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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 August surveys conducted by Central Banks in the region, both growth and inflation expectations maintained a similar trend to the one observed over the last quarter. Namely, growth expectations continue to decline while inflation broadly remains stable.

Both the simple and the GDP weighted growth expectations for 2014 decreased by 0.2% last month, from 3.4% to 3.2% and from just under 2.0% to just under 1.8% respectively. In six out of eight countries included in REVELA growth expectations decreased, in Brazil (from 0.9 % to 0.7%), Chile (from 2.9% to 2.5%), Guatemala (from 3.5% to 3.4%), Mexico (from 2.6% to 2.5%), Paraguay (from 4.9% to 4.8%) and Peru (from 4.3% to 4.0%). Growth expectations only remained stable in the cases of Colombia and Uruguay, at 4.7% in the former and at 2.8% in the latter.

While the simple average of inflation expectations for 2014 remained stable at 4.8% last month, the GDP weighted average inflation expectation decreased by 0.1%, from 5.3% to 5.2%. Inflation expectations increased in Colombia (from 3.2% to 3.3%). By contrast, they declined in Brazil (from 6.4% to 6.2%) and Guatemala (from 4.2% to 4.1%). They remained stable in all the other countries of the *Revela* data base, Chile (at 3.8%), Mexico (at 3.8%), Paraguay (at 5.3%), Peru (at 3.0%) and Uruguay (at 8.5%).

Table 1. Growth and Inflation Expectations for 2014

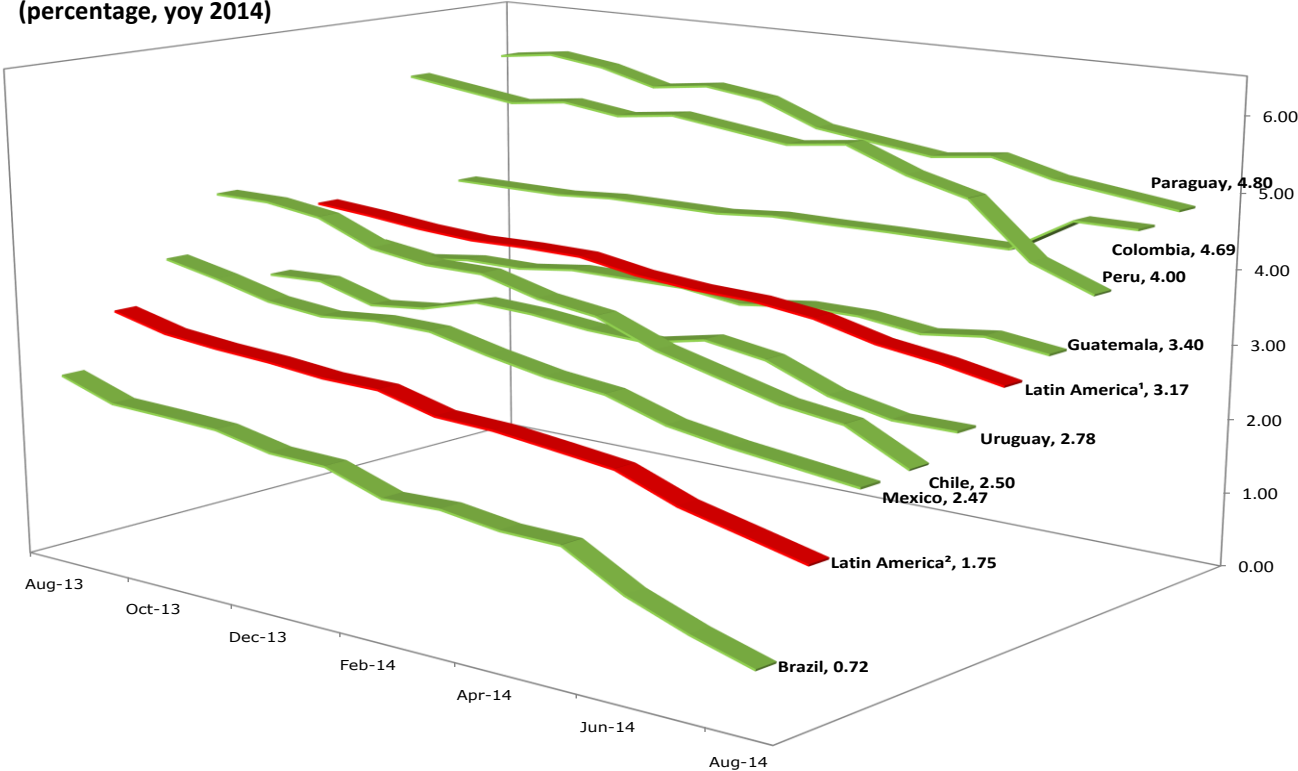
Country	Growth expectation (percentage expected for 2014)		Inflation expectation (percentage expected for 2014)	
	as of August 2014	Jul-Aug change	as of August 2014	Jul-Aug change
Brazil	0.7	↓ -0.2	6.2	↓ -0.2
Chile	2.5	↓ -0.4	3.8	⇒ 0.0
Colombia	4.7	⇒ 0.0	3.3	↑ 0.1
Guatemala	3.4	↓ -0.1	4.1	↓ -0.1
Mexico	2.5	↓ -0.1	3.8	⇒ 0.0
Paraguay	4.8	↓ -0.1	5.3	⇒ 0.0
Peru	4.0	↓ -0.3	3.0	⇒ 0.0
Uruguay	2.8	⇒ 0.0	8.5	⇒ 0.0
Eight country average	3.2	↓ -0.2	4.8	⇒ 0.0

