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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 January surveys conducted by Central Banks in the region, simple-average growth expectations for 2017 for the eight countries covered by *Revela* fell by 0.1% from 2.4% to 2.3% compared to December while inflation expectations remained constant at 4.7%.

At the individual country level, growth expectations for 2017 increased for Paraguay by 0.1%, remained constant in Brazil and Chile but fell in five countries: in Colombia by 0.3%, in Paraguay by 0.2%, and in Guatemala, Mexico and Uruguay by 0.1% in all three cases.

Inflation expectations for 2017 increased sharply in Mexico by 1.2% followed by a 0.1% increase in Colombia. They fell in four countries: in Paraguay and Uruguay by 0.4%, in Guatemala by 0.2%, in Brazil by 0.1% compared to December, and remained constant in Chile and Peru.

Growth expectations for 2017 ranged from 0.5% in Brazil to 3.8% in Paraguay while inflation expectations ranged from 2.9% to 8.4% in January.

Table 1. Growth and Inflation Expectations for 2017

Country	Growth expectation (percentage expected for 2017)		Inflation expectation (percentage expected for 2017)	
	as of Jan 2017	Dec - Jan change	as of Jan 2017	Dec - Jan change
	Brazil	0.5	→ 0.0	4.8
Chile	2.0	→ 0.0	2.9	→ 0.0
Colombia	2.6	↓ -0.3	4.5	↑ 0.1
Guatemala	3.3	↓ -0.1	4.5	↓ -0.2
Mexico	1.5	↓ -0.1	5.3	↑ 1.2
Paraguay	3.8	↑ 0.1	4.1	↓ -0.4
Peru	3.8	↓ -0.2	3.0	→ 0.0
Uruguay	1.1	↓ -0.1	8.4	↓ -0.4
Eight country average	2.3	↓ -0.1	4.7	→ 0.0

