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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 February surveys conducted by Central Banks in the region, regional growth expectations for 2015 have continued their downward trend while inflation expectations have increased. Compared to last month, growth expectations fell in four countries, rose in 3 and were stable in one.

The 2015 simple average growth expectation for the region in 2015 has declined from 3.2% to 3.1%. And the GDP weighted mean growth expectation fell from 1.9% to

1.5% in the last month. Growth expectations decreased, in Brazil (from 0.3% to -0.4%), Colombia (from 4.6% to 4.3%) and Mexico (from 3.3% to 3.1%). Nevertheless, growth expectations increased in February in Chile (from 2.6% to 2.7%), Guatemala (from 3.7% to 3.8%), Paraguay (from 4.4% to 4.5%) and Uruguay (from 3.0% to 3.1%). Growth expectations remained stable in Peru at 4.0%.

Both the simple average and the GDP weighted average inflation expectations for 2015 increased over the course of the last month, the former increased from 4.3% to 4.4% and the latter from 5.0% to 5.3%. Indeed, inflation expectations increased in Brazil (from 6.7% to 7.3%), Chile (from 2.7% to 2.9%), Guatemala (from 3.8% to 3.9%) and Uruguay (from 7.9% to 8.0%). However, inflation expectations decreased in Mexico (from 3.2% to 3.1%) and remained stable in Colombia (at 3.4%), Paraguay (at 4.5%) and Peru (at 2.5%).

Table 1. Growth and Inflation Expectations for 2015

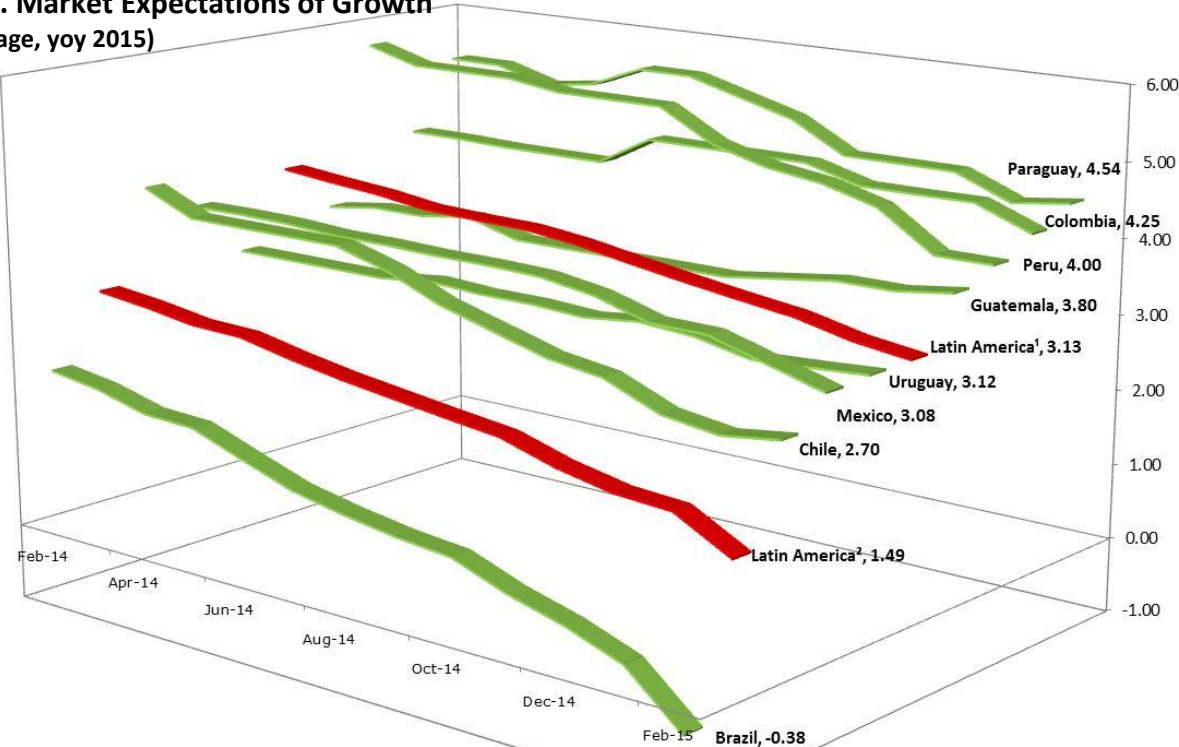
Country	Growth expectation (percentage expected for 2015)		Inflation expectation (percentage expected for 2015)	
	as of February 2015	Jan-Feb change	as of February 2015	Jan-Feb change
Brazil	-0.4	↓ -0.7	7.3	↑ 0.6
Chile	2.7	↑ 0.1	2.9	↑ 0.2
Colombia	4.3	↓ -0.3	3.4	⇒ 0.0
Guatemala	3.8	↑ 0.1	3.9	↑ 0.1
Mexico	3.1	↓ -0.2	3.1	↓ -0.1
Paraguay	4.5	↑ 0.1	4.5	⇒ 0.0
Peru	4.0	⇒ 0.0	2.5	⇒ 0.0
Uruguay	3.1	↑ 0.1	8.0	↑ 0.1
Eight country average	3.1	↓ -0.1	4.4	↑ 0.1

