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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 June surveys conducted by Central Banks, simple-average growth expectations for 2016 increased by 0.1% from 1.7% to 1.8% compared to the previous month. At the same time, inflation expectations fell by 0.1% in the same period, from 5.3% to 5.2%.

Growth expectations increased in Brazil by 0.5%, in Peru by 0.2% and in Guatemala by 0.1%. They remained constant in Chile, Colombia, Mexico and Paraguay and fell only in Uruguay by 0.3% compared to the previous month. Growth expectations for 2016 range from -3.4% in Brazil to 3.8% in Guatemala.

Inflation expectations increased by 0.2% in Brazil and Uruguay, by 0.1% in Guatemala, remained constant in Chile, Mexico and Peru and fell in Colombia by 0.8% and in Paraguay by 0.3%. Inflation expectations for 2016 were highly heterogeneous in June, ranking from 3.1% in Mexico to 10.3% 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 Jun 2016	May-Jun change	as of Jun 2016	May-Jun change
	Brazil	-3.4	↑ 0.5	7.3
Chile	1.7	⇒ 0.0	3.5	⇒ 0.0
Colombia	2.9	⇒ 0.0	5.2	↓ -0.8
Guatemala	3.8	↑ 0.1	4.4	↑ 0.1
Mexico	2.4	⇒ 0.0	3.1	⇒ 0.0
Paraguay	3.0	⇒ 0.0	4.5	↓ -0.3
Peru	3.7	↑ 0.2	3.5	⇒ 0.0
Uruguay	0.0	↓ -0.3	10.3	↑ 0.2
Eight country average	1.8	↑ 0.1	5.2	↓ -0.1

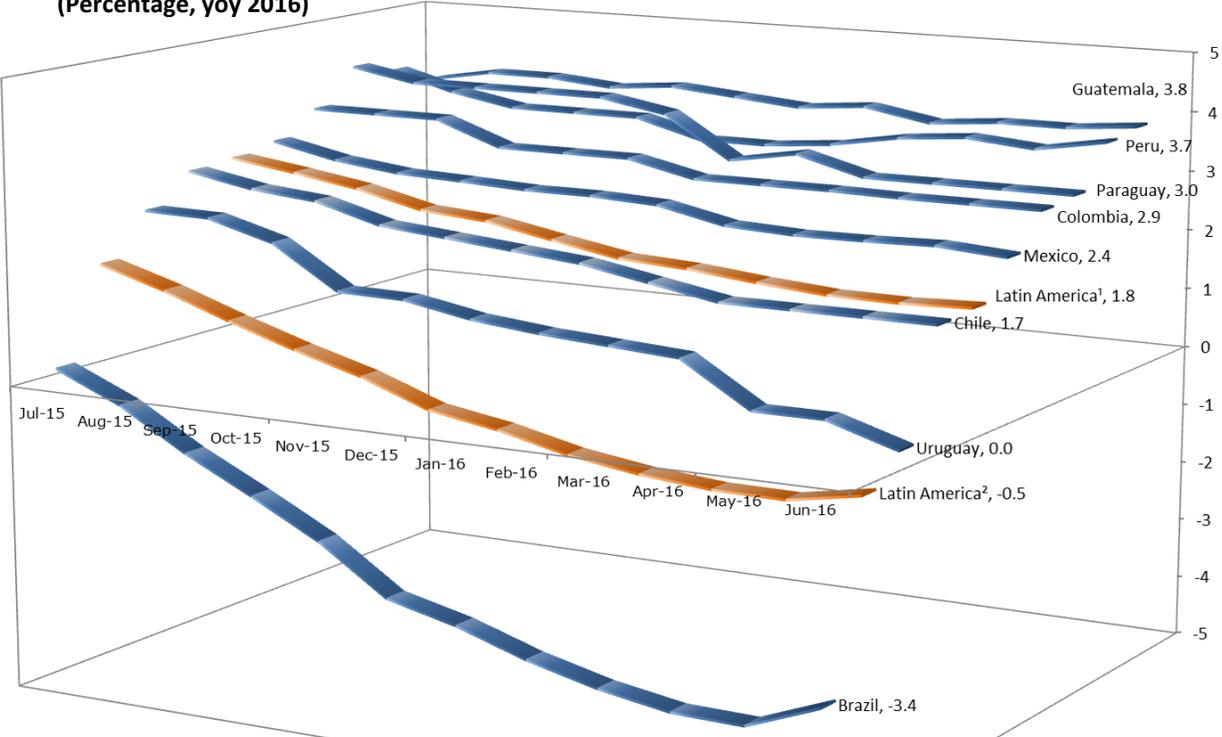
Source: REVELA, IDB 2015. Data available for download [here](#).

