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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, 2016 growth expectations fell by 0.1% in March compared to the previous month and inflation expectations rose by 0.1%. At the individual country level, growth expectations fell in six countries, remained constant in one and rose in another one. Inflation expectations decreased in one country, remained constant in four and rose in three.

Growth expectations fell by 0.3% in Paraguay, by 0.2% in Brazil, Chile and Guatemala

and by 0.1% in Mexico and Uruguay. They remained constant in Colombia and increased in Peru by 0.2%. Growth expectations are highly heterogeneous for the eight countries of the sample ranging from -3.6% in Brazil to 3.6% in Guatemala.

Inflation expectations for 2016 increased by 0.2% in Colombia, Guatemala and Uruguay, remained constant in Chile, Mexico, Paraguay and Peru, and fell by 0.2% in Brazil. Inflation expectations range from 3.3% in Mexico to 9.9% in Uruguay.

Table 1. Growth and Inflation Expectations for 2016

Country	Growth expectation (percentage expected for 2016)		Inflation expectation (percentage expected for 2016)	
	as of Mar 2016	Feb-Mar change	as of Mar 2016	Feb-Mar change
	Brazil	-3.6	↓ -0.2	7.4
Chile	1.7	↓ -0.2	3.6	→ 0.0
Colombia	3.0	→ 0.0	5.7	↑ 0.2
Guatemala	3.6	↓ -0.2	4.1	↑ 0.2
Mexico	2.4	↓ -0.1	3.3	→ 0.0
Paraguay	3.0	↓ -0.3	4.7	→ 0.0
Peru	3.5	↑ 0.2	3.5	→ 0.0
Uruguay	1.0	↓ -0.1	9.9	↑ 0.2
Eight country average	1.8	↓ -0.1	5.3	↑ 0.1

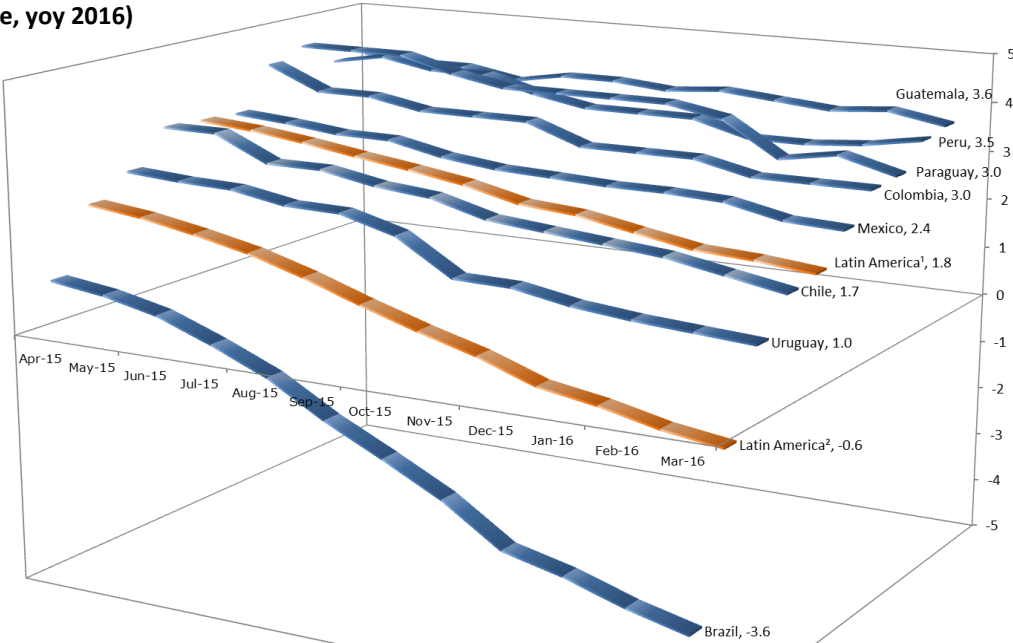
Source: REVELA, IDB 2015. Data available for download [here](#).

## B. Growth

Growth expectations for the region fell by 0.1% in March from 1.9% to 1.8% according to the simple average of the surveys for the eight countries covered by *Revela*, and fell by 0.2% from -0.4% to -0.6% according to the GDP weighted average. Growth expectations continue their downward path and there have now been fourteen consecutive monthly declines considering both the simple average and the weighted average measure. Furthermore, it is the third consecutive month that the GDP weighted average expected growth for 2016 has been below zero, driven by a sharp fall in growth expectations in Brazil, where they declined by 0.2% compared to the previous month and by 2.8% compared to six months ago. However, there were other significant declines in growth expectations across the region. In fact, growth expectations fell in six out of eight countries covered by *Revela* and only increased in one. The most significant decline was observed in Paraguay by 0.3%, from 3.3% to 3.0%, followed by Guatemala by 0.2% from 3.8% to 3.6%, Chile by 0.2% from 1.9% to 1.7% and, as mentioned before, Brazil by 0.2% from 3.4% to 3.6%. Further declines were observed in Mexico by 0.1% from 2.5% to 2.4% and Uruguay by 0.1% from 1.1% to 1.0%. Growth expectations remained constant in Colombia at 3.0% and increased by 0.2% in Peru from 3.3% to 3.5%. Growth expectations for the eight countries in the sample remain dispersed in March, ranking from -3.6% in Brazil to 3.6% in Guatemala.