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

B. Growth

As illustrated in Figure 1, growth expectations for 2014 have continued to decline across most of the region. On both a simple average basis (Latin America 1) and considering the GDP weighted average (Latin America 2), 2014 growth expectations decreased by 0.2%. Compared to the expectations in February 2014, the simple average growth expectation for 2014 of the region has declined by 0.6% (from 3.8% to 3.2%) and the GDP weighted average by 0.9% (from 2.7% to 1.8%). Nevertheless, the changes in expectations are different across countries. Last month, large declines were observed in Chile, Peru and Brazil, 0.4%, 0.3% and 0.3% respectively. A more modest decline of 0.1% was observed in Guatemala, Mexico and Paraguay. Finally, growth expectations remained constant in Colombia and Uruguay. Comparing current expectations with the ones made six months ago, there are also differences within the region. Indeed, the cumulative decline has been most significant in the largest economies, namely Brazil, Chile, Mexico and Peru, with declines of 1%, 1.3%, 0.8% and 1.5% respectively. By contrast changes have been more modest in Paraguay and Uruguay, only 0.5% in both cases, and even less in Guatemala, with a fall of only 0.1%. Furthermore, growth expectations for 2014 have risen in Colombia over the last six months, by 0.5%.

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



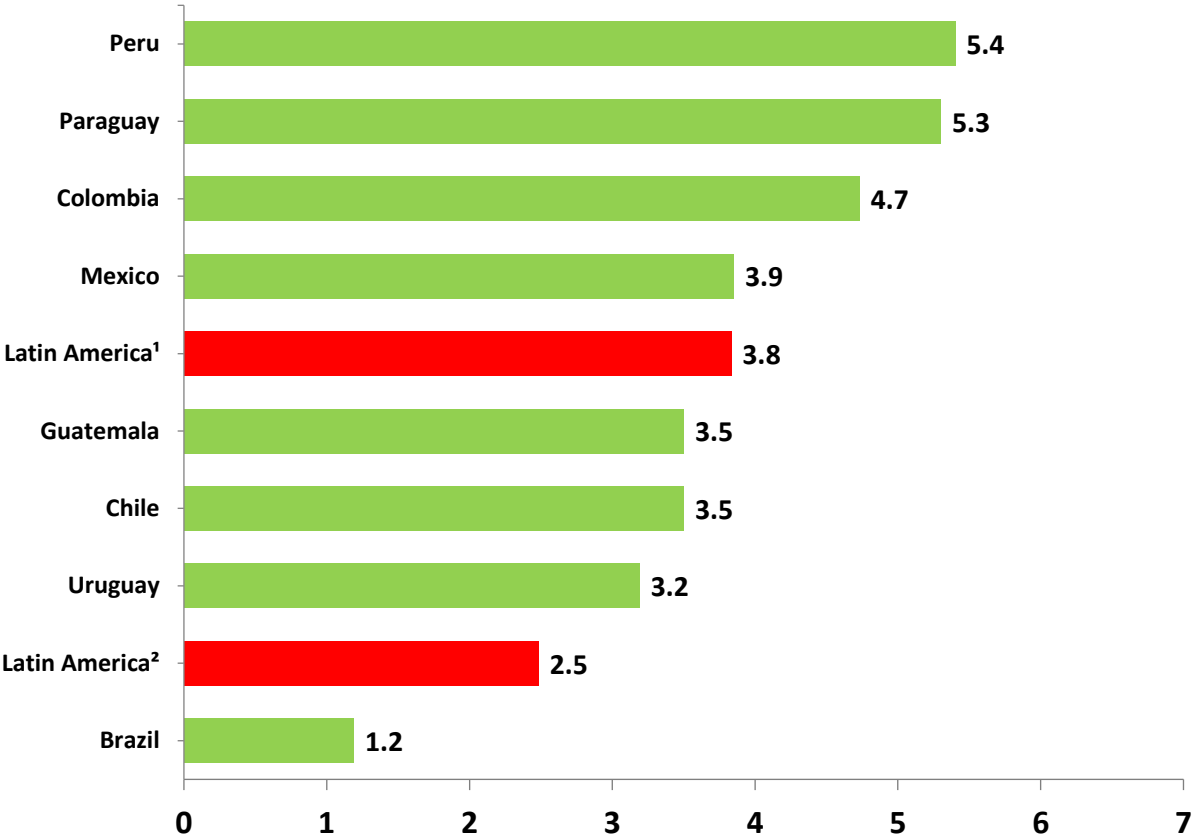
Source: REVELA, IDB 2014. Data available for download [here](#).

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 August 2014, both the simple mean and the GDP weighted mean growth expectations for the region in 2015 declined by 0.1%. The former fell from 3.9% to 3.8% while the latter declined from 2.6% to 2.5%. Growth expectations for 2015 changed in the last month only in three out of eight countries in the database. The largest decline was once again observed in Chile where growth expectations for 2015 shifted from 3.8% to 3.5%. In Brazil and Paraguay they declined by 0.1% and 0.2% respectively. However, in the last six months Brazil, Chile, Mexico and Peru growth expectations for 2015 have declined by 0.9%, 0.8%, 0.1%, and 0.3% respectively. Conversely, they have increased in Colombia, by 0.4% and remained stable in Guatemala and Paraguay. Looking to the region as a single country (the GDP weighted mean) they have cumulated a fall of 0.6% while the simple average has experienced a fall of 0.3%.

