



## Revelation of Expectations in Latin America

Issue LXVI – September, 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 America with inflation-targeting regimes. REVELA does not represent official projections by the IDB or any other official institution.

### A. Highlights

According to the August surveys conducted by Central Banks in the region, simple-average growth expectations for 2016 for the eight countries covered by *Revela* remained constant at 1.7% compared to July. On the other hand, inflation expectations for the region decreased by 0.2% from 5.4% to 5.2%.

At the individual country level, growth expectations for 2016 were stable in most countries (Colombia, Guatemala, Paraguay, Peru and Uruguay). Moderate changes were observed only in three countries: a 0.1% rise in Brazil and a 0.1% fall in Chile and Mexico.

On the other hand, inflation expectations for 2016 rose in Colombia by 0.3%, Guatemala by 0.2% and Brazil by 0.1%. They declined in Uruguay by 0.9%, Paraguay by 0.5%, Peru by 0.3 and Mexico by 0.1%; and remained constant only in Chile at 3.5%.

Both growth and inflation expectations are quite heterogeneous for the eight countries in the sample. Expected growth ranges from -3.2% in Brazil to 3.8% in Peru while expected inflation ranges from 3.0% in Peru to 9.4% 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 Aug 2016	Jul-Aug change	as of Aug 2016	Jul-Aug change
Brazil	-3.2	↑ 0.1	7.3	↑ 0.1
Chile	1.6	↓ -0.1	3.5	→ 0.0
Colombia	2.8	⇒ 0.0	6.8	↑ 0.3
Guatemala	3.4	⇒ 0.0	4.5	↑ 0.2
Mexico	2.2	↓ -0.1	3.1	↓ -0.1
Paraguay	3.0	⇒ 0.0	4.3	↓ -0.5
Peru	3.8	⇒ 0.0	3.0	↓ -0.3
Uruguay	0.0	⇒ 0.0	9.4	↓ -0.9
Eight country average	1.7	⇒ 0.0	5.2	↓ -0.2