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

## B. Growth

As illustrated in Figure 1, growth expectations for the region in 2015 continued their downward path which commenced a year ago. On a simple average basis (Latin America 1) average growth expectations have only declined by 0.1%, from 3.2% to 3.1% in the last month. However considering the GDP weighted average (Latin America 2) they decreased by 0.4%, from 1.9% in January to 1.5% in February. As a matter of fact, most of the decline observed in the last month can be explained by the fact that the 2015 growth expectations for Brazil, the largest economy of the region, declined by 0.7%. Indeed, for the first time since 2009 current year expected growth for Brazil is negative (-0.4%). Additionally, growth expectations have also declined by 0.3% in Colombia and by 0.2% in Mexico, the next two largest economies included in REVELA. Conversely, growth expectations for 2015 have slightly increased (by 0.1%) in four out of the eight countries we study, this is the case in Chile, Guatemala, Paraguay and Uruguay. Only in Peru growth expectations have stalled compared to their level in January at 4.0%. Compared to six months ago, growth expectations for 2015 have declined in all but one country covered by the REVELA database, Guatemala. On a simple average basis growth expectations for 2015 in the region have fallen by 0.7%, and if you consider the GDP weighted average the total fall has been 1.0% over the last six months. Once again the largest decline was observed in Brazil, expectations for 2015 went from 1.2% in August 2014 to the aforementioned -0.4% in the last month.