Compared to surveys six months ago, growth expectations decreased in seven out of the eight countries in the sample and remained constant in one, falling by 0.9% on a simple average basis and by 1.7% on a GDP weighted average basis. The most significant cumulative decline was observed in Brazil by 2.8%, followed by Uruguay (1.2%), Chile and Paraguay (1.0% in both cases), Colombia (0.6%), Mexico (0.4%) and Guatemala - by 0.3%. Peru is the only country with the same growth expectation (at 3.5%) compared to that six months previously.

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



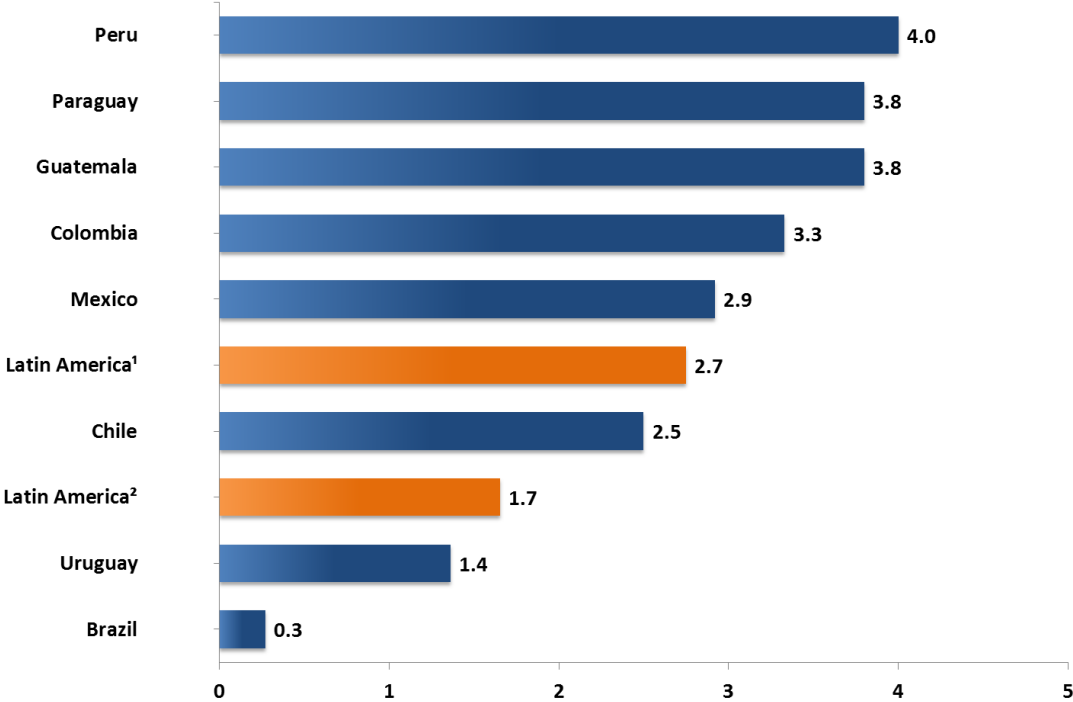
Source: REVELA, IDB 2016. Data available for download [here](#).

<sup>1</sup> Refers to the simple average of the eight inflation targeting countries.

<sup>2</sup> Refers to the GDP weighted average of the eight inflation targeting countries.

Growth expectations for 2017 decreased by 0.1% in March compared to the previous month, both on a simple average basis and on a weighted average basis; on the former from 2.8% to 2.7% and on the latter from 1.8% to 1.7%. At the individual country level, growth expectations were particularly stable compared to previous month, remaining constant in five countries: Peru (at 4.0%), Guatemala (at 3.8%), Colombia (at 3.3%), Chile (at 2.5%) and Uruguay (at 1.4%). Declines were observed in Brazil by 0.2% from 0.5% to 0.3% and in Mexico by 0.1% from 3.0% to 2.9%. Paraguay is the only country were 2017 growth expectations increased by 0.1% from 3.7% to 3.8%. Growth expectations for 2017 rank from 0.3% in Brazil to 4.0% in Peru.

