



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

# Revelation of Expectations in Latin America

Issue XVIII – March, 2014

Research Department  
Fernando Arce 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 February surveys conducted by Central Banks in the region, growth expectations fell in all but two of the countries covered by REVELA. Inflation expectations increased in Colombia, Paraguay and Uruguay remained stable in Brazil and Chile and decreased in Guatemala, Mexico and Peru.

Table 1. Growth and Inflation Expectations for 2014

Country	Growth expectation (percentage expected for 2014)		Inflation expectation (percentage expected for 2014)	
	as of February 2014	Jan-Feb change	as of February 2014	Jan-Feb change
	Brazil	1.8	↓ -0.3	6.0
Chile	3.8	↓ -0.2	3.0	⇒ 0.0
Colombia	4.2	↑ 0.1	2.9	↑ 0.1
Guatemala	3.5	⇒ 0.0	4.6	↓ -0.1
Mexico	3.2	↓ -0.2	4.0	↓ -0.1
Paraguay	5.3	↓ -0.3	5.3	↑ 0.3
Peru	5.5	↓ -0.1	2.6	↓ -0.2
Uruguay	3.2	↓ -0.1	8.4	↑ 0.3
Eight country average	3.8	↓ -0.1	4.6	⇒ 0.0

Source: REVELA, IDB 2014. Data available for download [here](#).

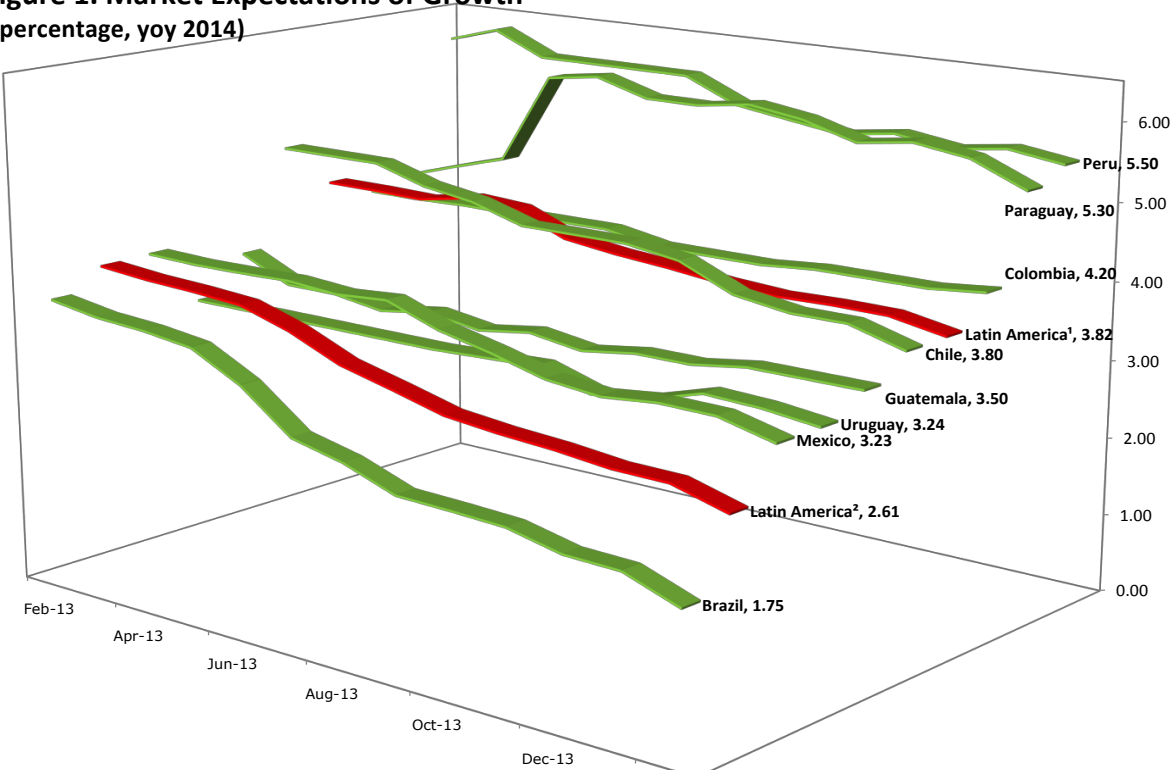
Both the simple average and the GDP weighted average growth expectations for 2014 decreased last month, the former from 3.9% to 3.8% and the latter from 2.8% to 2.6%. In six out of eight countries included in REVELA growth expectations in January decreased, in Brazil (from 2.1% to 1.8%), Chile (from 4.0% to 3.8%), Mexico (from 3.4% to 3.2%), Paraguay (from 5.6% to 5.3%), Peru (from 5.6% to 5.5%) and Uruguay (at 3.3% to 3.2%). The only country of our sample where growth expectations increased is Colombia (from 4.1% to 4.2%). Finally, expected growth remained stable in Guatemala (at 3.5%).