B. Growth

According to the surveys conducted in June, growth expectations for 2016 increased by 0.1% on a simple average basis from 1.7% to 1.8% compared to the previous month, and by 0.2% from -0.7% to -0.5% on the GDP weighted-average basis. This mild recovery in expected growth broke a downward trend observed through 2015 and early 2016. Despite this, 2016 growth expectations for the region are lower compared to December 2015, on a simple average basis by 0.4% and on a GDP weighted average basis by 0.5%.

At the individual country level, expectations increased in three countries, fell in one and remained constant in four. The most significant rise was observed in Brazil, where growth expectations recovered 0.5% (from -3.9% to -3.4%), after eighteen months of sustained decline. Despite this rise in growth expectations for Brazil, there remains a cumulative decline of 0.7% compared to six months ago. Growth expectations also increased in Peru by 0.2% from 3.5% to 3.7% compared to the previous month. Furthermore, Peru is the only country in the sample with a six-month cumulative rise (of 0.5%). In Guatemala, growth expectations increased by 0.1% from 3.7% to 3.8%, reaching the level observed six months ago. On the contrary, growth expectations in Uruguay fell to 0% after a period of decline, falling by 0.3% compared to May and by 1.3% compared to December 2015. Growth expectations remained constant compared to the previous month in Paraguay at 3.0%, Colombia at 2.9%, Mexico at 2.4% and Chile at 1.7%. With these results, growth expectations for 2016 ranged from -3.4% in Brazil to 3.8% in Guatemala in June.

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



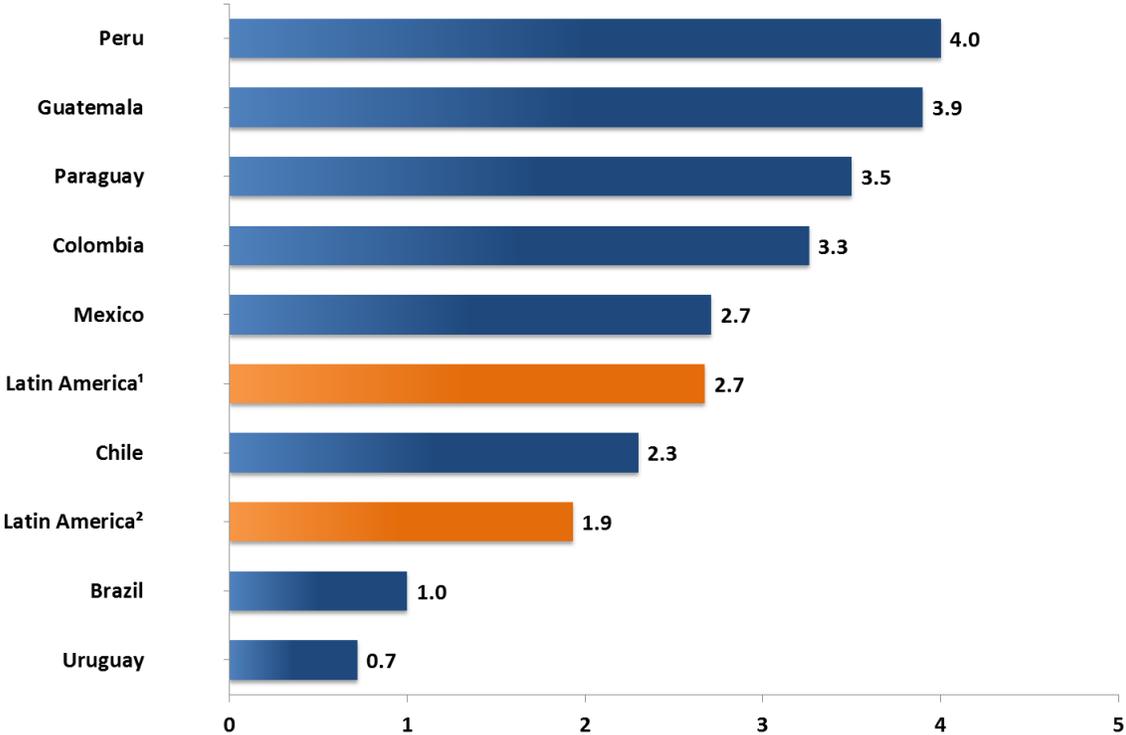
Source: REVELA, IDB 2016. Data available for download [here](#).