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

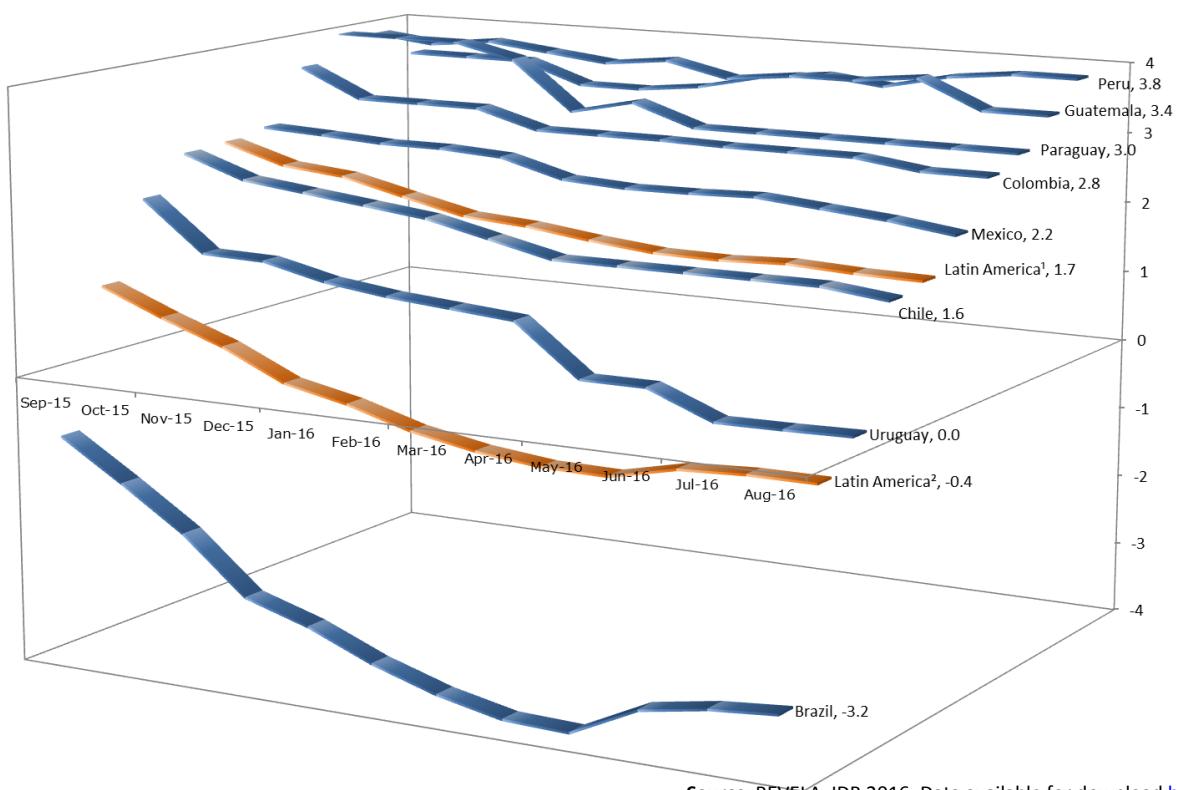
## B. Growth

According to the surveys conducted in August, growth expectations for 2016 remained stable both on a simple average basis at 1.7% and on a GDP weighted average basis at -0.4% compared to the previous month. Compared to expectations six months ago, the simple average of growth expectations fell by 0.2% but the GDP weighted average remained constant. Growth expectations were stable at the individual country level, with growth expectations stables in five countries and with only mild changes this month in Brazil, Chile and Mexico.

Growth expectations in Brazil increased by 0.1%, from -3.3% to -3.2% compared to the previous month. It is the third consecutive monthly increase in this country, where growth expectations have been recovering from the sharp decline suffered in the first half of the year. In fact, for the first time in the year, growth expectations are above their level six months ago, by 0.2%. Contrarily, growth expectations fell by 0.1% both in Chile from 1.7% to 1.6% and in Mexico from 2.3% to 2.2%. A negative six-month trend is observed in both countries, with expectations 0.3% below their respective levels in February. Finally, growth expectations remained constant compared to the previous month in Peru at 3.8%, Guatemala at 3.4%, Paraguay at 3.0%, Colombia at 2.8% and Uruguay at 0%. Compared to surveys six months ago, growth expectations fell by 1.1% in Uruguay, by 0.4% in Guatemala, by 0.3% in Paraguay and by 0.2% in Colombia. The increase in growth expectations in Brazil in the last quarter has reduced the sample range, which remains wide nonetheless and now goes from -3.2% 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](#).

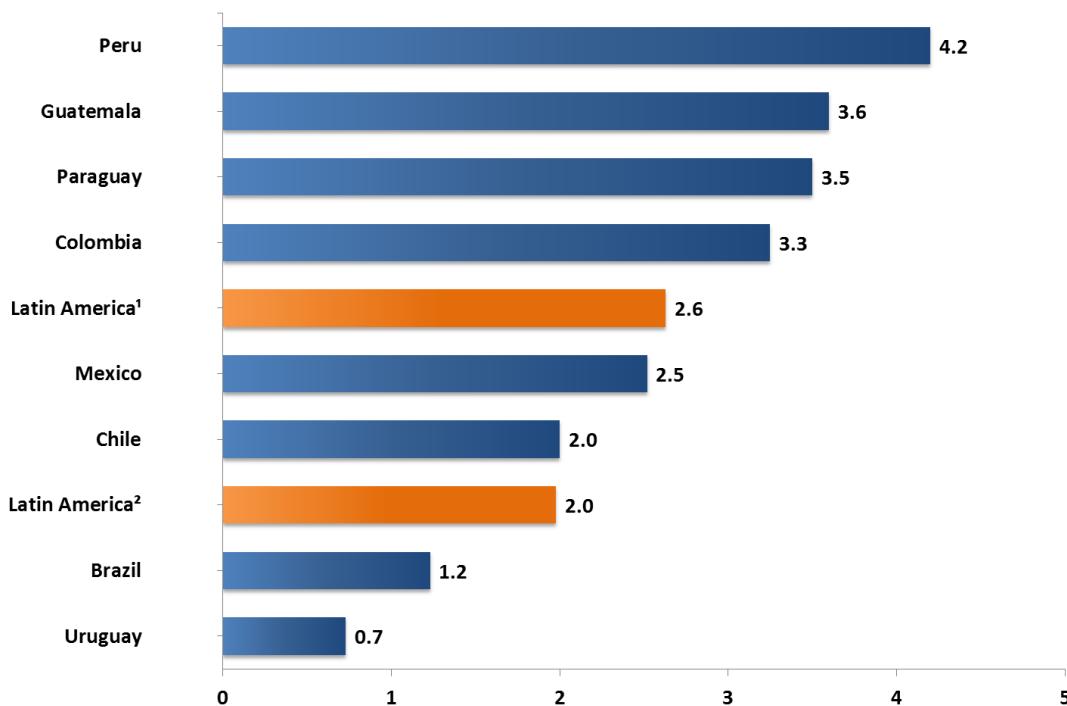
<sup>1</sup> Refers to the simple average of the eight inflation targeting countries.

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

Growth expectations for 2017 remained constant in August both on a simple average basis at 2.6% and on a GDP weighted average basis at 2.0%. Compared to surveys conducted six months ago, 2017 growth expectations have fallen by 0.2% according to the simple average measure but have risen by 0.2% considering the weighted regional GDP.