**Figure 1. Market Expectations of Growth (percentage, yoy 2015)**



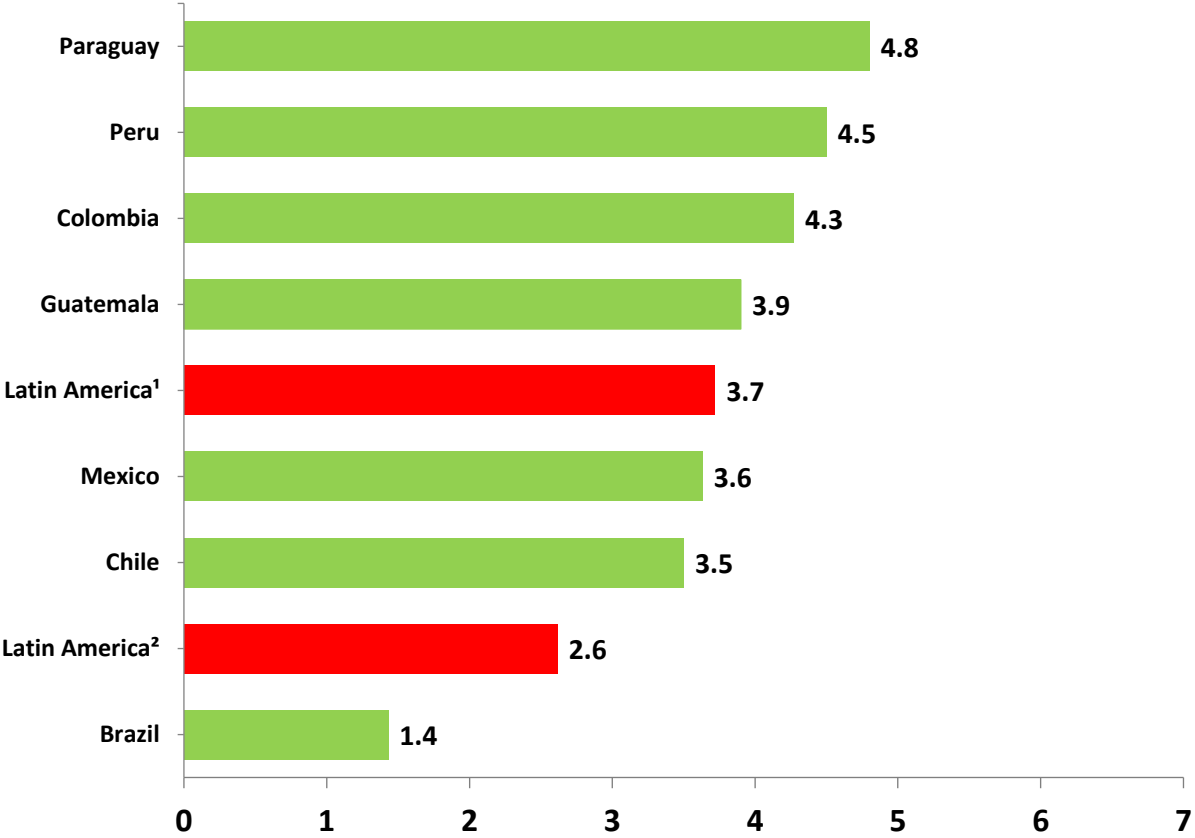
Source: REVELA, IDB 2015. Data available for download [here](#).

<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 2015, both the simple mean and the GDP weighted mean growth expectations for the region in 2016 declined. The former fell by 0.1%, from 3.8% to 3.7%, while the latter declined by 0.2%, from 2.8% to 2.6%. The largest decline was observed in Peru, where growth expectations for 2016 shifted from 5.0% to 4.5%. More modest declines were observed in the largest country of our database, namely, growth expectations for 2016 fell by 0.3% in Brazil and Colombia and by 0.2% in Mexico over the last month. Once again, this probably explains the difference between the declines in simple average and GDP weighted growth expectations for 2016. On the contrary, expectations remained stable in Chile (at 3.5%) and actually increased in Paraguay by 0.1% from 4.7% to 4.8%. Average growth rate for the region in 2016 now ranges between 1.4% in Brazil to 4.8% in Paraguay.

