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## Revelation of Expectations in Latin America

Issue LXII – May, 2016

Research Department  
Mariano Sosa and Andrew Powell  
Inter-American Development Bank (IDB)

**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 in April, growth expectations for 2016 decreased by 0.1% and inflation expectations remained constant compared to the previous month. At the individual country level growth expectations increased in two countries, remained constant in three and fell in a further three. Inflation expectations fell in four countries, remained constant in one and rose in three.

Growth expectations fell by 0.7% in Uruguay, by 0.2% in Brazil and by 0.1% in Colombia. They remained constant in Chile at 1.7%, Mexico at 2.4% and Paraguay at 3.0%, and they increased by 0.1% both in Guatemala and Peru. Growth expectations remain highly heterogeneous in the region ranging from -3.8% in Brazil to 3.7% in Guatemala.

Inflation expectations decreased by 0.4% in Brazil, and by 0.1% in three countries: Chile, Mexico and Paraguay. They remained constant in Peru at 3.5% and rose by 0.3% in Colombia, by 0.2% in Uruguay -breaking the 10% level - and by 0.1% in Guatemala. Inflation expectations range from 3.2% in Mexico to 10.1% 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 Apr 2016	Mar-Apr change	as of Apr 2016	Mar-Apr change
	Brazil	-3.8	↓ -0.2	7.0
Chile	1.7	⇒ 0.0	3.5	↓ -0.1
Colombia	2.9	↓ -0.1	6.0	↑ 0.3
Guatemala	3.7	↑ 0.1	4.2	↑ 0.1
Mexico	2.4	⇒ 0.0	3.2	↓ -0.1
Paraguay	3.0	⇒ 0.0	4.6	↓ -0.1
Peru	3.6	↑ 0.1	3.5	⇒ 0.0
Uruguay	0.3	↓ -0.7	10.1	↑ 0.2
Eight country average	1.7	↓ -0.1	5.3	⇒ 0.0

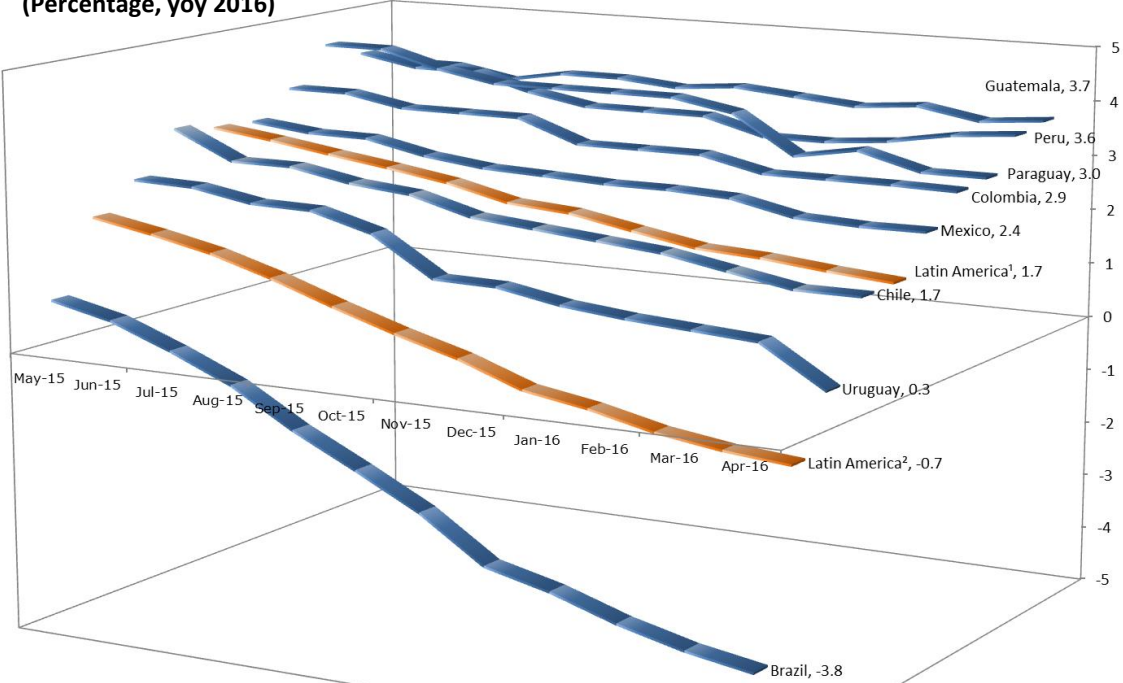
Source: REVELA, IDB 2015. Data available for download [here](#).