Growth expectations for next year increased in Brazil, fell in Chile and Mexico and were stable in the remaining five countries. Expected growth for 2017 in Brazil increased by 0.1% from 1.1% to 1.2% compared to the previous month, and rose by 0.7% compared to its level six months ago. Growth expectations for 2017 decreased by 0.1% in Chile and Mexico, from 2.1% to 2.0% in the former and from 2.6% to 2.5% on the latter. Compared to surveys in February, expectations fell by 0.5% in both countries. In Uruguay, growth expectations remained constant at 0.7% compared to July, but they fell by 0.7% compared to the previous six months. Expectations also remained constant in Peru at 4.2% (0.2% above February), in Guatemala at 3.6% (0.2% below February), in Paraguay at 3.5% (0.2% below February) and Colombia at 3.3% (same level than February). Growth expectations for 2017 are less heterogeneous than those for 2016, with all countries expecting to grow at non-negative rates ranging 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

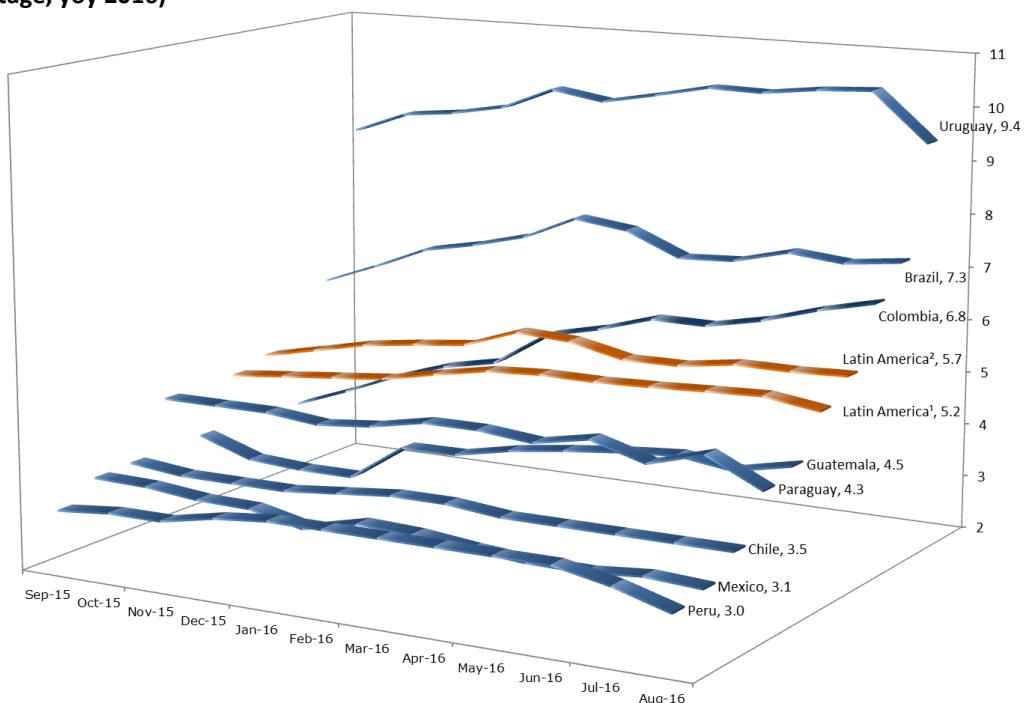
Inflation expectations for the region for 2016 fell by 0.2% from 5.4% to 5.2 on the simple average basis and increased by 0.1% on the GDP weighted average basis from 5.6% to 5.7% compared to July. Both the simple average and the GDP weighted average of inflation expectations remained constant compared to their respective levels six months ago.

At the individual country level, inflation expectations for 2016 evolved heterogeneously for the countries in the sample, increasing in three, falling in four and remaining stable in one. The largest rise was observed in Colombia by 0.3% from 6.5% to 6.8% compared to the previous month, followed by Guatemala by 0.2% from 4.3% to 4.5%. Colombia had also the most significant cumulative increase compared to surveys six months ago, by 1.3% followed by a 0.6% in Guatemala. Inflation expectations also rose in Brazil by 0.1% from 7.2% to 7.3% compared to July, but they fell 0.3% compared to expectations six months ago.

On the other hand, inflation expectations in Uruguay had a sharp decline of 0.9% from 10.3% to 9.4% compared to the previous months and situated 0.3% below February. Inflation expectations also fell in Paraguay by 0.5% from 4.8% to 4.3% compared to the previous month and by 0.4% compared to six months ago. Further falls were observed in Peru, by 0.3% from 3.3% to 3.0% compared to July and by 0.5% compared to February; also in Mexico where they fell by 0.1% from 3.2% to 3.1% compared to the previous month and by 0.2% compared to the previous six months. Inflation expectations across the region ranked from 3.0% in Peru to 9.4% in Uruguay.

