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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 July surveys conducted by Central Banks in the region, simple-average growth expectations for 2016 fell by 0.1% from 1.8% to 1.7% compared to the previous month. At the same time, inflation expectations increased by 0.2% in the same period, from 5.3% to 5.4%.

Growth expectations rose in Brazil and Peru by 0.1%. They remained constant in Chile, Paraguay and Uruguay, and fell by 0.4% in Guatemala and by 0.1% in Colombia and Mexico. Growth expectations for 2016 ranged from -3.3% in Brazil to 3.8% in Peru.

Inflation expectations decreased in Peru by 0.2% and in Brazil and Guatemala by 0.1% in both countries. They remained constant only in Chile and increased in Colombia by 0.3%, Paraguay by 0.3%, Mexico by 0.1% and Uruguay by 0.1%. Inflation expectations for 2016 remained highly heterogeneous, ranking from 3.2% 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 Jul 2016	Jun-Jul change	as of Jul 2016	Jun-Jul change
	Brazil	-3.3	↑ 0.1	7.2
Chile	1.7	⇒ 0.0	3.5	⇒ 0.0
Colombia	2.8	↓ -0.1	6.5	↑ 0.3
Guatemala	3.4	↓ -0.4	4.3	↓ -0.1
Mexico	2.3	↓ -0.1	3.2	↑ 0.1
Paraguay	3.0	⇒ 0.0	4.8	↑ 0.3
Peru	3.8	↑ 0.1	3.3	↓ -0.2
Uruguay	0.0	⇒ 0.0	10.3	↑ 0.1
Eight country average	1.7	↓ -0.1	5.4	↑ 0.1

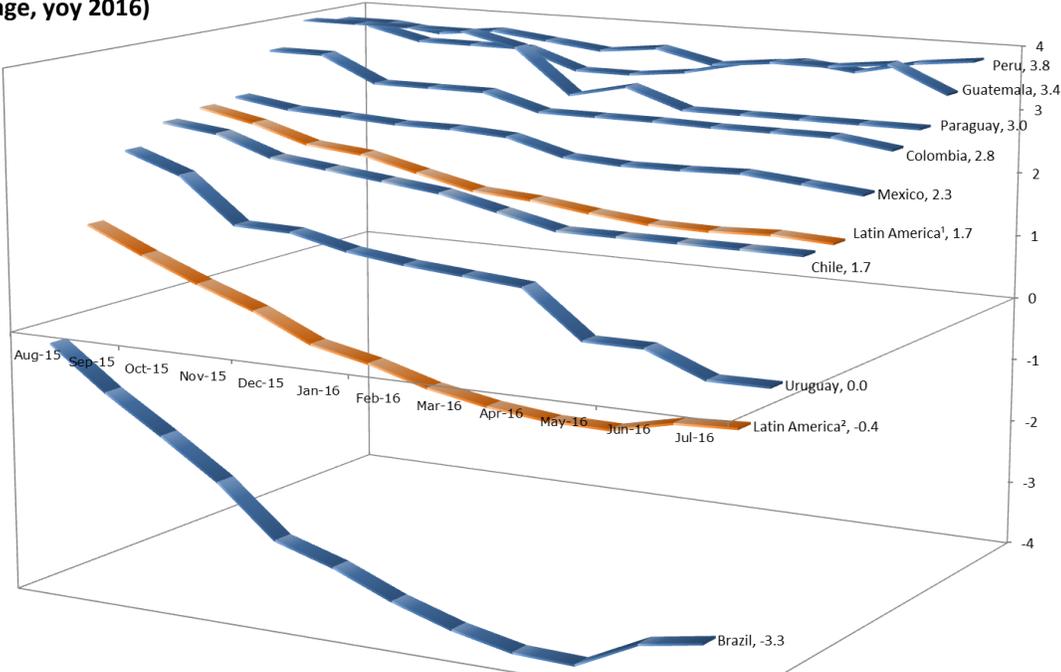
Source: REVELA, IDB 2015. Data available for download [here](#).

## B. Growth

According to the surveys conducted in July, growth expectations for 2016 decreased by 0.1% on a simple average basis from 1.8% to 1.7%. Contrarily, growth expectations on a GDP weighted average basis increased by 0.1% from -0.5% to -0.4%. Compared to expectations six months ago, there was a modest negative trend in growth expectations, with both the simple average and the GDP weighted average falling 0.3% compared to expectations in January.