The simple average inflation expectation in 2014 remained stable at 4.6%. Inflation expectations increased strongly in Paraguay (from 5.0% to 5.3%) and Uruguay (from 8.1% to 8.4%) and to a smaller degree in Colombia (from 2.8% to 2.9%). By contrast, they declined mildly in Guatemala (from 4.7% to 4.6%), Mexico (from 4.1% to 4.0%) and Peru (from 2.8% to 2.6%). They remained stable in Brazil (at 6.0%) and Chile (at 3.0%).

## B. Growth

As illustrated in Figure 1, for February average growth expectations for 2014 have decreased by 0.1% on a simple average basis (Latin America 1) and by 0.2% considering the GDP weighted average (Latin America 2). During the last month, growth expectations for 2014 decreased in six out of eight countries covered by REVELA, including Brazil and Mexico the largest economies in the region. The largest declines were observed in Brazil and Paraguay; expected growth fell by 0.3% in both countries. Similarly, expected growth for 2014 fell by 0.2% in Chile and Mexico and by 0.1% in Peru and Uruguay. Additionally, in the two countries where growth expectations did not fell, Colombia and Guatemala, the changes were either small (a 0.1% increase in Colombia) or inexistent (expectations remained stable at 3.5% in Guatemala). In fact, over the past six months, there has been a widespread decrease in growth expectations for 2014 throughout the region. The decline has been more pronounced in Brazil (from 2.5% to 1.8%), Chile (from 4.5% to 3.8%), Mexico (from 3.7% to 3.2%) and Paraguay (from 5.8% to 5.3%) than in Peru (from 5.7% to 5.5%). By contrast, in Uruguay growth expectations are back to their level six months ago and in Colombia and Guatemala they are now 0.1% above it. Overall, over the course of the past six months growth expectations in the region have fell by 0.3% (from 4.1% to 3.3%) in a simple average and by 0.6% (from 3.2% to 2.6%) considering the GDP weighted average.