**Figure 3. Inflation Market Expectations**

(Percentage, yoy 2016)



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

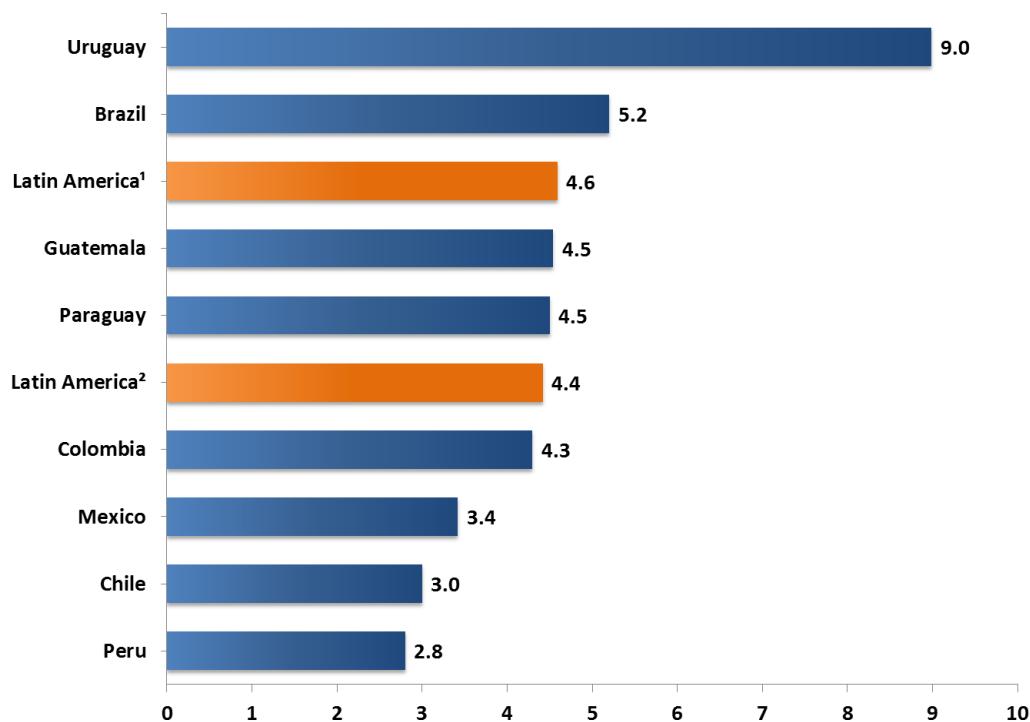
<sup>1</sup> Refers to the simple average of the eight inflation targeting countries.

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

Inflation expectations for the region for 2017 fell by 0.1% compared to the previous month both on the simple average and on the GDP weighted average, from 4.7% to 4.6% on the former and from 4.5% to 4.4% on the latter. Compared to surveys six months ago, the simple average remained constant while the GDP weighted average fell by 0.4%.

At the individual country level, inflation expectations for 2017 fell in three countries, increased in two and remained stable in three. The most significant fall was observed in Uruguay by 0.4% from 9.4% to 9.0% compared to the previous month, remaining constant compared to expectations six months ago. In Peru, inflation expectations for 2017 fell by 0.2% from 3.0% to 2.8% compared to July and by 0.4% compared to February. In Brazil, expectations fell by 0.1% from 5.3% to 5.2% compared to the previous month and declined sharply (by 0.8%) compared to expectations six months ago. Both in Colombia and Guatemala, inflation expectations for 2017 increased by 0.1% compared to the previous month, from 4.2% to 4.3% in Colombia and from 4.4% to 4.5% in Guatemala. Also in both countries inflation expectations for 2017 were 0.4% above their levels six months ago. For the remaining three countries inflation expectations for 2017 have remained stable at 4.5% in Paraguay, at 3.4% in Mexico and at 3.0% in Chile. Inflation expectations for 2017 ranged from 2.8% in Peru to 9.0% 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.

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

---

Copyright © 2016 Inter-American Development Bank. This work is licensed under a Creative Commons IGO 3.0 Attribution-NonCommercial-NoDerivatives (CC-IGO BY-NC-ND 3.0 IGO) license (<http://creativecommons.org/licenses/by-nc-nd/3.0/igo/legalcode>) and may be reproduced with attribution to the IDB and for any non-commercial purpose. No derivative work is allowed.

Any dispute related to the use of the works of the IDB that cannot be settled amicably shall be submitted to arbitration pursuant to the UNCITRAL rules. The use of the IDB's name for any purpose other than for attribution, and the use of IDB's logo shall be subject to a separate written license agreement between the IDB and the user and is not authorized as part of this CC-IGO license.

Note that link provided above includes additional terms and conditions of the license.

The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the Inter-American Development Bank, its Board of Directors, or the countries they represent.