At the individual country level, growth expectations increased in two countries, remained constant in three and fell in further three compared to the previous month. Compared to January, growth expectations fell in all countries except in Peru. Growth expectations rose in Brazil by 0.1% from -3.3% to -3.2% compared to June. Despite two consecutive rises in expected growth in Brazil, growth expectations in July were 0.3% below January. In Peru, growth expectations rose by 0.1% from 3.7% to 3.8% compared to the previous month and they were 0.6% above their level in January. On the contrary, growth expectations fell by 0.4% in Guatemala compared to June from 3.8% to 3.4%, with a cumulative decline of 0.3% compared to January. In Colombia and Mexico, growth expectations fell by 0.1% in both cases, from 2.9% to 2.8% in the former and from 2.4% to 2.3% in the latter. In both countries, growth expectations fell compared to January, by 0.2% in Colombia and by 0.4% in Mexico. For the remaining three countries-Paraguay, Chile and Uruguay- growth expectations remained constant at 3.0%, 1.7% and 0% respectively. However, six-month cumulative declines were observed in all three, in Uruguay by 1.2%, in Chile by 0.4% and in Paraguay by 0.1%. Growth expectations in Uruguay presented the most significant six-month cumulative decline among the countries in the survey. Growth expectations for 2016 ranged from -3.3% in Brazil to 3.8% in Peru in July.

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



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

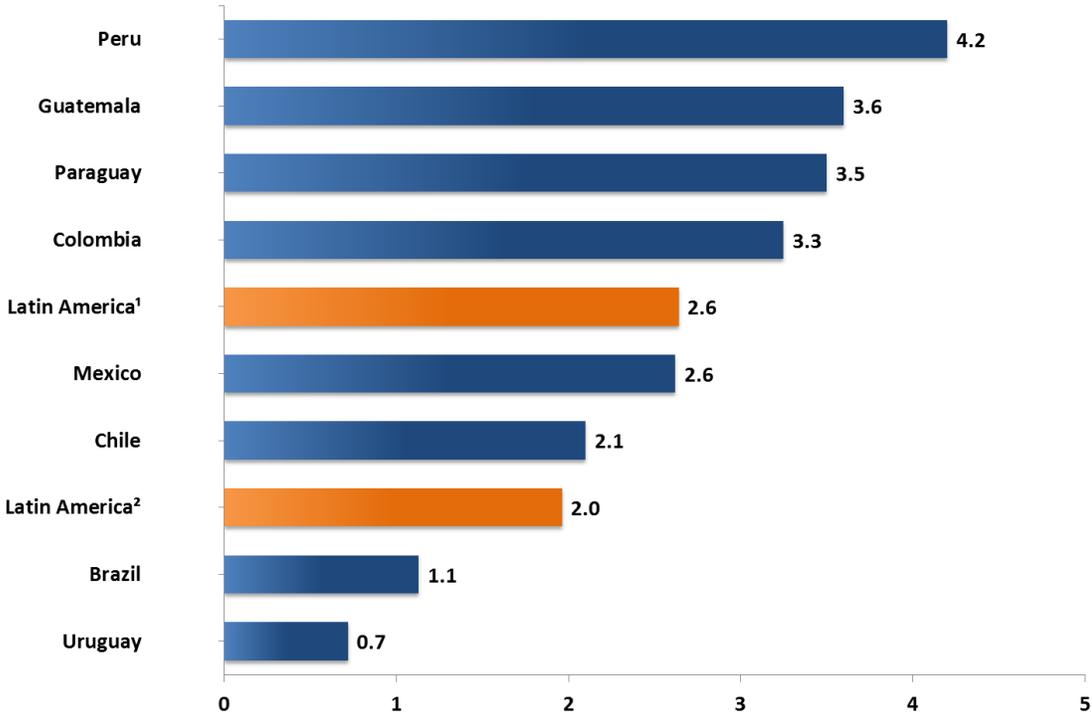
<sup>1</sup> Refers to the simple average of the eight inflation targeting countries.

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

The simple average of growth expectations for the region in 2017 fell by 0.1% from 2.7% to 2.6% in July, while the GDP weighted average increased by 0.1% from 1.9% to 2.0%. Compared to expectations in January, growth expectations for 2017 fell by 0.2% considering the simple average and increased by 0.1% according to the GDP weighted average. This differentiated behavior between the simple average and the GDP weighted average is explained by increasing growth expectations in Brazil - the largest economy in the sample - during the last four months, together with mild negative trends in expectations in the rest of the region.

