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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 June 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 remained stable in two and rose in two.

The 2015 simple average growth expectations for the region decreased from 2.8% to 2.7% and the GDP weighted average growth

expectations fell from 0.9% to 0.7% in the last month. Growth expectations decreased in Chile (from 2.7% to 2.3%), Brazil (from -1.2% to -1.4%), Guatemala (from 3.9% to 3.8%) and Mexico (from 2.7% to 2.6%). They remained stable in Colombia at 3.7% and Paraguay at 4.5%. Finally, they increased in Peru (from 3.0% to 3.4%) and in Uruguay from 2.8% to 2.9%.

Both the simple average and the GDP weighted average inflation expectations for 2015 increased over the course of June, the former increased from 4.8% to 4.9% and the latter from 5.8% to 6.1%. Indeed, inflation expectations increased in Brazil (from 8.4% to 8.9%), Chile (from 3.5% to 3.8%), Peru (from 2.9% to 3.0%) and Uruguay (from 8.3% to 8.4%). They remained stable in Colombia at 3.9% and Paraguay at 4.5%. Finally, inflation expectations decreased in Guatemala (from 3.9% to 3.6%) and Mexico (from 3.0% to 2.9%).

Table 1. Growth and Inflation Expectations for 2015

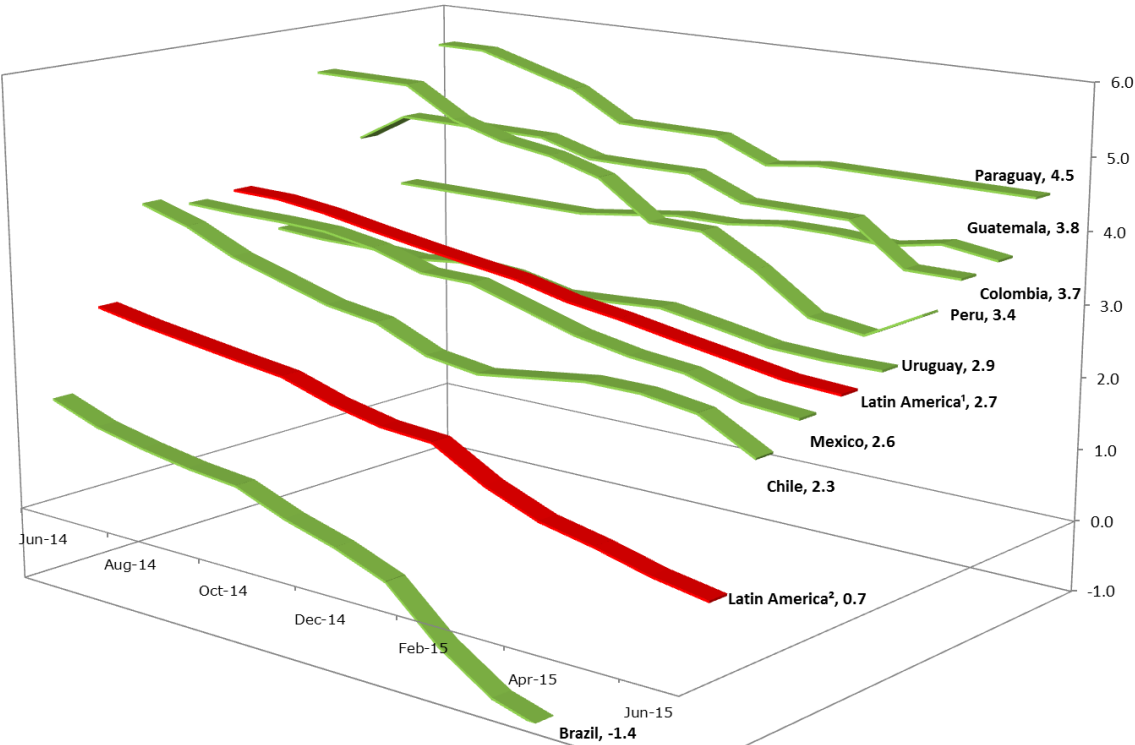
Country	Growth expectation (percentage expected for 2015)		Inflation expectation (percentage expected for 2015)	
	as of Jun 2015	May-Jun change	as of Jun 2015	May-Jun change
	Brazil	-1.4	↓ -0.2	8.9
Chile	2.3	↓ -0.4	3.8	↑ 0.3
Colombia	3.7	⇒ 0.0	3.9	⇒ 0.0
Guatemala	3.8	↓ -0.1	3.6	↓ -0.3
Mexico	2.6	↓ -0.1	2.9	↓ -0.1
Paraguay	4.5	⇒ 0.0	4.5	⇒ 0.0
Peru	3.4	↑ 0.4	3.0	↑ 0.1
Uruguay	2.9	↑ 0.1	8.4	↑ 0.1
Eight country average	2.7	↓ -0.1	4.9	↑ 0.1