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

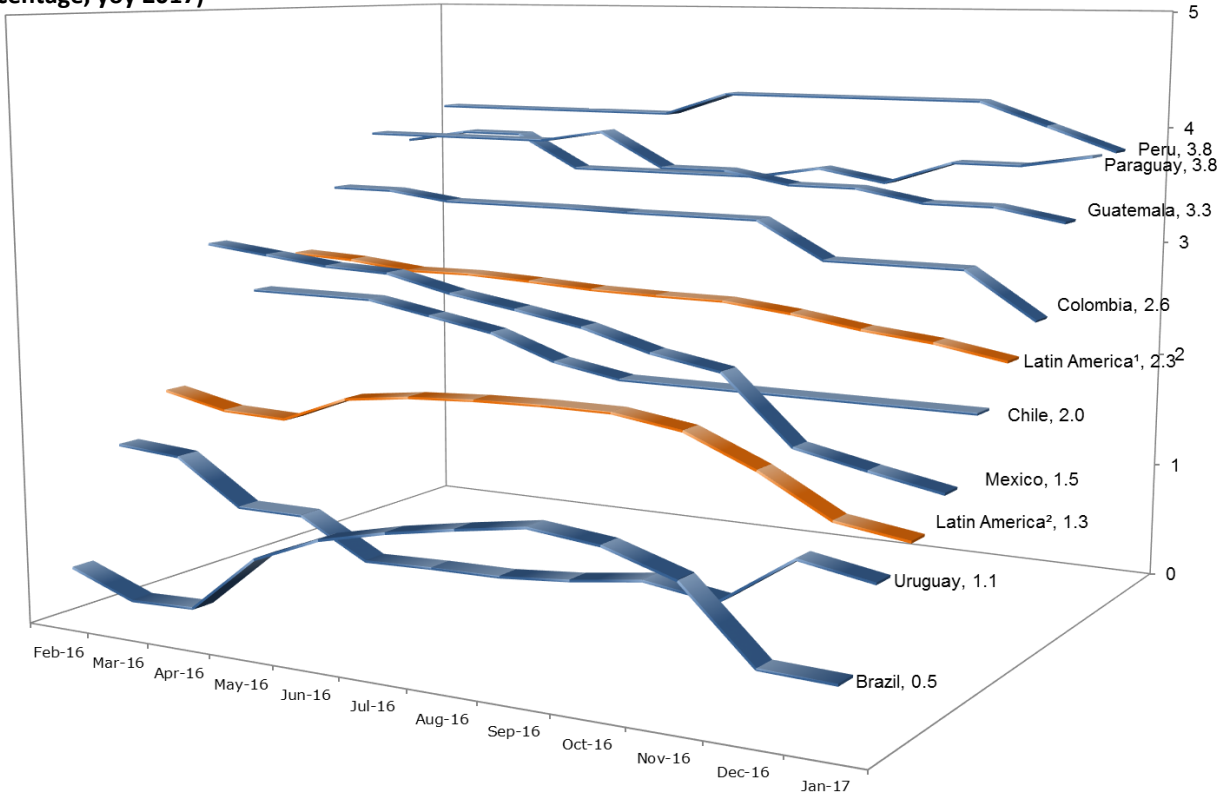
B. Growth

In January, Growth expectations for the region for 2017 fell by 0.1% from 2.4% to 2.3% according to the simple average in compared to the previous month. According to the GDP-weighted average, growth expectations remained constant at 1.3% during the same period. Compared to surveys six months ago, the simple average of growth expectations fell by 0.3% and the GDP-weighted average by 0.7%.

At the individual country level, growth expectations fell in five countries, increased only in one and remained stable in two in January compared to December. Paraguay is the only country where growth expectations increased, by 0.1% from 3.7% to 3.8%. They remained constant in Chile at 2.0% and Brazil at 0.5% compared to the previous month. Finally, growth expectations fell in Colombia by 0.3% from 2.9% to 2.6%, in Peru by 0.2% and in three countries by 0.1%: Guatemala from 3.4% to 3.3%, Mexico from 1.6% to 1.5% and Uruguay from 1.2% to 1.1%.

Compared to REVELA surveys six months ago, growth expectations declined in six countries and increased only in two. The most significant cumulative declined was observed in Mexico where growth expectations fell by 1.1% compared to July 2016. Further declines were observed in Colombia by 0.7%, Brazil by 0.6%, Peru by 0.4%, Guatemala by 0.3% and Chile by 0.1%. Growth expectations increased in Uruguay by 0.4% and Paraguay by 0.3% compared to the previous six months. With these results, growth expectations for 2017 in January ranged from 0.5% in Brazil to 3.8% Paraguay and Peru.

Figure 1. Market Expectations of Growth (Percentage, yoy 2017)



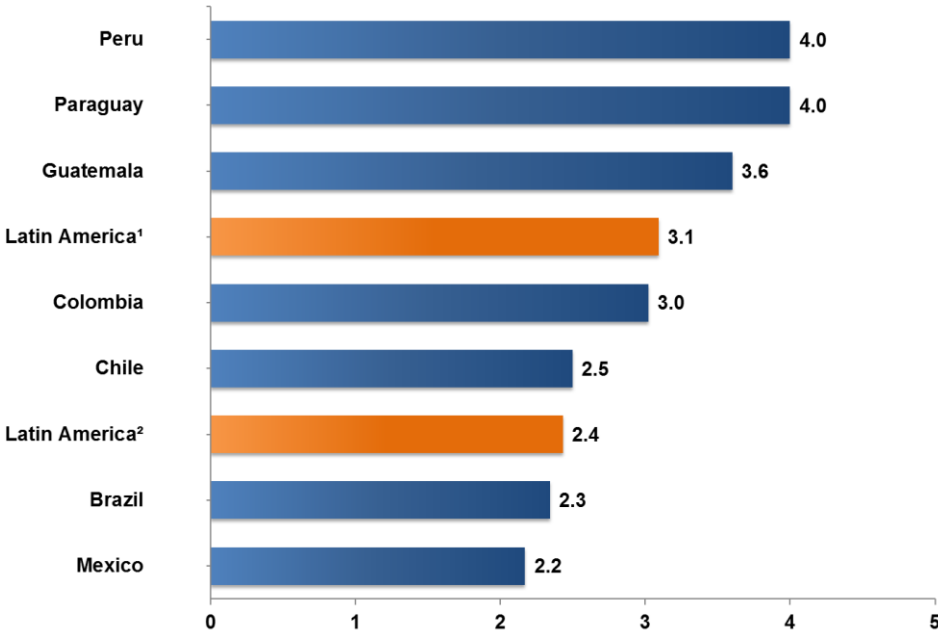
Source: REVELA, IDB 2017. Data available for download [here](#).