**Figure 2. Growth Market Expectations**  
(Percentage, yoy 2017)



Source: REVELA, IDB 2016. Data available for download [here](#).

<sup>1</sup> Refers to the simple average of the eight inflation targeting countries.

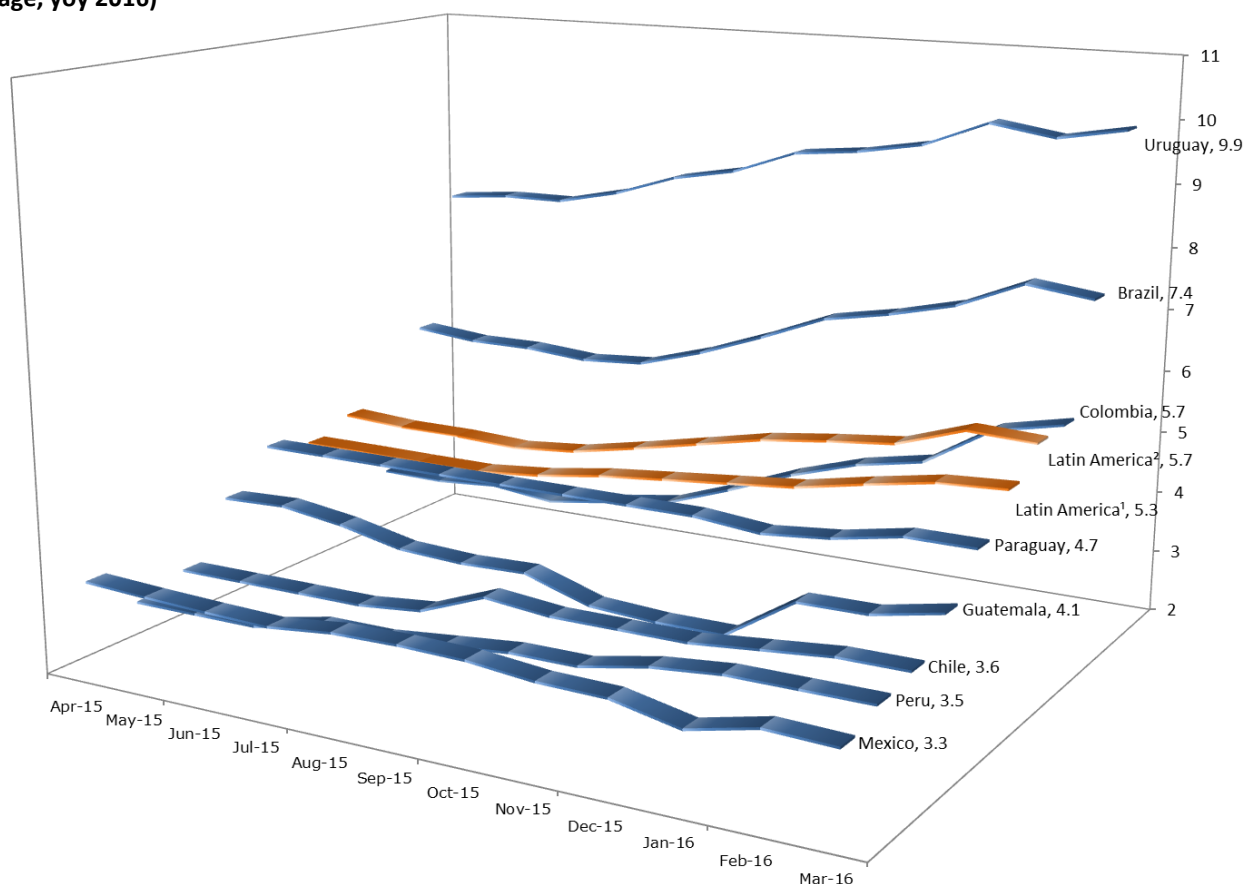
<sup>2</sup> Refers to the GDP weighted average of the eight inflation targeting countries.

## C. Inflation

In March, inflation expectations for the region increased by 0.1% on the simple average basis from 5.2% to 5.3%, and remained constant on the GDP weighted average basis at 5.7%. Inflation expectations evolved heterogeneously across the eight countries of the sample, increasing in three, remaining constant in four and falling in one country. Inflation expectation increased by 0.2% in three countries: Uruguay from 9.7% to 9.9%, Colombia from 5.5% to 5.7% and Guatemala from 3.9% to 4.1%. They remained stable in Paraguay at 4.7%, Chile at 3.6%, Peru at 3.5% and Mexico at 3.3%. Finally, Brazil is the only country where inflation expectations fell, by 0.2% from 7.6% to 7.4%. With these results, 2016 inflation expectations range from 3.3% in Mexico to 9.9% in Uruguay.

