



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

Revelation of Expectations in Latin America

Issue XXII – July, 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 June surveys conducted by Central Banks in the region, growth expectations decreased in all but one of the countries covered by REVELA. At the same time, inflation expectations increased in four countries out of the eight countries of the database.

While the simple average of growth

expectations for 2014 decreased by 0.2% last month, from 3.6% to 3.4%, the GDP weighted average growth expectation decreased by 0.3%, from 2.4% to 2.1%. In seven out of eight countries included in REVELA growth expectations in June decreased, in Brazil (from 1.6% to 1.2%), Chile (from 3.2% to 3.0%), Guatemala (from 3.5% to 3.4%), Mexico (from 2.8% to 2.7%), Paraguay (from 5.2% to 5.0%), Peru (from 5.2% to 5.0%) and in Uruguay (from 3.2% to 2.9%). Only in Colombia growth expectations remained stable (at 4.2%).

Both the simple average and the GDP weighted average of inflation expectations for 2014 remained stable in June, the former at 4.8% and the latter at 5.2%. However, inflation expectations increased in Chile (from 3.7% to 3.8%), Colombia (from 3.2% to 3.4%), Paraguay (from 5.5% to 5.6%) and Peru (from 2.9 to 3.0%). By contrast, they declined mildly in Guatemala (from 4.3% to 4.2%). They remained stable in the other three countries of our data base, Brazil (at 6.4%), Mexico (at 3.8%) and Uruguay (at 8.3%).

Table 1. Growth and Inflation Expectations for 2014

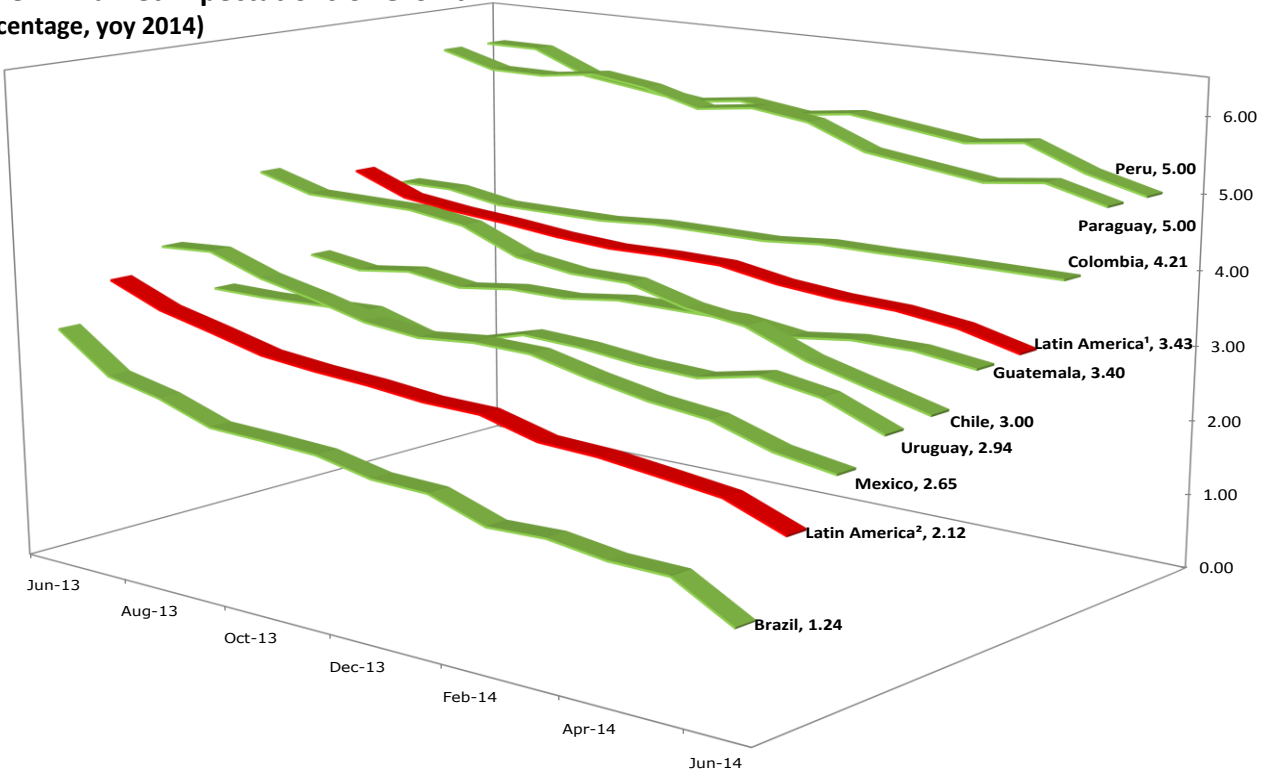
Country	Growth expectation (percentage expected for 2014)		Inflation expectation (percentage expected for 2014)	
	as of June 2014	May-Jun change	as of June 2014	May-Jun change
Brazil	1.2	↓ -0.4	6.4	⇒ 0.0
Chile	3.0	↓ -0.2	3.8	↑ 0.1
Colombia	4.2	⇒ 0.0	3.4	↑ 0.2
Guatemala	3.4	↓ -0.1	4.2	↓ -0.1
Mexico	2.7	↓ -0.1	3.8	⇒ 0.0
Paraguay	5.0	↓ -0.2	5.6	↑ 0.1
Peru	5.0	↓ -0.2	3.0	↑ 0.1
Uruguay	2.9	↓ -0.3	8.3	⇒ 0.0
Eight country average	3.4	↓ -0.2	4.8	⇒ 0.0