At the individual country level, growth expectations for 2017 increased in two countries, remained constant in three and fell in further three. Growth expectations for 2017 rose in Peru by 0.2% compared to the previous month from 4.0% to 4.2%, increasing by 0.2% compared to January. In Brazil, 2017 growth expectations increased by 0.1% compared to June from 1.0% to 1.1%, rising 0.4% compared to January. On the contrary, growth expectations for 2017 fell by 0.3% in Guatemala from 3.9% to 3.6%, by 0.2% in Chile from 2.3% to 2.1% and by 0.1% in Mexico from 2.7% to 2.6%. Six months cumulative declines were observed in Chile and Uruguay by 0.7%, Mexico by 0.6% and Guatemala by 0.3%. Finally, growth expectations for 2017 remained constant in Colombia (at 3.3%) and Paraguay (at 3.5%) both compared to the previous month and to January. In July growth expectations for 2017 ranked from 0.7% in Uruguay to 4.2% 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.

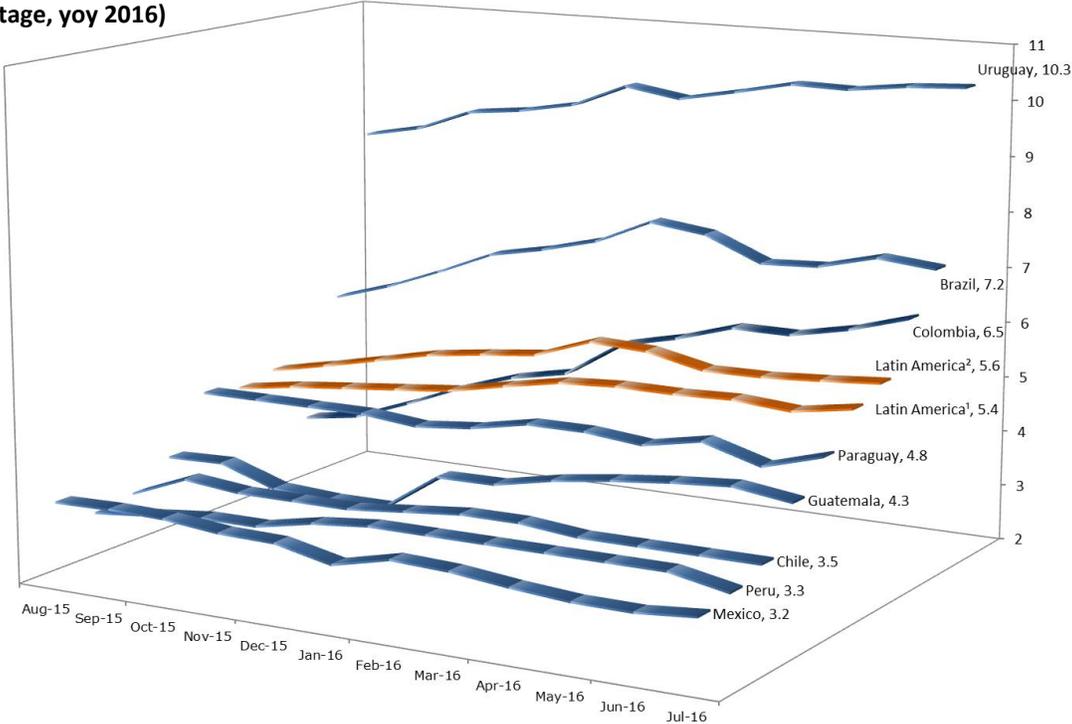
<sup>2</sup> Refers to the GDP weighted average of the eight inflation targeting countries.

### C. Inflation

Inflation expectations for the region for 2016 increased by 0.1% on the simple average basis from 5.3% to 5.4% compared to the previous month. At the same time, the GDP weighted average of inflation expectations remained stable at 5.6%. Compared to surveys in January, there was a positive trend in inflation expectations, with cumulative rises of 0.4% on a simple average basis and 0.2% on a GDP weighted average basis.

At the individual country level, inflation expectations rose in four countries, fell in three and remained stable in one. The most significant rises were observed in Colombia and Paraguay by 0.3% in both cases, from 6.2% to 6.5% in Colombia and from 4.5% to 4.8% in Paraguay. Compared to expectations in January, in inflation expectations for 2016 in Colombia rose as much as 1.7%, whereas in Paraguay they increased by 0.3% compared to surveys six months ago. More modest increases were observed in Mexico and Uruguay compared to the previous month by 0.1% in both countries, from 3.1% to 3.2% in the former and from 10.2% to 10.3% in the latter. Compared to January, inflation expectations in Mexico rose by 0.1% and in Uruguay by 0.4%. On the other hand, inflation expectations fell by 0.2% in Peru both compared to the previous month and compared to January, from 3.5% to 3.3%. In Guatemala inflation expectations decreased by 0.1% compared to June from 4.4% to 4.3%; however, that fall was insufficient to reverse a six-month positive trend, and inflation expectations increased by 0.4% compared to January. Inflation expectations in Brazil decreased by 0.1% compared to the previous month and increased by 0.1% compared to January. Finally, inflation expectations in Chile remained stable both compared to the previous month and compared to January at 3.5%. Inflation expectations across the region remained highly heterogeneous, ranging from 3.2% in Mexico to 10.3% in Uruguay.

