



<http://www.iadb.org/revela>

## Revelation of Expectations in Latin America

Issue LXVII – October, 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 September 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 August. Similarly, inflation expectations for the region for 2016 remained constant at 5.2% on a simple average basis.

At the individual country level, growth expectations for 2016 remained stable in most countries (Brazil, Chile, Colombia, Guatemala and Peru), increased Uruguay by 0.2% and Paraguay by 0.1% and decreased in Mexico by 0.1% compared to the previous month.

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

Both growth and inflation expectations remain 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 3.2% in Peru to 9.2% 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 Sep 2016	Aug-Sep change	as of Sep 2016	Aug-Sep change
	Brazil	-3.2	⇒ 0.0	7.3
Chile	1.6	⇒ 0.0	3.4	↓ -0.1
Colombia	2.8	⇒ 0.0	6.3	↓ -0.5
Guatemala	3.4	⇒ 0.0	4.5	⇒ 0.0
Mexico	2.1	↓ -0.1	3.2	↑ 0.1
Paraguay	3.1	↑ 0.1	4.1	↓ -0.2
Peru	3.8	⇒ 0.0	3.3	↑ 0.3
Uruguay	0.2	↑ 0.2	9.2	↓ -0.2
Eight country average	1.7	⇒ 0.0	5.2	⇒ 0.0

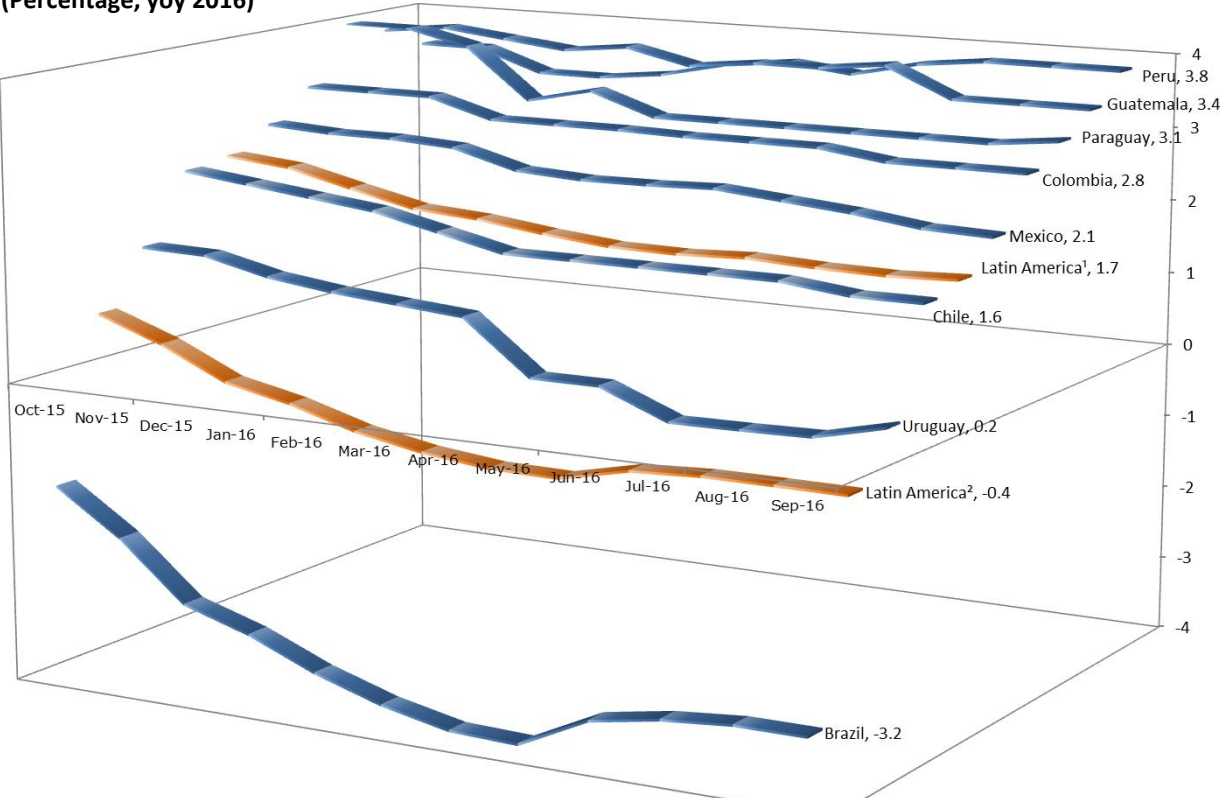
Source: REVELA, IDB 2015. Data available for download [here](#).