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

B. Growth

As illustrated in Figure 1, this past month, growth expectations for 2014 have experienced a widespread decline across most of the region. On a simple average basis (Latin America 1) they have decreased by 0.2% and considering the GDP weighted average (Latin America 2) by 0.3%. This confirms the downward trend observed in the last six months. From December 2013 to June 2014 the simple average growth expectation for 2014 of the region has declined by 0.6% (from 4.0% to 3.4%) and the GDP weighted average by 0.7% (from 2.8% to 2.1%). Last month, the largest decline took place in Brazil, the largest economy of the region, growth expectations decreased by 0.4%, from 1.6% to 1.2%. Although the second largest economy of the region, Mexico, only experienced a 0.1% decline in June, over the last six months growth expectations for 2014 in Brazil and Mexico have declined by 0.8%. Similarly, growth expectations dropped last month by 0.3% in Uruguay, by 0.2% in Chile, Paraguay and Peru and by 0.1% in Guatemala. In the last six months growth expectations for 2014 in all of these countries have fallen and in some cases quite sharply (by 1% in Chile, by 0.7% in Paraguay by 0.5% in Peru, by 0.4% in Uruguay and by 0.1% in Guatemala). By contrast, in Colombia growth expectations have remained constant at 4.2% last month and have actually increased by 0.1% in the past six months.

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



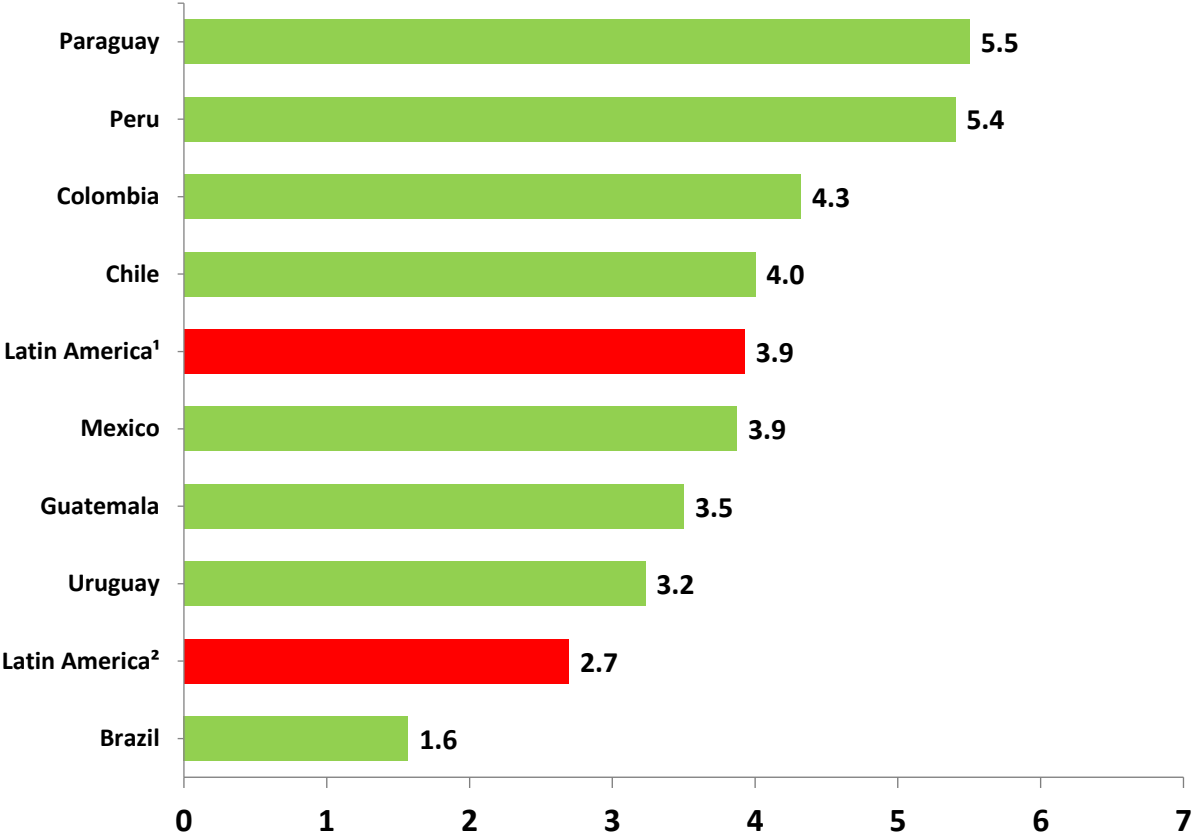
Source: REVELA, IDB 2014. Data available for download [here](#).