**Figure 2. Growth Market Expectations**  
(percentage, yoy 2016)



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

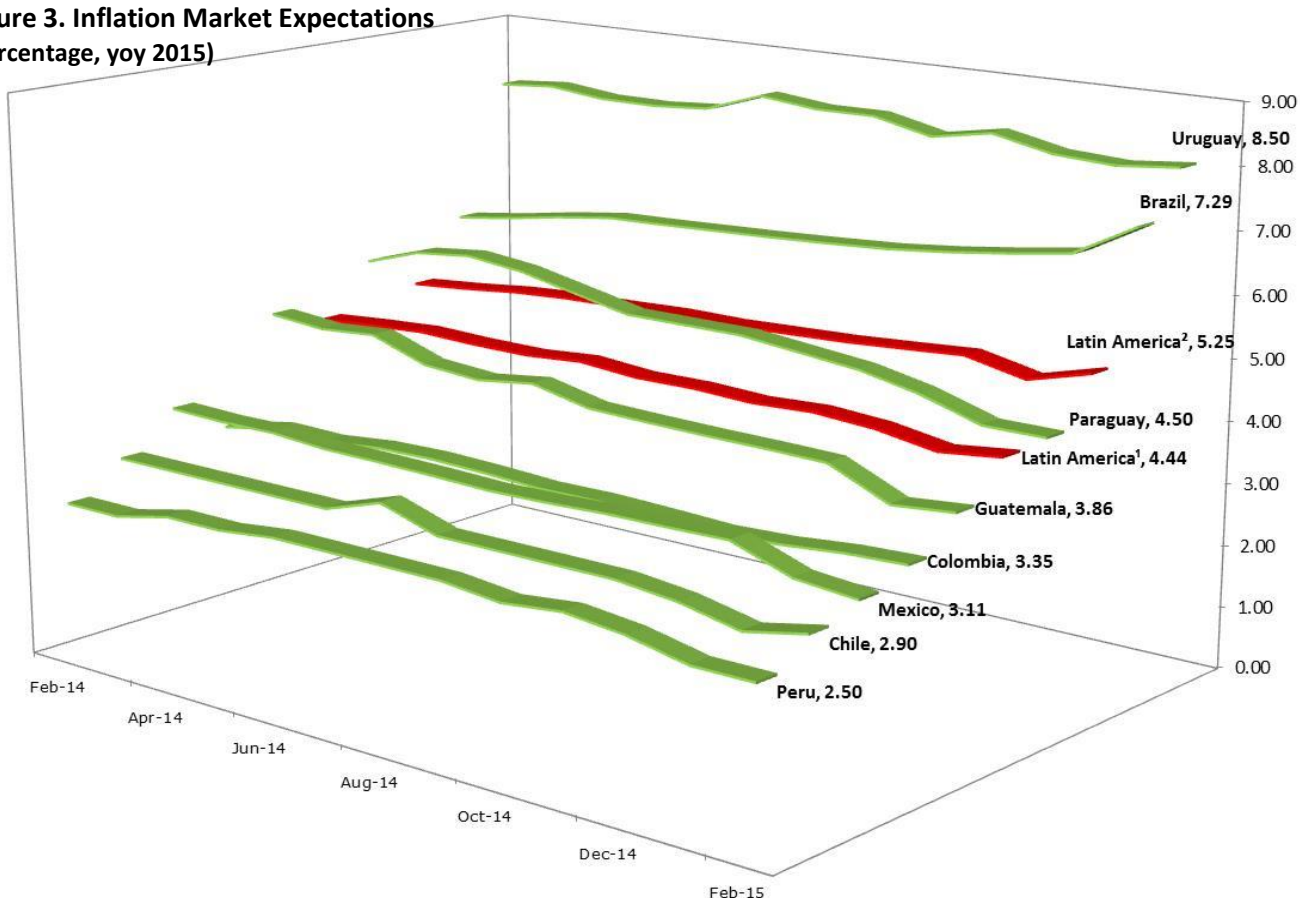
<sup>1</sup> Refers to the simple average of the eight inflation targeting countries.

<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 2015 for the region increased last month. The former went from 4.3% to 4.4% and the latter from 5.0% to 5.3%. Interestingly, if we compare the current values with the expectations six months ago, we find that the simple average inflation expectations for 2015 has declined by 0.1% but the GDP weighted average has increased by 0.3%. Once again, these disparities can be explained by the evolution of inflation expectations in Brazil. In February, inflation expectations for 2015 increased by 0.6% in Brazil, from 6.7% to 7.3%. Furthermore, over the last six months they have risen by 1.0%. Conversely, in the other countries covered by REVELA, inflation expectations for 2015 have remained broadly constant over the last month. They increased by 0.2% in Chile and by 0.1% in Guatemala and Uruguay. At the same time, they decreased by 0.1% in Mexico and they remained stable in all the other countries covered in the database. However, over the last six months, expectations have decreased in six out of the eight countries covered. The declines range between 0.7% in Paraguay and 0.1% in Chile. Besides the previously mentioned case of Brazil, inflation expectations for 2015 also increased, by 0.1%, in Colombia over the last semester.