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



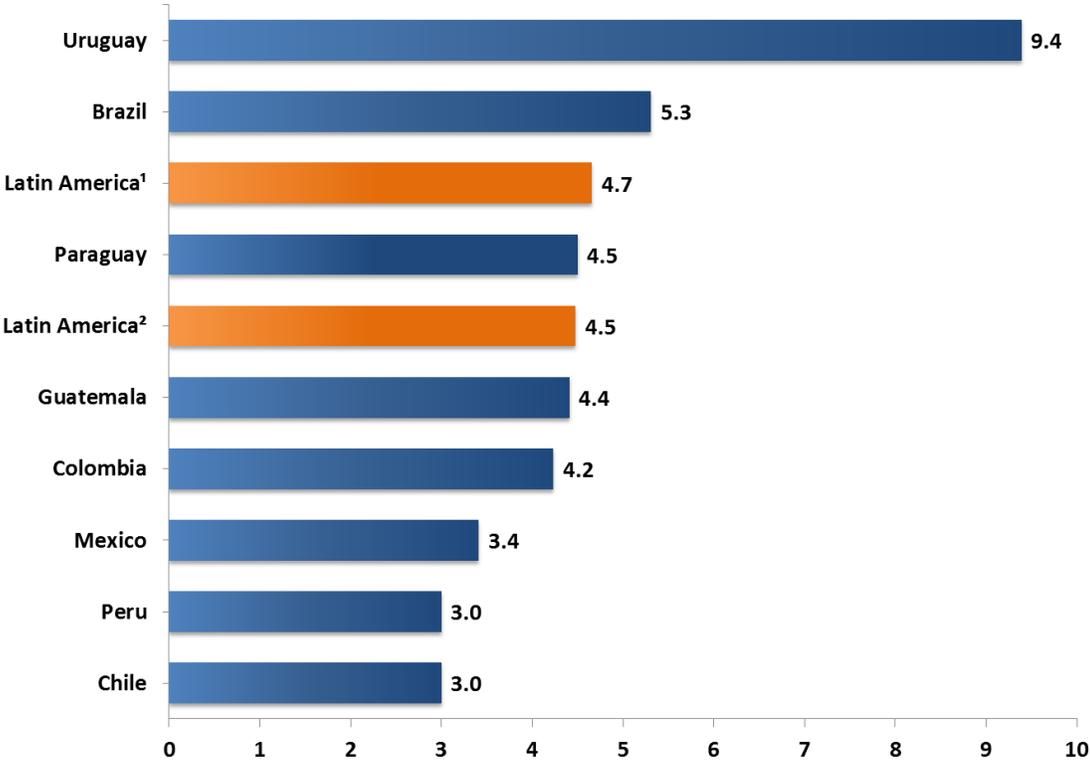
Source: REVELA, IDB 2016. Data available for download [here](#).

<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.

Inflation expectations for the region for 2017 remained constant at 4.7% according to the simple average and at 4.5% considering the GDP weighted average. Compared to surveys in January, the simple mean of inflation expectations increased by 0.2%, and the GDP weighted average remained stable. At the individual country level, inflation expectations remained stable in five countries, increased in one and fell in two. In Colombia inflation expectations increased by 0.1% compared to the previous month from 4.1% to 4.2% and rose by 0.5% compared to January. In Brazil inflation expectations declined by 0.2% both compared to the previous month (from 5.5% to 5.3%) and compared to January. In Guatemala inflation expectations fell by 0.1% compared to June, from 4.5% to 4.4%; however, such a decline was insufficient to reverse a six-month positive trend, and inflation expectations for 2017 increased by 0.4% compared to January. For the remaining five countries inflation expectations for 2017 remained constant compared to the previous month: at 9.4% in Uruguay, at 4.5% in Paraguay, at 3.4% in Mexico and at 3.0% in Chile and Peru. Inflation expectations for 2017 ranged from 3.0% in Chile and Peru to 9.4% in Uruguay.

**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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