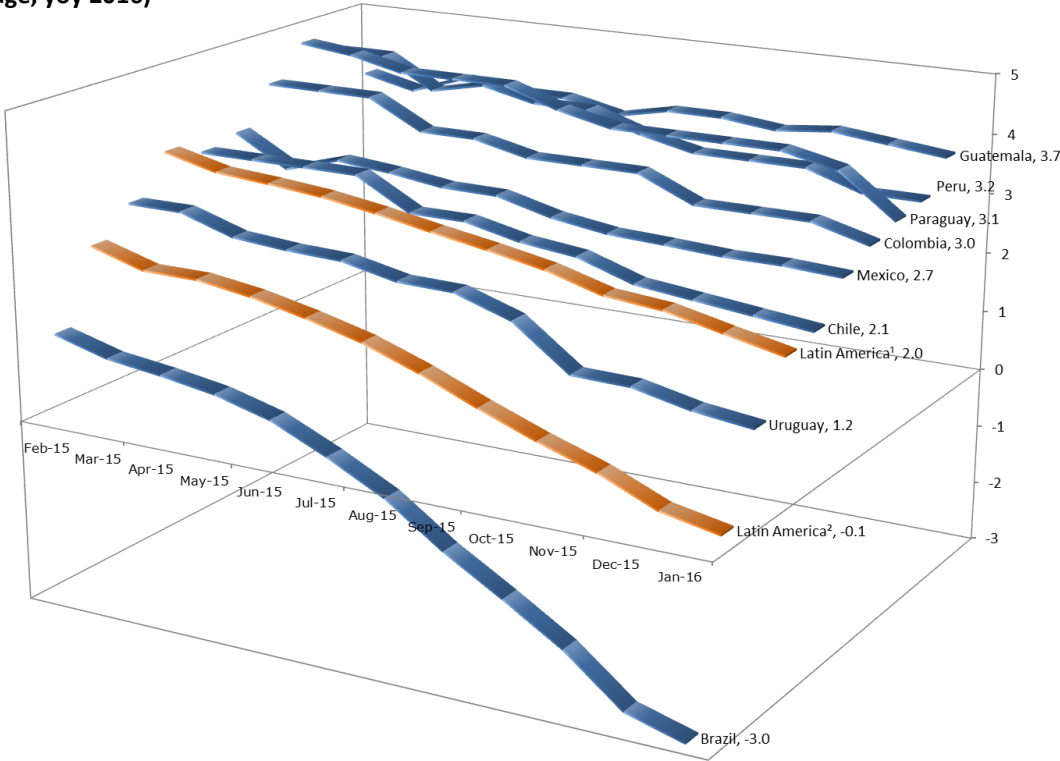
Source: REVELA, IDB 2015. Data available for download [here](#).

B. Growth

According to the January surveys, the region is expected to grow at 2.0% in 2016 according to the simple average of expectations, 0.2% above previous month. By contrast, the GDP weighted average of expectations is -0.1% for the region during 2016, which is 0.1% below the level calculated from the previous month's expectations. The significant difference between the two measures of expectations is explained by the negative growth prospects of Brazil. At the individual country level, growth expectations for 2016 decreased in six countries and remained stable in two compared to previous month. The most significant decrease was observed in Paraguay where growth fell by 0.7% from 3.8% to 3.1%. Milder falls in growth expectations included in Brazil by 0.3% (from -2.7% to -3.0%), Colombia by 0.2% (from 3.2% to 3.0%), and by 0.1% in three countries: Guatemala (from 3.8% to 3.7%), Chile (from 2.2% to 2.1%) and Uruguay (from 1.3% to 1.2%). Growth expectations for 2016 are extremely diverse for countries covered by *Revela*, ranging from -3.0% in Brazil to 3.7% in Guatemala.

Compared to expectations six months ago, 2016 growth expectations fell by 1.1% on a simple average basis and by 1.9% on a GDP weighted average basis. The most significant decline was observed in Brazil by 3.3%, followed by Uruguay by 1.3%, Paraguay by 1.1%, Chile by 0.9%, Peru by 0.8%, Colombia by 0.6% and Mexico by 0.5%. Guatemala is the only country where growth expectations remained constant (at 3.7%) compared to the expectations from 6 months ago.