## B. Growth

According to the surveys conducted in September, 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 August. Compared to expectations six months ago, the simple average of growth expectations fell by 0.1% and the GDP weighted average fell by 0.2%.

At the individual country level, growth expectations increased in two countries: Uruguay by 0.2%, from 0.0% to 0.2%, and Paraguay by 0.1% from 3.0% to 3.1% compared to the previous month. However, compared to surveys six months ago growth expectations in Uruguay decreased by 0.8%. On the contrary, growth expectations in Paraguay rose 0.1% compared to six months ago. Growth expectations only fell only in Mexico by 0.1% from 2.2% to 2.1% compared to August and fell by 0.3% compared to surveys six months ago. Growth expectations for the remaining five countries remained constant in a monthly comparison: in Peru at 3.8% (0.3% above March), in Guatemala at 3.4% (0.2% below March), Colombia at 2.8% (0.2% below March), Chile at 1.6% (0.1% below March) and in Brazil at -3.2% (0.4% above March). According to September results indicate that growth expectations have recovered only in three countries compared to march results, Brazil, Paraguay and Peru, while they have deteriorated for the remaining five. Growth expectations range from -3.2% in Brazil to 3.8% in Peru.

**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.

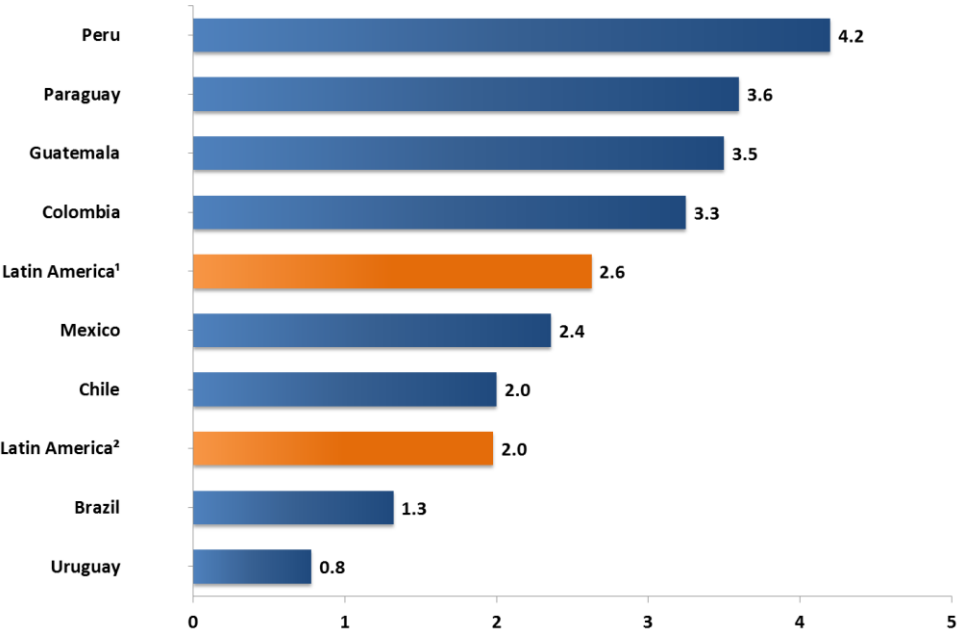
<sup>2</sup> Refers to the GDP weighted average of the eight inflation targeting countries.

Growth expectations for 2017 remained constant compared to the previous month 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 fell by 0.1% according to the simple average measure but rose by 0.3% considering the weighted regional GDP. This discrepancy between the two average measures is explained in a long term positive trend in growth expectations for 2017 in Brazil and negative long term trends in most of the remaining countries in the sample.

Growth expectations for 2017 increased by 0.1% in three countries, decreased by 0.1% in two and remained constant in three countries in September compared to the previous month. Expected growth rose in Paraguay from 3.5% to 3.6%, Brazil from 1.2% to 1.3% and Uruguay from 0.7% to 0.8%. It fell in Guatemala from 3.6% to 3.5% and in Mexico from 2.5% to 2.4%, and it remained constant in Peru at 4.2%, Colombia at 3.3% and Chile at 2.0%.