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.

Growth expectations for 2017 remained stable for the region both considering the simple average, at 2.7%, and on a GDP weighted average - at 1.9%. Increases in Brazil by 0.2% from 0.8% to 1.0% and in Guatemala by 0.1% from 3.8% to 3.9%, were compensated by falls in Uruguay by 0.3% from 1.0% to 0.7%, Mexico by 0.1% from 2.8% to 2.7% and Chile by 0.15 from 2.4% to 2.3%. Growth expectations for 2017 remained constant in the remaining three countries, at 4.0% in Peru, at 3.5% in Paraguay and at 3.3% in Colombia. In June, growth expectations for 2017 ranked from 0.7% in Uruguay to 4.0% in Peru.

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



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

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

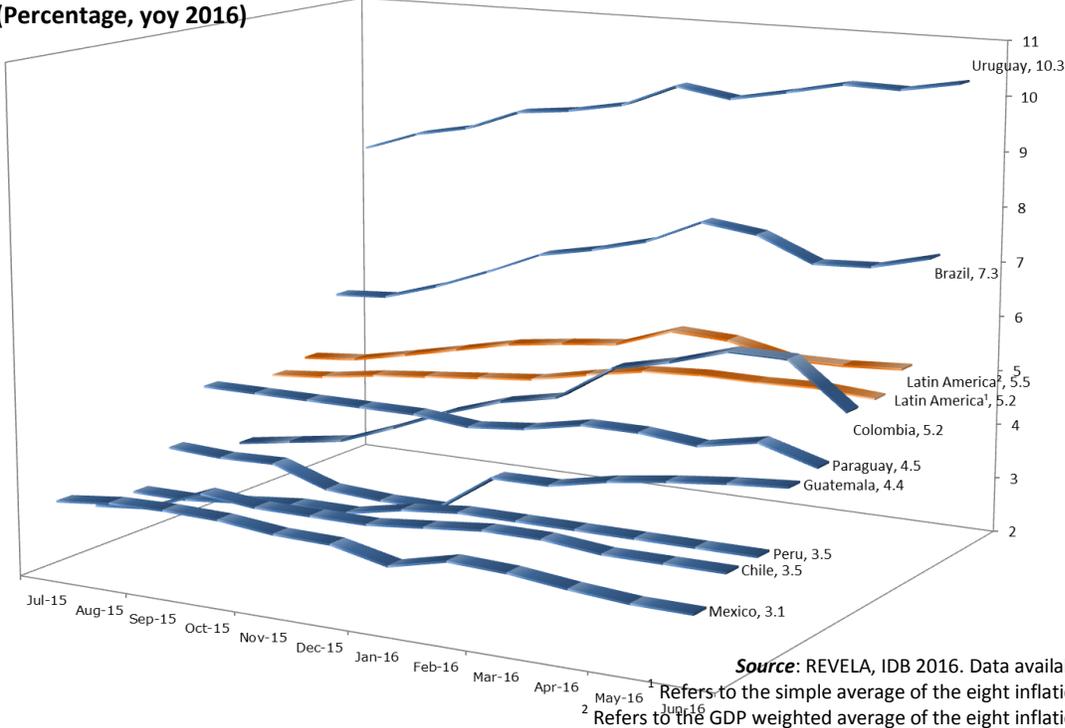
² Refers to the GDP weighted average of the eight inflation targeting countries.

C. Inflation

Inflation expectations for the region for 2016 decreased by 0.1% from 5.3% to 5.2% on the simple average basis and remained constant at 5.5% on the GDP weighted average basis. Despite this decline, there is a 0.4% cumulative rise in simple average expectations compared to December 2015, and a 0.2% cumulative increase in weighted average inflation expectations. Although inflation expectations in the region are following an increasing long term trend, Figure 3 suggests that such a trend has been decelerating in the last quarter, and the results in the two last surveys – expectations stable in May and decreasing in June- seem to confirm this new tendency.