Figure 1. Market Expectations of Growth
(Percentage, yoy 2016)

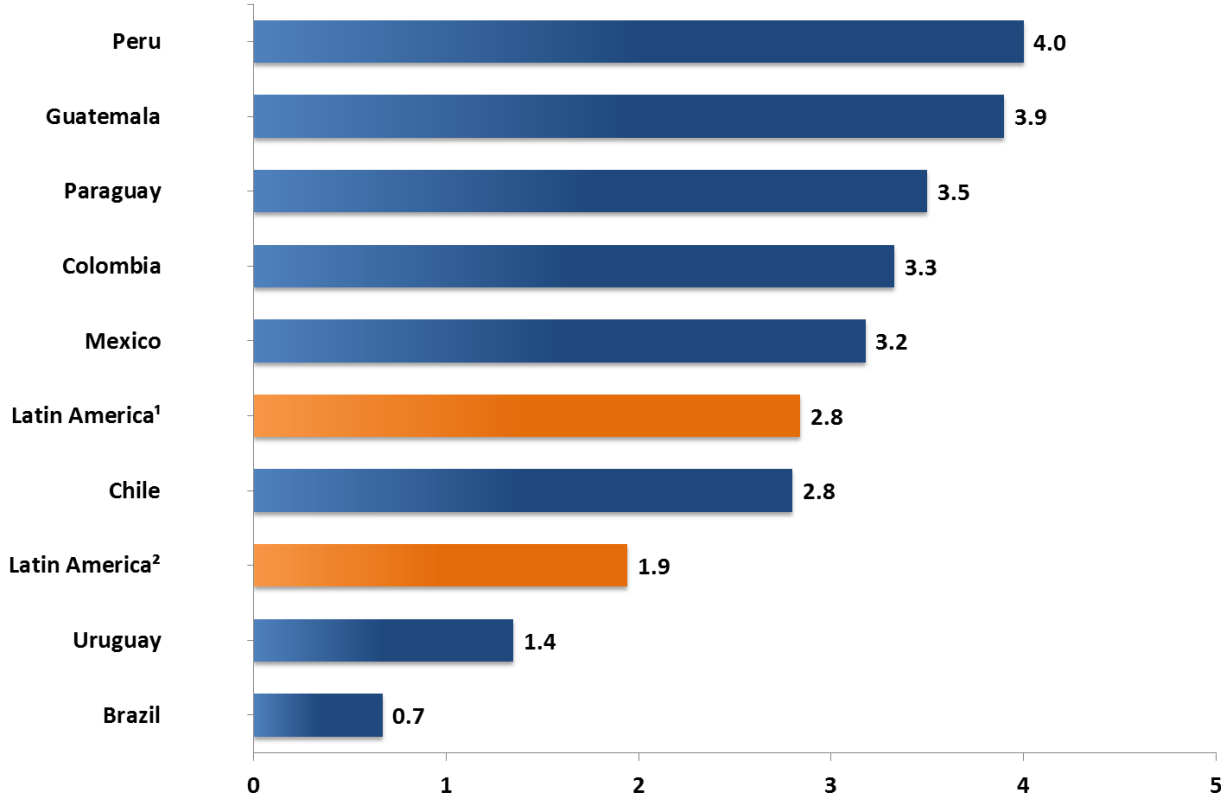


Source: REVELA, IDB 2016. Data available for download [here](#).
¹ Refers to the simple average of the eight inflation targeting countries.

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

In January 2016, the simple mean of growth expectations for 2017 was 2.8% while the GDP weighted average was 1.9%. Growth expectations for 2017 are significantly better than 2016 for the eight countries of the sample. Peru is the country with highest growth expectations for 2017, 4.0%, which is 0.8% above 2016 expectations. Guatemala is expected to grow at 3.9%, that is 0.2% above 2016 expectations. Paraguay and Colombia are expected to grow at 3.5% and 3.3% respectively, 0.4% above their respective expectations for 2016. Mexico and Uruguay are expected to grow at 3.2% and 1.4% respectively, that is 0.5% and 0.2% more than their respective 2016 expectations. Finally, 2017 growth expectations for Brazil are 0.7%, which is 3.7% above 2016 expectations. However, Brazil remains the economy with lowest growth expectations for 2017.

Figure 2. Growth Market Expectations
(Percentage, yoy 2016)



Source: REVELA, IDB 2015. Data available for download [here](#).