Compared to surveys six months ago, growth expectation for 2017 fell in five countries, remained constant in one and increased only in two countries in September. The most significant cumulative increase in 2017 growth expectations was observed in Brazil by 1.0% followed by Peru by 0.2%. In Colombia growth expectations for 2017 are in the same level than six months ago. Inflation expectations fell in the remaining five countries compared to surveys six months ago: by 0.6% in Uruguay, by 0.5% both in Chile and Mexico, by 0.3% Guatemala and by 0.2% in Paraguay. Growth expectations for 2017 now range from 0.8% 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.

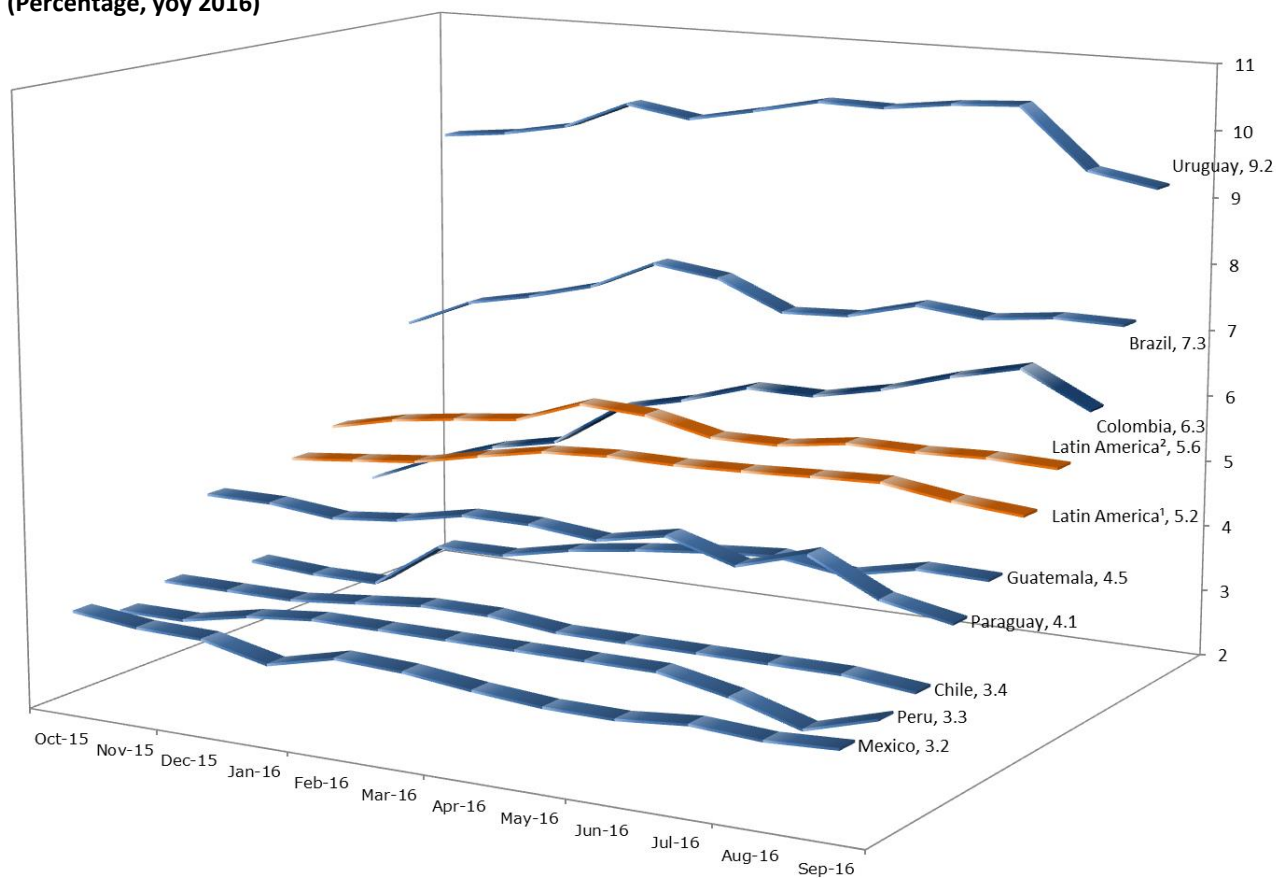
<sup>2</sup> Refers to the GDP weighted average of the eight inflation targeting countries.