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.

In January 2017, the simple average of growth expectations for 2018 was 3.1% while the GDP-weighted average was 2.5% driven by relatively lower expectations in Brazil and Mexico compared to the rest of the sample. Expected growth for 2018 is positive for every country in the sample, ranging from 2.2% in Mexico to 4.0% in Paraguay and Peru. The two countries with highest growth expectations for 2018 are Paraguay and Peru with 4.0% in both cases, followed by Guatemala with 3.6% and Colombia with 3.0%. Milder growth expectations were observed in Chile by 2.5%, Brazil by 2.3% and Mexico by 2.2%.

Figure 2. Growth Market Expectations
(Percentage, yoy 2018)



Source: REVELA, IDB 2017. Data available for download [here](#).

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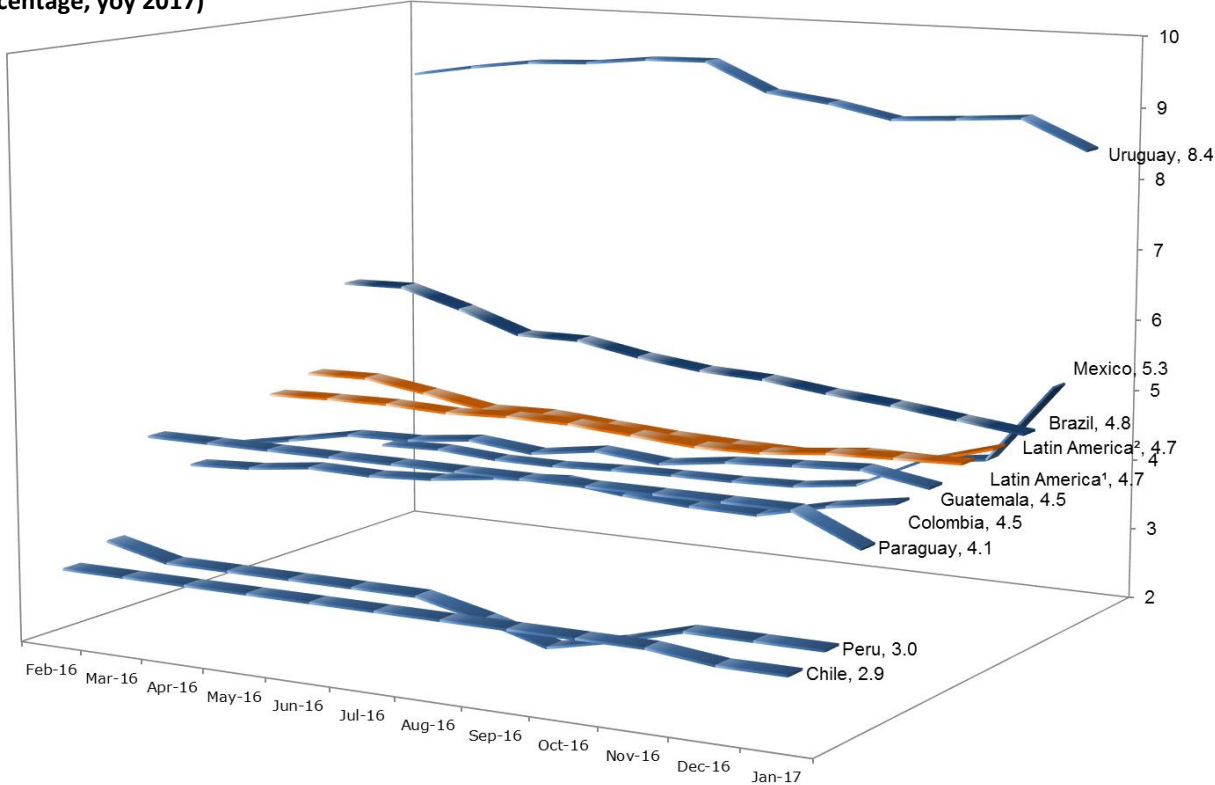
C. Inflation

In January, inflation expectations for the region for 2017 remained constant at 4.7% on a simple average basis compared to the previous month. However, they increased by 0.2% from 4.5% to 4.7% according to the GDP-weighted average driven by a sharp increase in inflation expectations in Mexico. The simple average of inflation expectations also remained constant compared to surveys six months ago, while the GDP-weighted average increased by 0.2%.