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

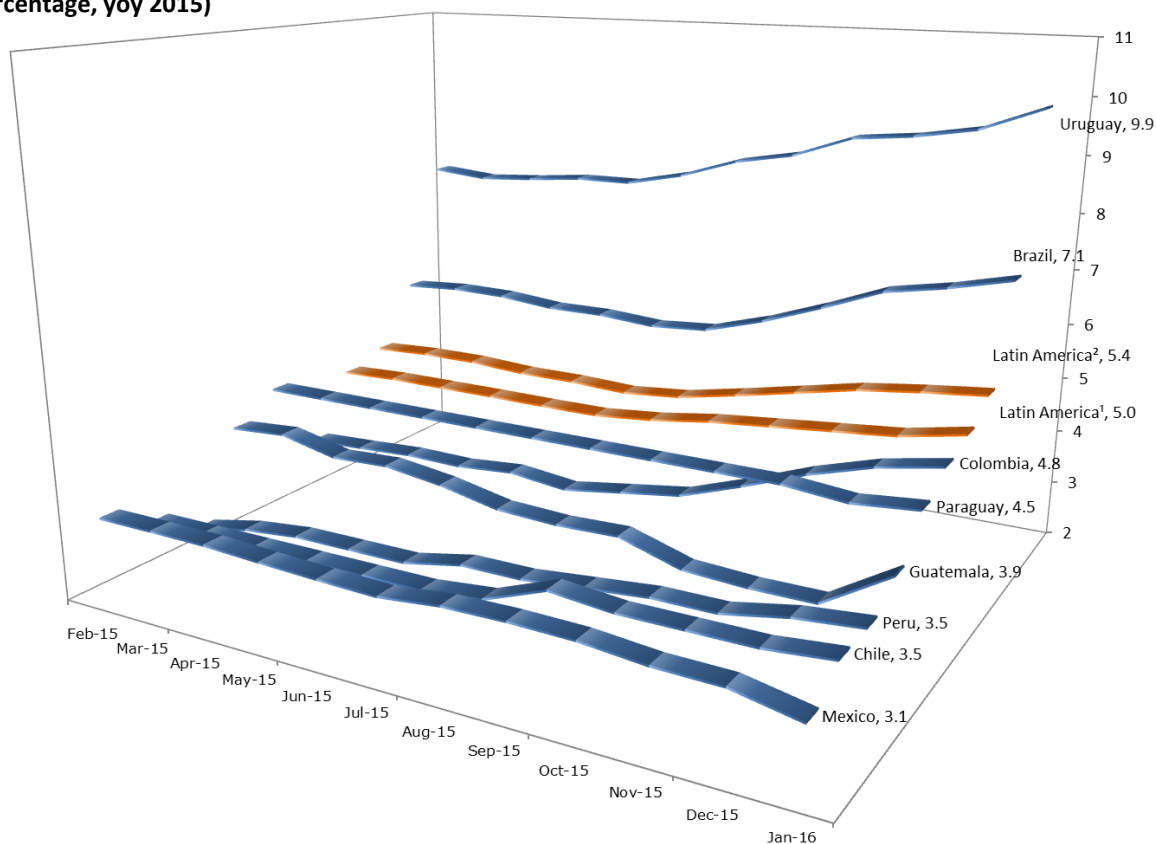
² Refers to the GDP weighted average of the eight inflation targeting countries.

C. Inflation

In January 2015, inflation expectations for 2016 increased by 0.2% from 4.8% to 5.0% on a simple average basis and by 0.1% from 5.3% to 5.4% on the GDP weighted average basis compared to previous month. At the individual country level, inflation expectations rose in Guatemala by 0.7% from 3.2% to 3.9%, Uruguay by 0.5% from 9.4% to 9.9%, Brazil and Colombia by 0.2% - from 6.9% to 7.1% for Brazil and from 4.6% to 4.8% for Colombia. Finally, increases of 0.1% were observed in three countries: Paraguay from 4.4% to 4.5%, and Chile and Peru from 3.4% to 3.5% in both countries. Mexico is the only country where 2016 inflation expectations fell compared to the previous month, by 0.2% from 3.3% to 3.1%. Now, inflation expectations rank from 3.1% in Mexico to 9.9% in Uruguay.

Compared to surveys six months ago, inflation expectations for 2016 increased by 0.7% on a simple average basis and by 1.0% on the GDP weighted average basis. The most significant cumulative increases were observed in Uruguay by 1.7% and in Brazil and Colombia by 1.6% in both countries. More modest cumulative increases were observed in Chile (0.5%), Peru (0.5%) and Guatemala (0.3%). Growth expectations for 2016 remained constant in Paraguay at 4.5% and fell by 0.2% in Mexico compared to previous six months.