## C. Inflation

Inflation expectations for the region for 2016 remained constant at 5.2% on a simple average basis and fell by 0.1% on a GDP weighted average basis from 5.7% to 5.6% in September compared to the previous month. Both indicators fell by 0.1% compared to surveys six months ago.

The most significant fall was observed in Colombia by 0.5%. However, it was insufficient to reverse a six-month increase of 0.6%. In Uruguay and Paraguay inflation expectations fell by 0.2%, from 9.4% to 9.2% in the former and from 4.3% to 4.1% in the latter. In Chile inflation expectations fell by 0.1% compared to the previous month and by 0.2% compared to the previous six months. On the contrary, inflation expectations rose by 0.3% in Peru from 3.0% to 3.3% compared to August but they fell by 0.2% compared to March. In Mexico inflation expectations rose by 0.1% from 3.1% to 3.2% compared to the previous month but they are still 0.1% below their level six months ago. In Brazil inflation expectations remained stable at 7.3% compared to August but they were 0.1% below six months ago. Finally, inflation expectations were stable also in Guatemala at 4.5% compared to August, but they fell by 0.4% compared to March. With these results, 2016 inflation expectations range from 3.2% in Mexico to 9.2% in Uruguay.

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



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

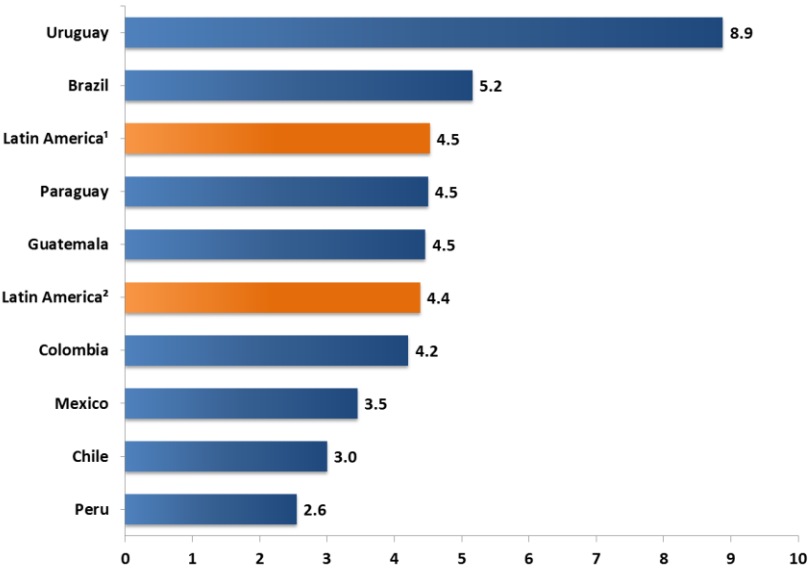
<sup>1</sup> Refers to the simple average of the eight inflation targeting countries.

<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% from 4.6% to 4.5% on a simple average and remained stable at 4.4% on a GDP weighted average compared to August. Compared to surveys six months ago, inflation expectations for 2017 have fallen by 0.2% on the simple average basis and by 0.4% on a GDP weighted average basis.

At the individual country level, inflation expectations for 2017 fell in three countries, remained constant in four and increased only in one. Expected inflation for next year decreased by 0.2% in Peru from 2.8% to 2.6% compared to the previous month and by 0.4% compared to the previous six months. They also fell by 0.1% in Colombia from 4.3% to 4.2% (0.2% above March) and in Uruguay from 9.0% to 8.9% (0.2% below March). In Mexico, inflation expectations for 2017 increased by 0.1% from 3.4% to 3.5% in the monthly and in the biannual comparison. Inflation expectations for next year remained constant in Brazil at 5.2% (increasing 0.8% compared to March), in Paraguay and Guatemala at 4.5% and in Chile at 3.0% compared to the previous month. With these results, expected inflation for 2017 ranges from 2.6% in Peru to 8.9% 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.