At the individual country level, the most significant increase was observed in Mexico where inflation expectations rose by 1.2% compared to the previous month from 4.1% to 5.3%. A milder increase was surveyed in Colombia, by 0.1% from 4.4% to 4.5%. Inflation expectations remained constant in Peru and Chile at 3.0% and 2.9% respectively compared to the previous month. They fell by 0.4% in two countries: Uruguay from 8.8% to 8.4% and Paraguay from 4.5% to 4.1%. More moderate declines were observed in Guatemala by 0.3% from 4.7% to 4.5% and Brazil by 0.1% from 4.9% to 4.8%.

Inflation expectations have evolved heterogeneously. A sharp increase of 1.9% was observed in Mexico, followed by milder ones in Colombia by 0.3% and Guatemala by 0.1% compared to July 2016. On the contrary, inflation expectations fell in Uruguay by 1.0%, Brazil by 0.5%, Paraguay by 0.4% and Chile by 0.1%. In Peru, expected inflation remained stable at 3.0% compared to surveys six months ago. With these results, inflation expectations for 2017 ranged from 2.9% in Chile to 8.4% in Uruguay.

Figure 3. Inflation Market Expectations (Percentage, yoy 2017)



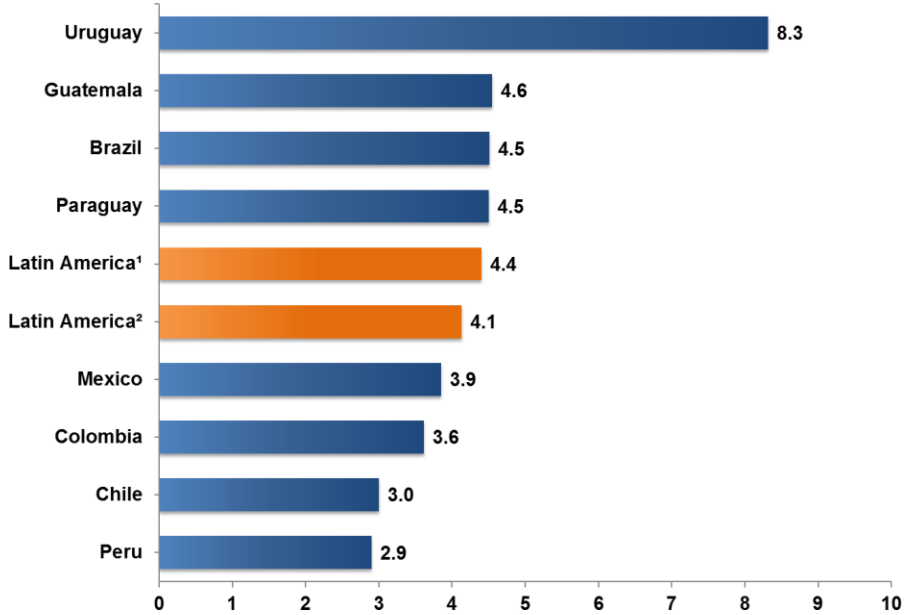
Source: REVELA, IDB 2017. Data available for download [here](#).

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In January 2017, the simple average of inflation expectations for 2018 was 4.4% while the GDP-weighted average was 4.1%. The highest expected inflation was observed in Uruguay at 8.3% while the lowest level was surveyed in Peru by 2.9%. Inflation expectations for 2018 were at the levels of 4.6% in Guatemala, 4.5% both in Brazil and Paraguay, 3.9% in Mexico, 3.6% in Colombia and 3.0% in Chile.

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



Source: REVELA, IDB 2017. Data available for download [here](#).

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