Figure 3. Inflation Market Expectations (Percentage, yoy 2015)



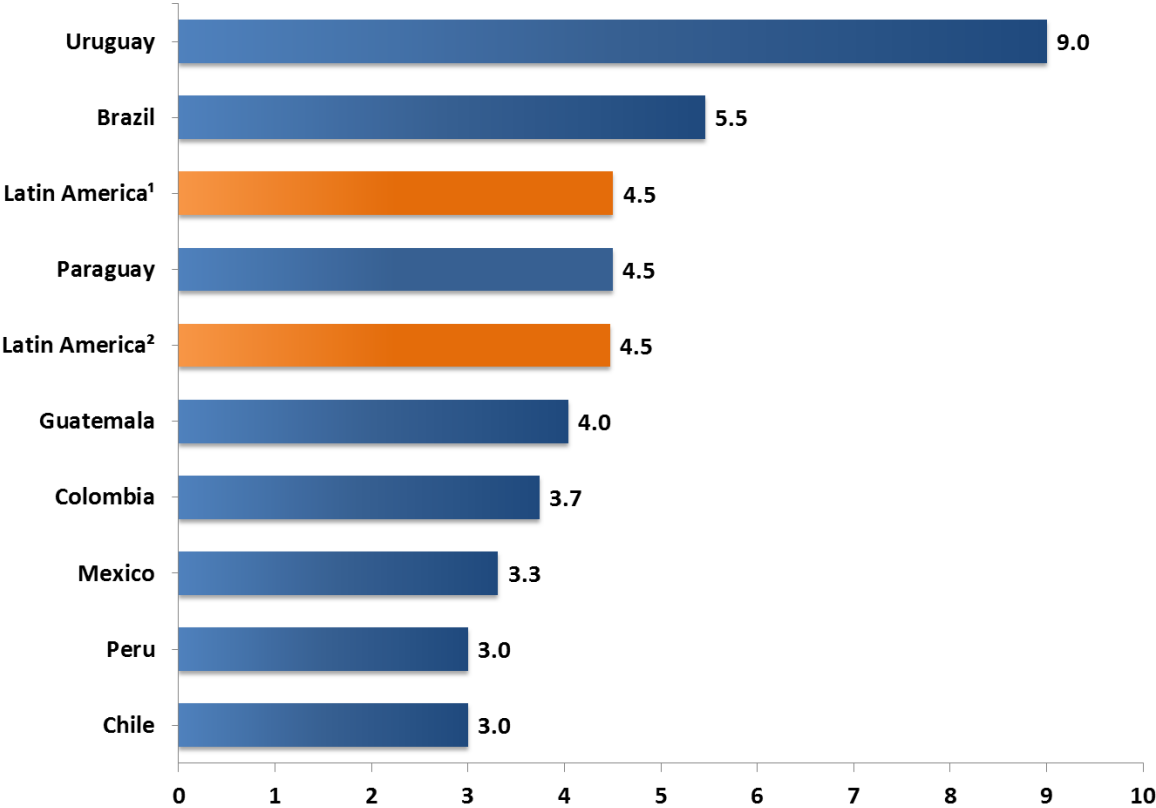
Source: REVELA, IDB 2015. Data available for download [here](#).

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Inflation expectations for the region for 2017 were 4.5% in January both on a simple average basis and on a GDP weighted average basis; which was 0.5% below the 2016 simple average and 0.9% below the 2016 GDP weighted average. At the individual country level, 2017 expected inflation was below that of 2016 for five countries. Uruguay was the economy with highest expected inflation (9.0%) for 2017 - 0.9% below 2016 expectations. Inflation expectations for Brazil were 5.5% for 2017, 1.7% below the expectations for 2016. Inflation expectations for Paraguay for 2017 were the same as for 2016 (at 4.5%). Guatemala’s inflation expectations were 4.0% for 2017, this was 0.2% above expectations for 2016. Expected inflation for 2017 was 3.7% in Colombia, which was 1.1% below 2016 expectations. In the case of Mexico, expected inflation was 3.3% for 2017, 0.2% above 2016 expectations. Finally, inflation expectations for Chile and Peru were 3.0% for 2017, which was 0.5% below 2016 expectations for both countries. With these results, 2017 inflation expectations rank from 3.0% in Chile to 9.0% in Uruguay.

Figure 4. Inflation Market Expectations
(Percentage, yoy 2017)



Source: REVELA, IDB 2015. Data available for download [here](#).

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