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 June 2014, the simple mean of growth expectations for the region in 2015 was 3.9%, while the GDP weighted mean was 2.7%. Although the simple average decreased by 0.1% over the last month the GDP weighted mean remained stable. Contrary to growth expectations for 2014, there does not seem to be a regional downward trend in growth expectations for 2015. In Brazil, Guatemala and Peru they declined by 0.3%, 0.2% and 0.1% respectively. However, they remained constant in Mexico, Chile and Colombia and they actually increased by 0.3% and 0.1% respectively in Paraguay and Uruguay. Growth expectations for 2015 in the region now range from 5.5% in Paraguay to 1.6% in Brazil.

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



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

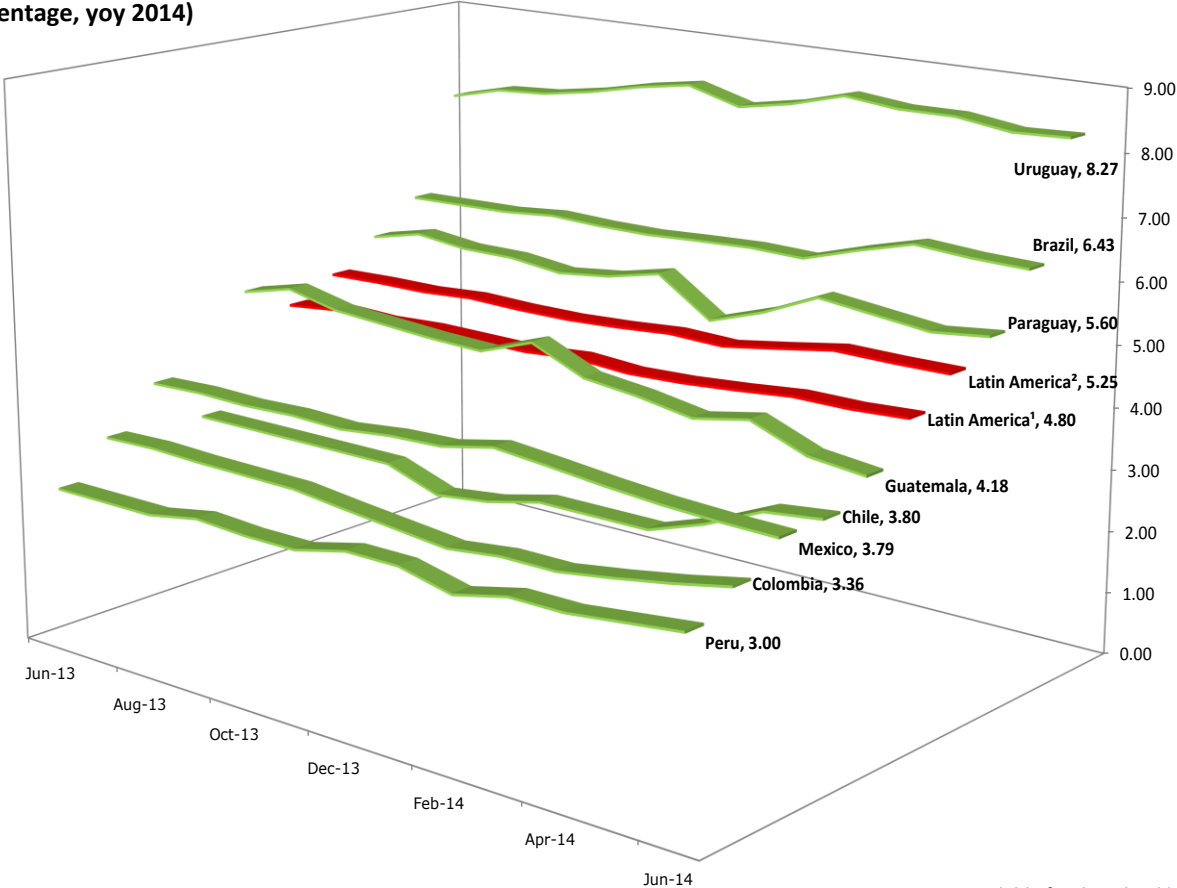
¹ Refers to the simple average of the eight inflation targeting countries.