Compared to the surveys six months ago, inflation expectations for the region increased by 0.8% on the simple average basis and by 1.0% on the GDP weighted average basis. At the individual country level, inflation expectations rose in all countries but Mexico, where they declined by 0.2% compared to surveys six months ago. The most significant cumulative increases were observed in Colombia by 2.2%, Brazil by 1.6% and Paraguay by 1.2%. Milder increases were surveyed in Guatemala by 0.5%, Peru by 0.4%, Paraguay by 0.2% and Chile by 0.1%.

**Figure 3. Inflation Market Expectations (Percentage, yoy 2016)**



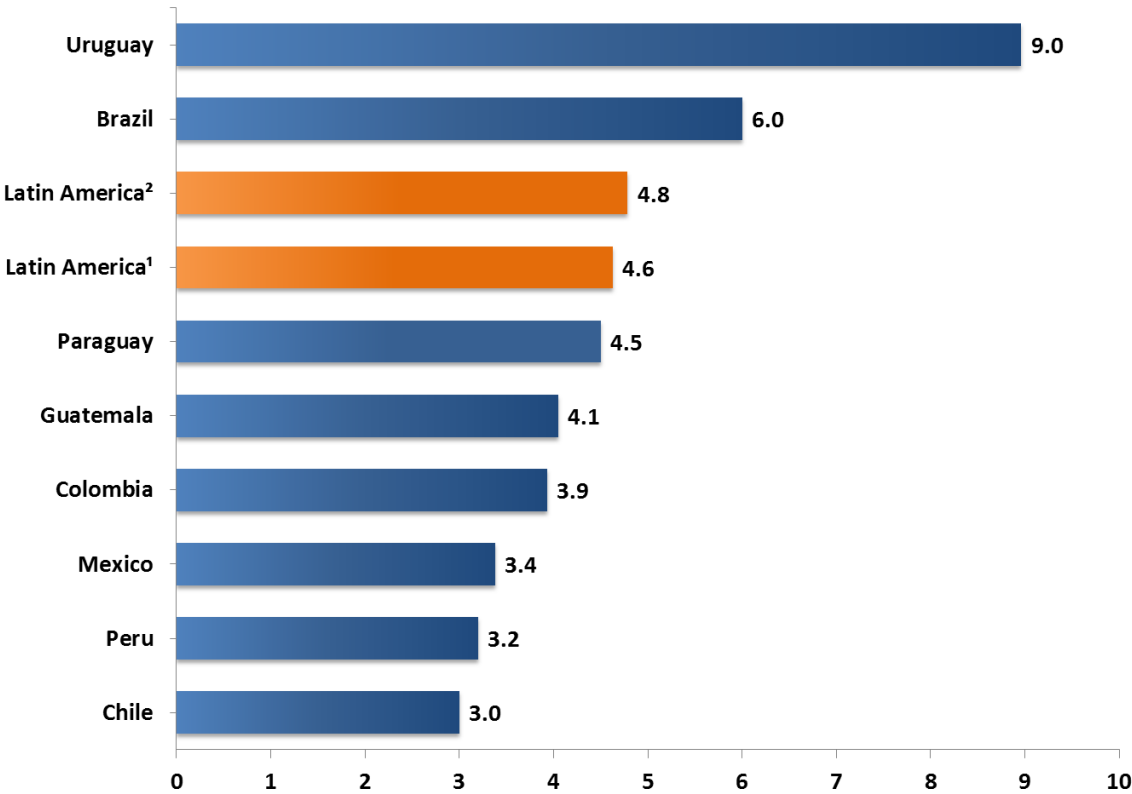
Source: REVELA, IDB 2016. Data available for download [here](#).

<sup>1</sup> Refers to the simple average of the eight inflation targeting countries.

<sup>2</sup> Refers to the GDP weighted average of the eight inflation targeting countries.

2017 inflation expectations for the region remained constant both on the simple average basis at 4.6% and on the GDP weighted average basis at 4.8%. At the individual country level, increases of 0.1% in Uruguay (from 9.0% to 9.1%), Guatemala (from 4.1% to 4.2%) and Colombia (from 3.9% to 4.0%) were compensated by falls of 0.2% in Peru (from 3.2% to 3.0%) and by 0.1% in Mexico (from 3.4% to 3.3%). Inflation expectations for 2017 remained stable in the three remaining countries: Brazil at 6.0%, Paraguay at 4.5% and Chile at 3.0%. The highest level of inflation expectation for 2017 was observed in Uruguay (9.1%) and the lowest in Chile (3.0%).

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



Source: REVELA, IDB 2016. Data available for download [here](#).

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