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



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

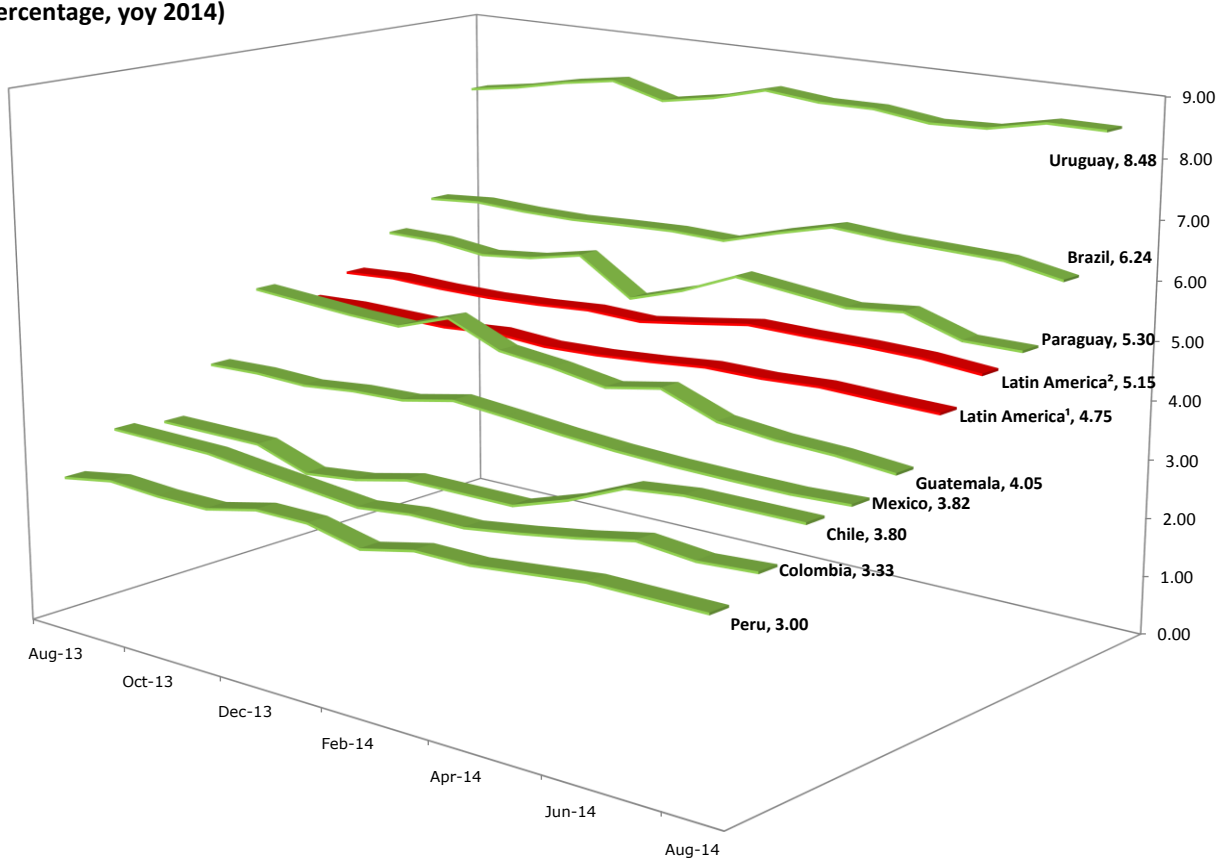
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C. Inflation

While the simple average inflation expectation for 2014 for the region remained stable last month at 4.8% the GDP weighted average declined by 0.1% from 5.3% to 5.2%. However, over the past six months, the simple average inflation expectations for 2014 have increased by 0.1% and the GDP weighted average by 0.2%. Nevertheless, these small average changes mask the movements that some countries in the region experienced in the last semester. While inflation expectations for 2014 increased last month by 0.1% in Colombia (from 3.2% to 3.3%) they decreased by 0.2% in Brazil (from 6.4% to 6.2%) and by 0.1% in Guatemala (from 4.1% to 4.0%). In all the other countries included in the REVELA database inflation expectations for 2014 did not change between the July and August surveys. However, in last six months they have increased by 0.3% in Brazil, by 0.8% in Chile, by 0.4% in Colombia and Peru, and by 0.1% in Uruguay. On the contrary, they have declined by 0.6% in Guatemala and by 0.2% in Mexico and remained stable in Paraguay at 5.3%.