² Refers to the GDP weighted average of the eight inflation targeting countries.

C. Inflation

Both the simple average and the GDP weighted average inflation expectation for 2014 for the region remained stable last month, the former at 4.8% and the latter at 5.3%. However, over the past six months, the simple average inflation expectations for 2014 increased by 0.2% and the GDP weighted average by 0.3%. Nevertheless, these average changes mask important differences within the region. While inflation expectations increased last month by 0.2% in Colombia (from 3.2% to 3.4%) and by 0.1% in Chile (from 3.7% to 3.8%), Paraguay (from 5.5% to 5.6%) and Peru (from 2.9% to 3.0%) they decreased by 0.1% in Guatemala (from 4.3% to 4.2%) and remained stable in Brazil (at 6.4%), Mexico (at 3.8%) and Uruguay (at 8.3%). Moreover, from December 2013 to June 2014 inflation expectations for 2014 increased strongly in Chile (by 1%), Brazil (0.5%) and Colombia (0.5%) and more moderately in Uruguay (by 0.3%) and Peru (by 0.2%) but remained stable in Paraguay and fell in Mexico (by 0.1%) and in Guatemala (by 0.9%).

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



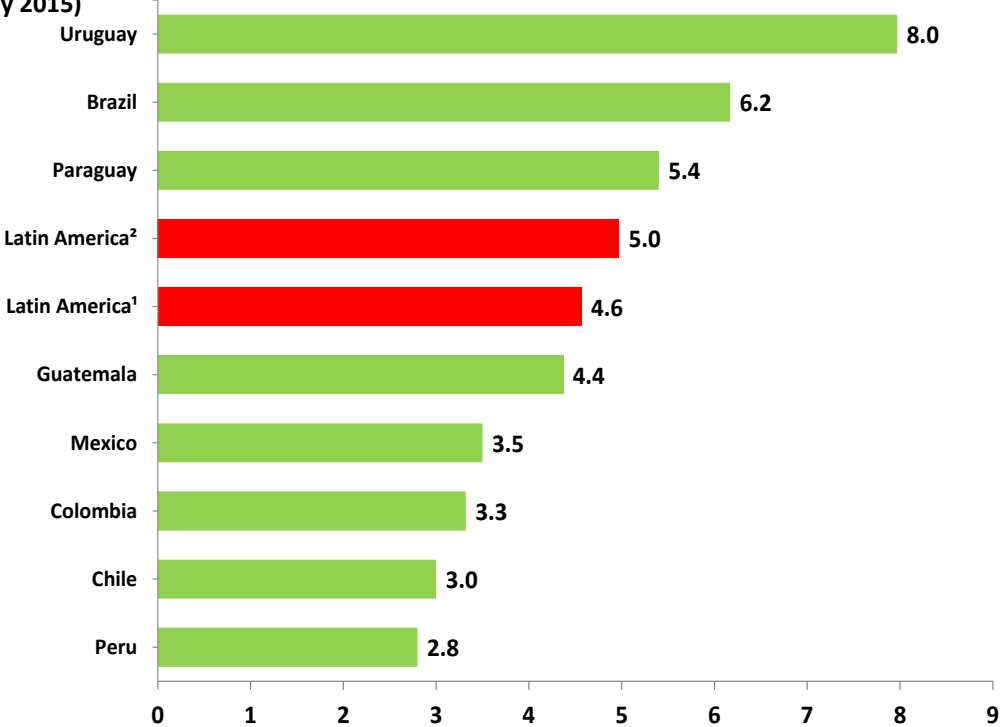
Source: REVELA, IDB 2014. Data available for download [here](#).

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.

Inflation expectations for the region in 2015 are currently at 4.6% and 5.0%, simple average and GDP weighted mean respectively. Both of them have remained stable when we compare them to their May 2014 values. Indeed, inflation expectations for 2015 have increased over the last month in Peru (from 2.7% to 2.8%) and Uruguay (from 7.9% to 8.0%). At the same time, they have decreased in Guatemala (from 4.5% to 4.4%) and Paraguay (from 5.6% to 5.4%). Finally, inflation expectations for 2015 have remained constant in Brazil (at 6.17%), Chile (at 3.0%), Colombia (at 3.3%) and Mexico (at 3.5%). Inflation expectations now range from 2.8% in Peru to 8.0% in Uruguay.

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



Source: REVELA, IDB 2014. 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.

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.