**Figure 1. Market Expectations of Growth**  
(percentage, yoy 2014)



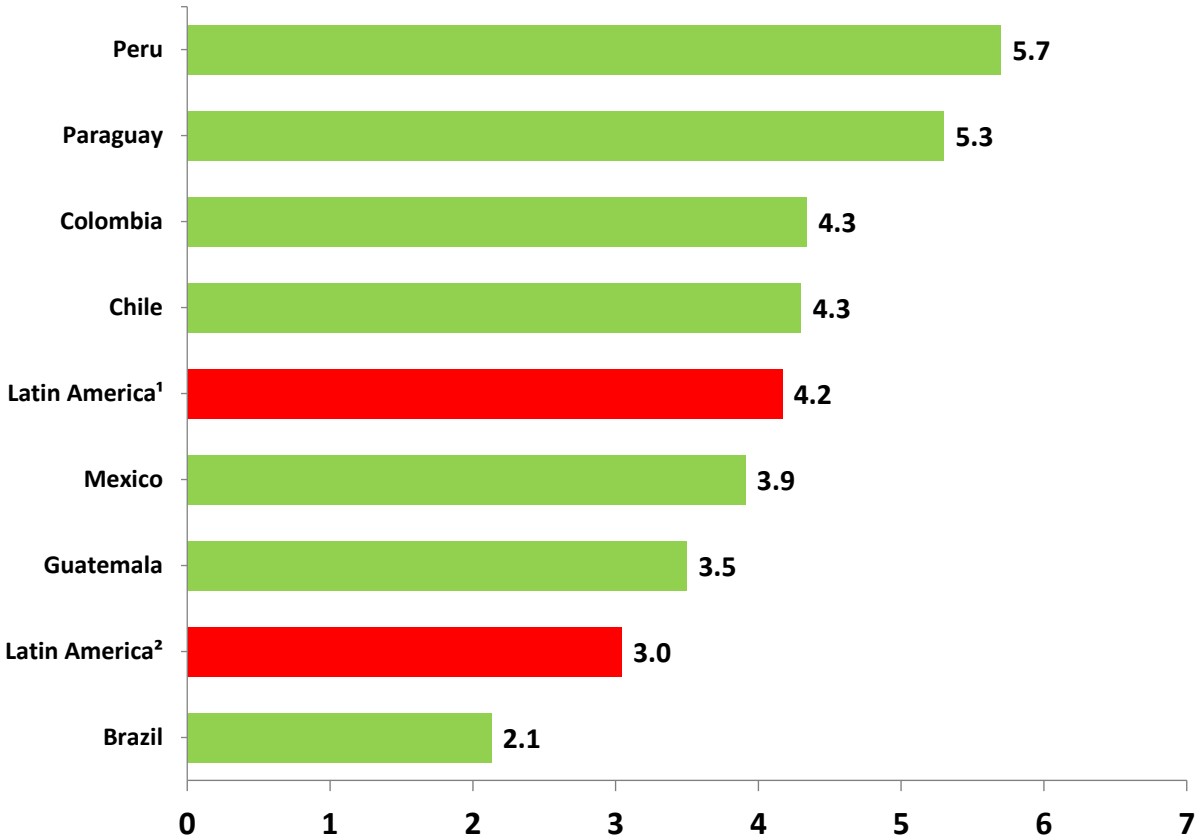
Feb-14 **Source:** REVELA, IDB 2014. Data available for download [here](#).

<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.

In February 2014, the simple mean of growth expectations for the region in 2015 was 4.2%, while the GDP weighted mean was 3.0%. Both of them decreased by 0.1% compared to their values in January 2014. In Brazil, Guatemala and Peru expectations fell, by 0.2%, 0.2% and 0.3% respectively. On the contrary, Chile, Mexico and Paraguay maintained their 2015 growth expectations, at 4.3%, 3.9% and 5.3% respectively. Once again, Colombia was the only country covered by REVELA where growth expectations increased in February. For 2015, expected growth increased from 4.1% to 4.3%.

**Figure 2. Growth Market Expectations**  
(percentage, yoy 2015)



Source: REVELA, IDB 2014. Data available for download [here](#).