**Figure 3. Inflation Market Expectations**  
(percentage, yoy 2015)



Feb-15

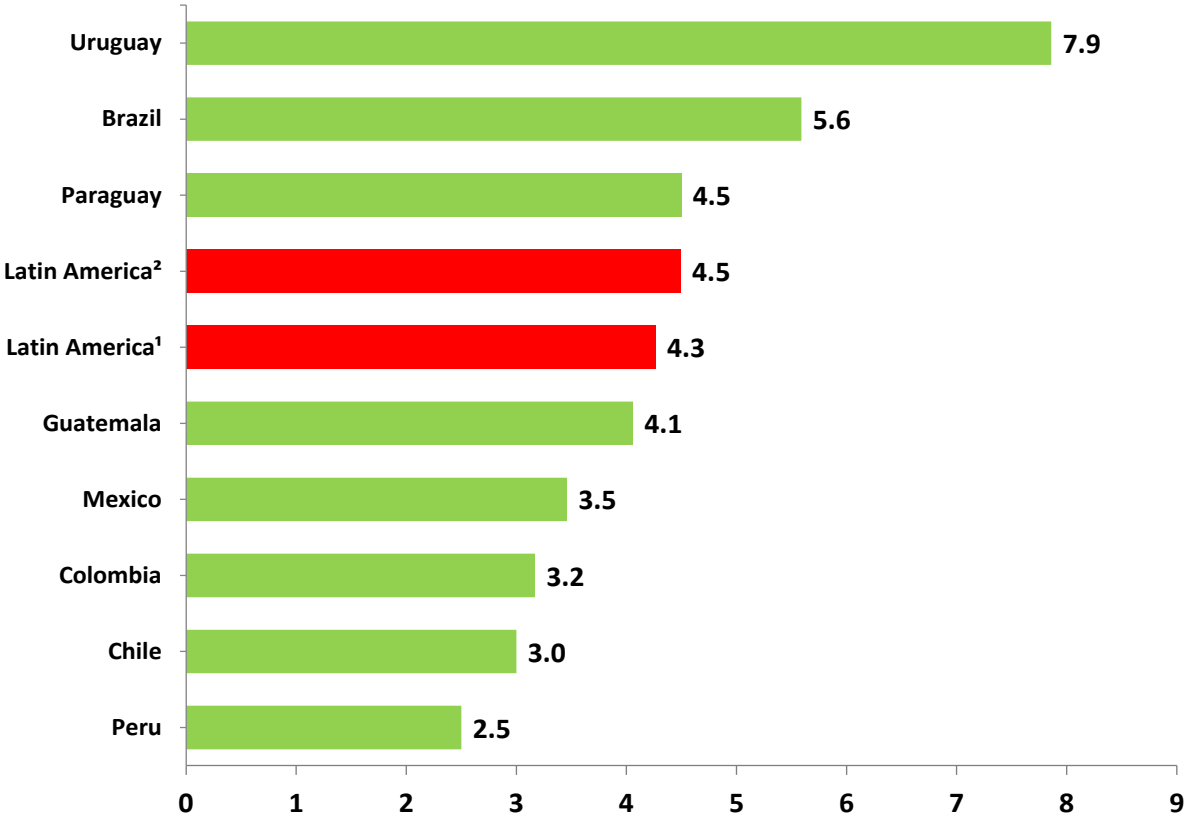
Source: REVELA, IDB 2015. Data available for download [here](#).

<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 2016 are currently at 4.3% and 4.5%, on a simple average and on a GDP weighted basis respectively. Both aggregates have remained stable when we compare them to their January 2015 values. However, inflation expectation for 2016 changed in different directions within the region. Indeed, expectations for 2016 increased by 0.1% in Guatemala, from 4.0% to 4.1% and Uruguay, from 7.8% to 7.9%. Additionally, they decreased by 0.1% in Colombia, from 3.3% to 3.2%, in Paraguay, from 4.6% to 4.5% and Peru from 2.6% to 2.5%. Finally, they have remained constant in Brazil, at 5.6%, Chile, at 3.0% and Mexico, at 3.5%. These changes have widened its range, indeed inflation expectations for 2016 now range from 7.7% in Uruguay to 2.5% in Peru.

**Figure 4. Inflation Market Expectations**  
(percentage, yoy 2016)



Source: REVELA, IDB 2015. 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.

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