## B. Growth

In April, growth expectations for the region for 2016 fell by 0.1% from 1.8% to 1.7% compared to previous month considering the simple average of the surveys for the eight countries covered by *Revela*. In the same way, the GDP weighted average of expectations fell by 0.1% from -0.6% to -0.7%. April surveys indicate that expected growth for the region remains on a downward path as observed throughout 2015 and in earlier months this year. The decline in regional growth expectations has been driven by sharp falls in Uruguay, where expected growth fell by 0.7% from 1.0% to 0.3%, and in Brazil by 0.2% from -3.6% to -3.8%. Also in Colombia growth expectations fell by 0.1% from 3.0% to 2.9%. Those falls were partially compensated by rises of 0.1% in two countries: Guatemala from 3.6% to 3.7% and Peru from 3.5% to 3.6%. For the remaining three countries, expectations remained stable compared to previous month: Paraguay at 3.0%, Mexico at 2.4% and Chile at 1.7%. Compared to previous surveys, growth expectations for the eight countries in the sample are increasingly dispersed in April, ranging from -3.8% in Brazil to 3.7% in Guatemala.

Compared to surveys six months ago, growth expectations decreased by 0.8% considering the simple average measure and by 1.5% for the GDP weighted average. This declining regional trend was observed also at the individual country level. A sharp decline was observed in Brazil, with growth expectations falling by 2.4% compared to those six months ago. Further cumulative declines were observed in Uruguay by 1.2%, Paraguay by 1.0%, Chile by 0.7%, Mexico by 0.4%, Colombia by 0.3% and Guatemala by 0.1%. Out of the eight countries in the sample, Peru is the only where growth expectations increased compared to six months ago, by 0.1%.

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



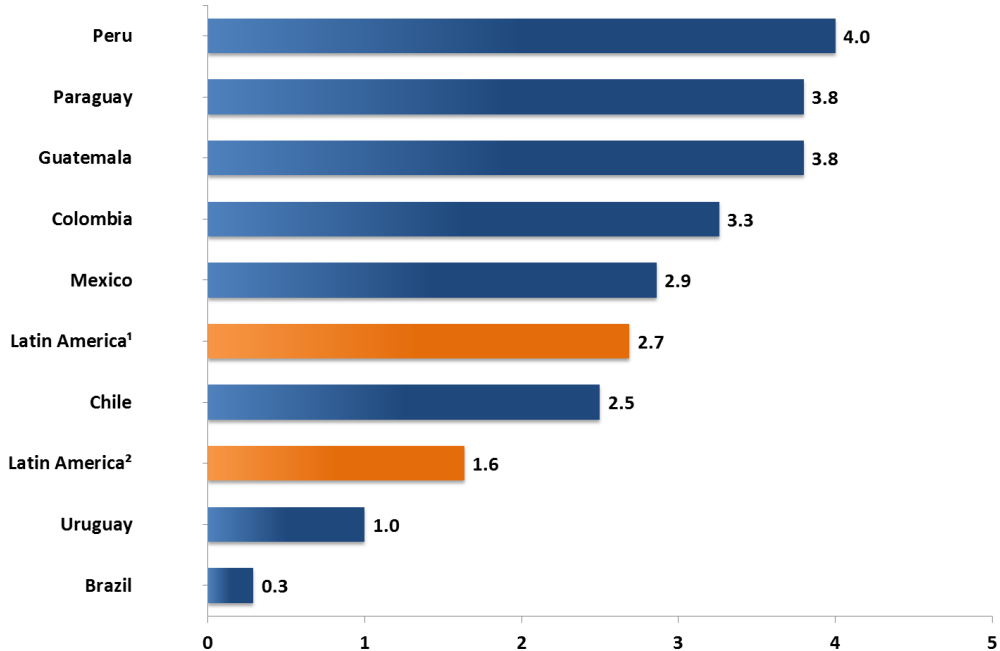
Source: REVELA, IDB 2016. Data available for download [here](#).