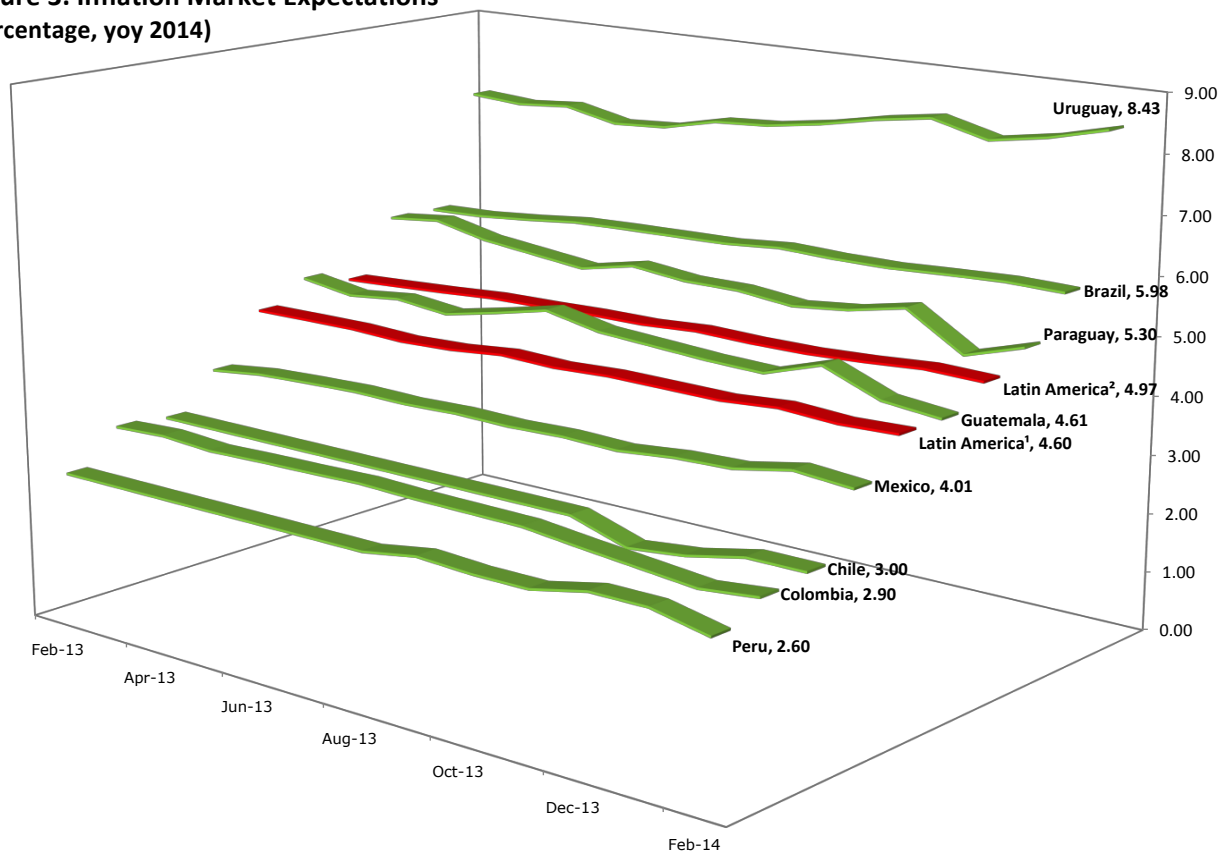
<sup>1</sup> Refers to the simple average of the eight inflation targeting countries.

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

## C. Inflation

Both the simple average and the GDP weighted average inflation expectation for 2014 for the region remained stable last month, at 4.6% and 5.0% respectively. On the one hand, inflation expectations for 2014 decreased, by 0.1%, 0.1% and 0.2%, in Guatemala, Mexico and Peru respectively. On the other, inflation expectations for 2014 have increased in Colombia, Paraguay and Uruguay, by 0.1% in the former case and by 0.3% in the latter two. Additionally, they have remained stable in Brazil and Chile, at 6% and 3% respectively. Compared to six months ago, inflation expectations measured employing a simple average have increased from 4.5% to 4.6% and as a GDP weighted mean they have also increased by 0.1% (from 4.9% to 5.0%). In four out of eight countries, Brazil, Mexico, Peru and Uruguay inflation expectations are now above their levels six months ago. The increase, ranges from 0.1% in Brazil and Peru to 0.7% in Uruguay, comprising a 0.2% increase in Mexico. The opposite has happened in Colombia, Guatemala and Paraguay, where inflation expectations are now below their level than six months ago. The respective decreases have been, 0.2% in Colombia, 0.3% in Guatemala and 0.1% in Paraguay. Only Chile's current inflation expectation for 2014, at 3.0%, is equal to its level in August 2013.