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



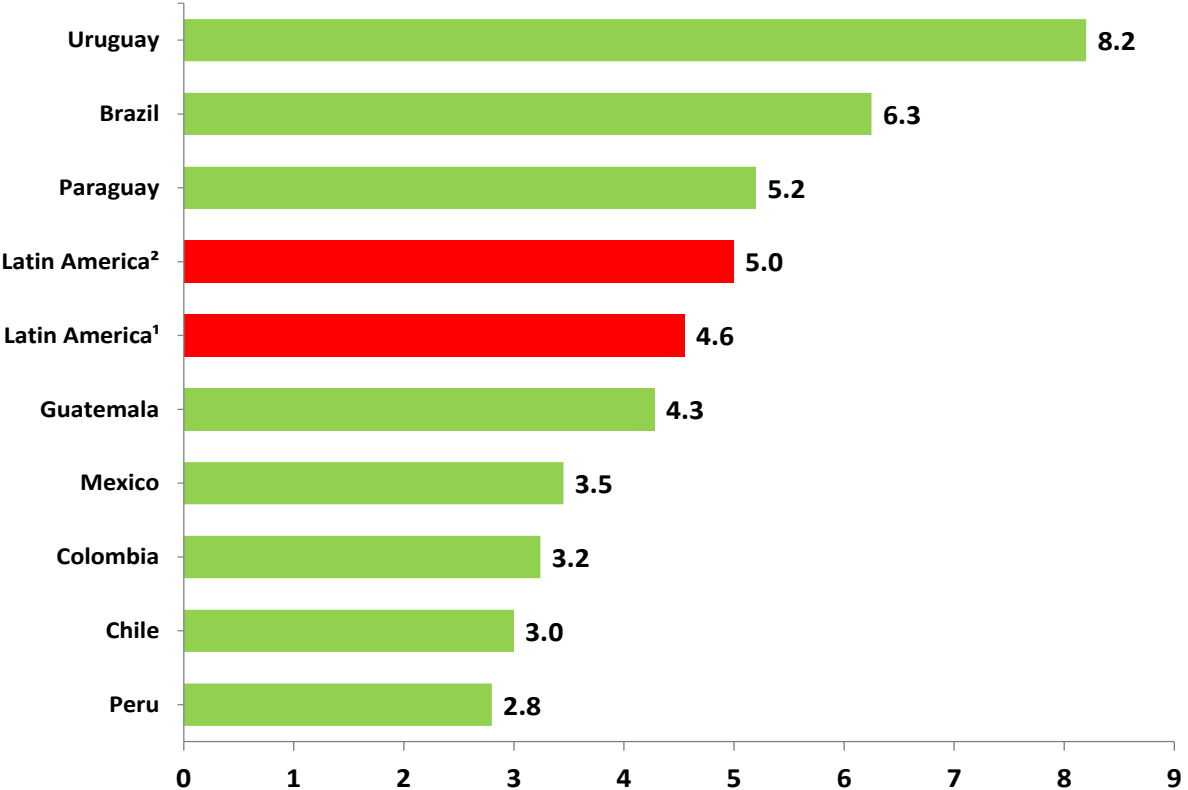
Source: REVELA, IDB 2014. Data available for download [here](#).

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Inflation expectations for the region in 2015 are currently at 4.6% and 5.0%, on a simple average and on a GDP weighted basis respectively. Both aggregates have remained stable when we compare them to their July 2014 values. Indeed, inflation expectations for 2015 have decreased the last month in Chile (from 3.3% to 3.0%), Guatemala (from 4.5% to 4.3%) and Uruguay (from 8.3% to 8.2%) practically offsetting the opposite change they had made in July. They remained constant in all the other countries. Comparing inflation expectations for 2015 with their values in February 2014 we can see an increase in Brazil (of 0.5%), Colombia (of 0.2%), Peru (of 0.3%) and Uruguay (of 0.3%). However, we have also observed a decline in expectations in Guatemala (of 0.5%), Mexico (of 0.2%) and Paraguay (of 0.1%) over the past six months.

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



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

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