At the individual country level, inflation expectations increased by 0.2% in Brazil from 7.1% to 7.3% in June, rising 0.4% compared to December 2015. Increasing inflation expectations were also surveyed in Uruguay by 0.2% from 10.1% to 10.3%, overpassing the 10% level for three consecutive months in June and increasing 0.9% compared to expectations in December 2015. As Figure 3 depicts, Brazil and Uruguay are the only two countries with expectations above the regional average. Also, a 0.1% increase (from 4.3% to 4.4%) was observed in Guatemala, where inflation expectations are 1.2% above their level six months before. On the other hand, Inflation expectations in Colombia declined as much as 0.8% from 6.0% to 5.2% compared to the previous month. However, such a decline was insufficient to reverse the increasing trend, and inflation expectations in Colombia were 0.6% above their level six months before. Inflation expectations in Paraguay also fell in compared to the previous month, by 0.3% from 4.8% to 4.5%, and situated 0.1% above surveys six months before. Finally, inflation expectations remained constant compared to May in three countries: Chile and Peru at 3.5% in both cases and Mexico at 3.1%. Surveys in June indicate that inflation expectations were highly heterogeneous in the region, ranging from 3.1% in Mexico to 10.3% in Uruguay.

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

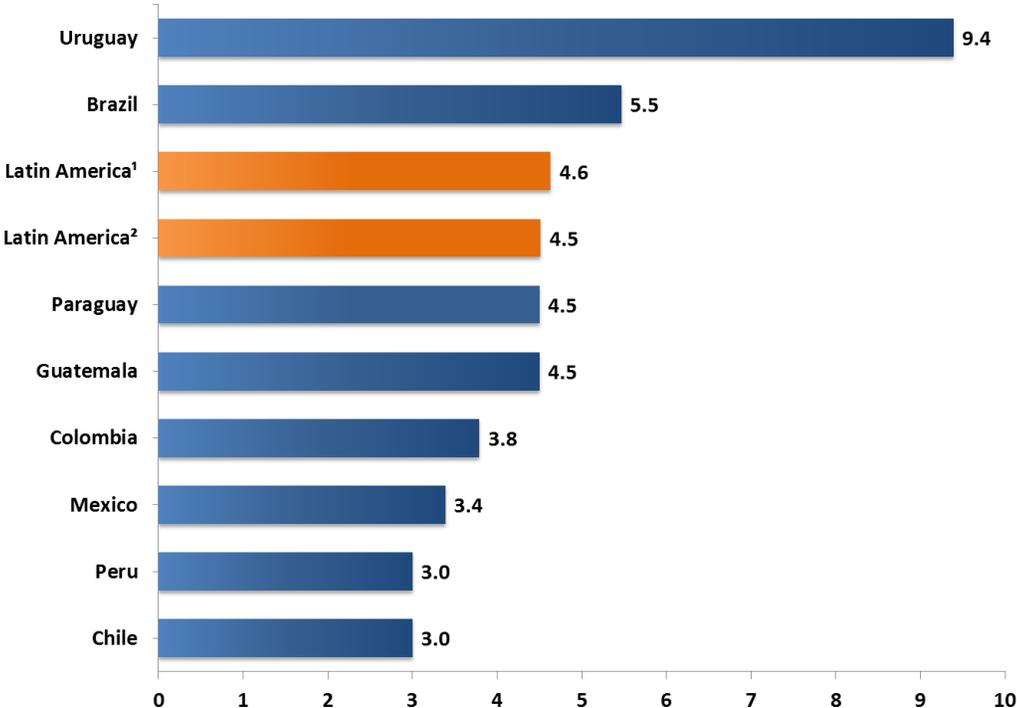


Source: REVELA, IDB 2016. Data available for download [here](#).

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Inflation expectations for the region for 2017 remained stable in June at 4.6% according to the simple average and 4.5% under the GDP weighted average compared to the previous month. This stability at the regional level was also observed at the individual country level, with inflation expectations remaining constant in five countries, only increasing in two and falling in one. Colombia is the only country with decreasing expectations compared to May, by 0.3% from 4.1% to 3.8%. By contrast, inflation expectations for next year rose by 0.1% both in Uruguay (from 9.3% to 9.4%) and in Guatemala (from 4.4% to 4.5%). For the remaining five countries expectations were stable in June at the levels of: 5.5% in Brazil, 4.5% in Paraguay, 3.4% in Mexico and 3.0% in Chile and Peru. Inflation expectations for 2017 ranged from 3.0% in Chile and Peru to 9.4% in Uruguay in June.

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



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

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