**Figure 3. Inflation Market Expectations**  
(percentage, yoy 2014)



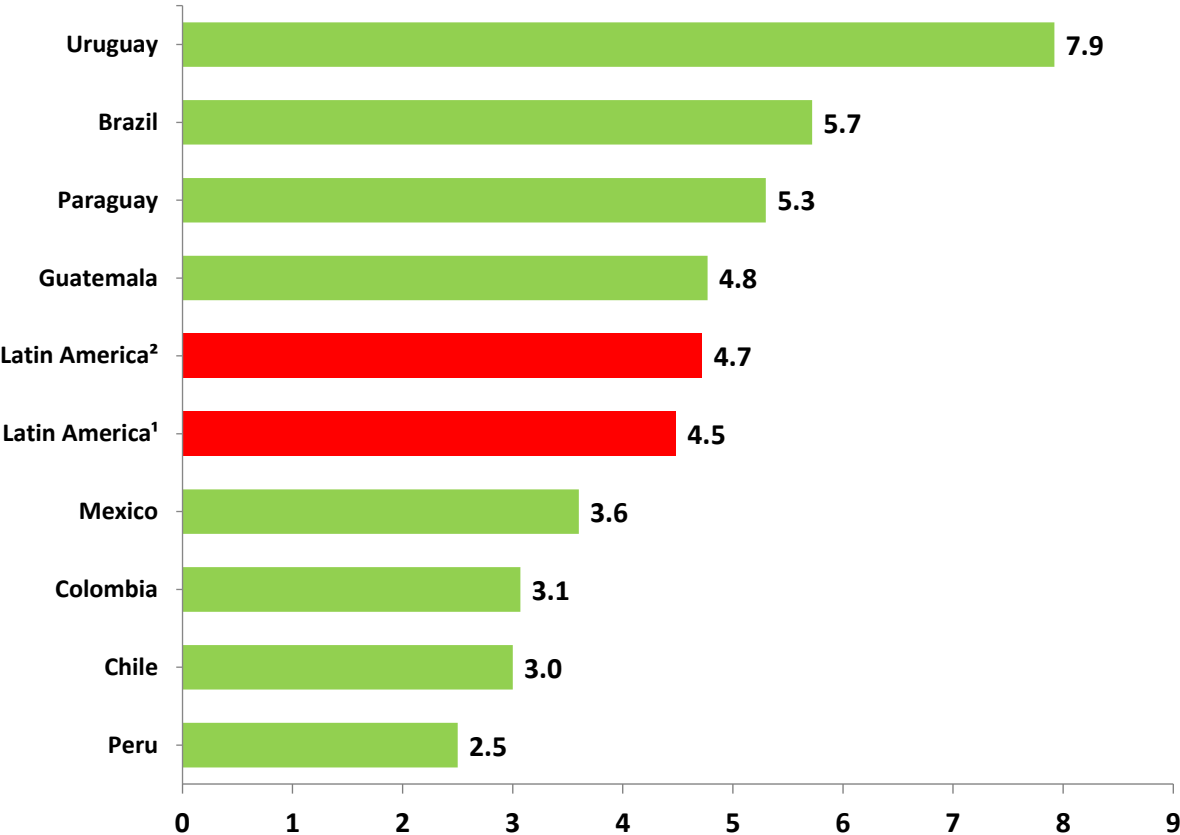
Source: REVELA, IDB 2014. Data available for download [here](#).

<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 in 2015 are currently at 4.5% and 4.7%, simple average and GDP weighted mean respectively. Both of them have remained constant when we compare them to their January 2014 values. However, they have fallen over the last month in Guatemala and Peru, by 0.3% 0.1% respectively. At the same time, they have increased in Brazil, Colombia and Uruguay, by 0.1%, 0.1% and 0.2% respectively. Finally, they have remained constant in Chile (at 3.0%), Mexico (at 3.6%) and Paraguay (at 5.3%). All this has only widened the range of the distribution. In 2015, inflation is expected to reach 7.7% in Uruguay and only 2.5% in Peru.

**Figure 4. Inflation Market Expectations**  
(percentage, yoy 2015)



Source: REVELA, IDB 2014. 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 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. The unauthorized commercial use of Bank documents is prohibited and may be punishable under the Bank’s policies and/or applicable laws.

Copyright © 2014 Inter-American Development Bank. All rights reserved; may be freely reproduced for any non-commercial purpose.