<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 the region for 2017 remained stable on a simple average basis at 2.7% in April compared to the previous month. On a GDP weighted average basis, growth expectations fell by 0.1% from 1.7% to 1.6%. This regional stability on the simple average measure is also observed at the individual country level, with expectations remaining constant in seven countries and falling only in one. Uruguay it the only country with decreasing growth expectations for 2017, falling by 0.4% from 1.4% to 1.0% compared to previous month. In all other countries in the sample, growth expectations for next year remained stable: Peru at 4.0%, Paraguay and Guatemala at 3.8%, Colombia at 3.3%, Mexico at 2.9%, Chile at 2.5% and Uruguay at Brazil at 0.3%. In April, growth expectations for 2017 ranked 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](#).

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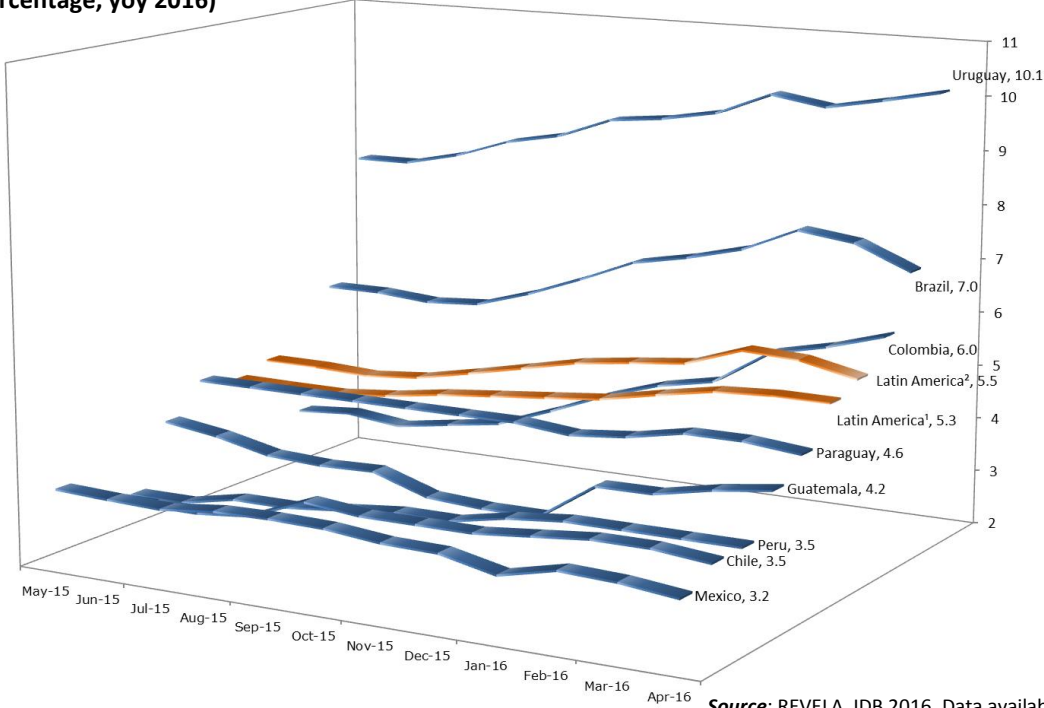
<sup>2</sup> Refers to the GDP weighted average of the eight inflation targeting countries.

### C. Inflation

Inflation expectations for the region for 2016 remained constant in April on the simple average basis at 5.3% and fell by 0.2% from 5.7% to 5.5% on the GDP weighted average basis. In the last two surveys, GDP weighted average growth expectations have partially reversed their increasing trend observed in the second half of 2015 and beginning of 2016. Falling inflation expectations for Brazil are the main driver for evolution of the GDP weighted mean in the last two months. At the individual country level, changes in inflation expectations were heterogeneous, decreasing in four countries, increasing in three and remaining stable in one. The most significant decrease was observed in Brazil, with inflation expectations falling by 0.4% from 7.4% to 7.0%, followed by declines of 0.1% in three countries: Paraguay from 4.7% to 4.6%, Chile from 3.6% to 3.5% and Mexico from 3.3% to 3.2%. Those contractions were compensated by increases in Colombia by 0.3% from 5.7% to 6.0% and in Uruguay by 0.2% from 9.9% to 10.1%. Regarding Uruguay, inflation expectations for 2016 overpassed the 10% level for the first time since being registered by *Revela*. Further increases were observed in Guatemala by 0.1% from 4.1% to 4.2%. In Peru inflation expectations remained constant at the level of 3.5%. In April, inflation expectations for the region for 2016 ranged from 3.2% in Mexico to 10.1% in Uruguay.

Compared to the surveys six months ago, there is an increasing trend for the region, with the simple average of inflation expectations rising by 0.7% and the GDP weighted average rising by 0.6%. A sharp increasing trend is observed in Colombia where expectations rose by 2.1% in the last six months, followed by Guatemala and Uruguay with inflation expectations 1.0% above their respective level six months ago. Further cumulative rises were surveyed in Brazil by 0.8%, Peru by 0.3% and Chile and Paraguay by 0.1% in both cases. The only country at odds with the regional trend is Mexico where inflation expectations decreased by 0.2% compared to six months ago.

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



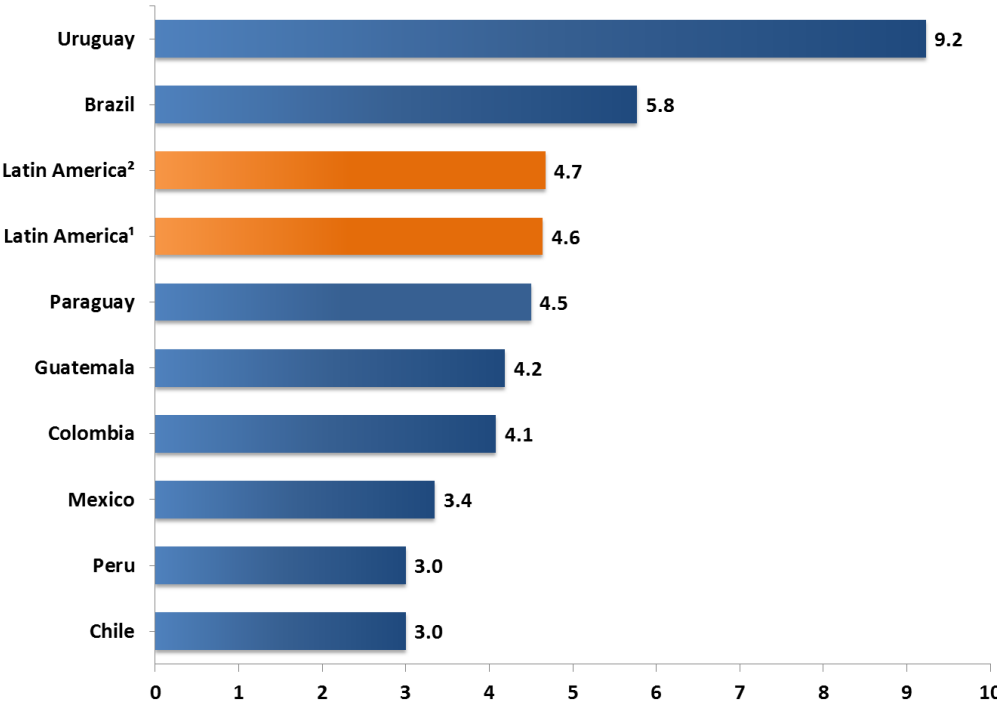
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Inflation expectations for the region for 2017 have decreased by 0.1% both on the simple average basis from 4.7% to 4.6%, and on the GDP weighted average basis from 4.8% to 4.7%. At the individual country level, inflation expectations for 2017 remained stable in five countries, decreased in one and increased in two. The only country with a cumulative decline is Brazil where inflation expectations fell by 0.2% from 6.0% to 5.8%. Cumulative increased were observed in two countries, Uruguay by 0.1% from 9.1% to 9.2% and Colombia by 0.1% from 4.0% to 4.1%. For the remaining countries, inflation expectations for 2017 have remained stable at: 4.5% in Paraguay, 4.2% in Guatemala, 3.4% in Mexico, and 3.0% both for Peru and Chile. The highest level of inflation expectations for the region for 2017 was surveyed in Uruguay (9.2%) and the lowest in Chile and Peru (3%).

**Figure 4. Inflation 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.

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