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

B. Growth

Growth expectations for the region in 2015 declined from 2.8% to 2.7% in June on a simple average basis (Latin America 1), continuing the downward path observed during the previous and present year. Additionally, considering the GDP weighted average (Latin America 2) growth expectations decreased by 0.2%, from 0.9% to 0.7%, the second consecutive month it is below 1%. Most of the decline observed in the region came from Chile, where growth expectations declined by 0.4%. Expectations also decreased in Brazil by 0.2% and Mexico by 0.1% (the two largest economies in the region), and in Guatemala by 0.1%. On the contrary, expectations remained stable in Colombia a 3.7% and in Paraguay at 4.5%. Finally, growth expectations rose in Peru by 0.4% and in Uruguay by 0.1%. In the last six months, growth expectations for 2015 decreased by 0.7% across the region on a simple average basis and by 1.2% considering the GDP weighted average. The most significant cumulative decline is observed in Brazil (1.9%), followed by Peru (1.1%), Mexico (0.9%), Colombia (0.8%), Chile (0.4%), Paraguay (0.2%) and Uruguay (0.1%). Among the countries covered by REVELA, Guatemala is the only country that experienced a rise in growth expectations (0.1%) during the last six months.

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



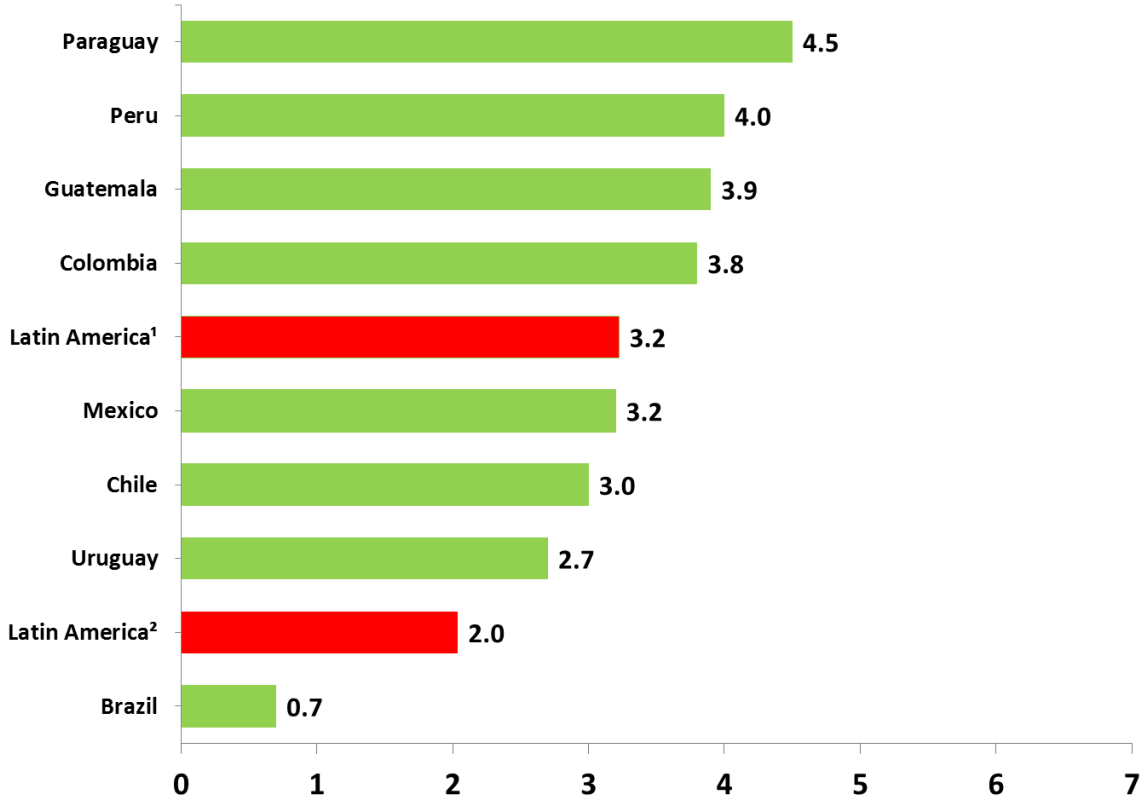
Source: REVELA, IDB 2015. Data available for download [here](#).

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.

Both the simple mean and the GDP weighted mean growth expectations for 2016 declined by 0.2% in June, the former from 3.4% to 3.2% and the latter from 2.2% to 2.0%. Growth expectations for the next year now range from 0.7% in Brazil to 4.5% in Paraguay. The most significant decline was observed in Chile, where growth expectations for 2016 decreased by 0.5%, followed by Brazil (0.2%), Peru (0.2%) and Mexico (0.1%). Brazil remains the country with lowest growth expectations for 2016, and Paraguay is the one with highest growth expectation for next year. Additionally, compared to January, expectations for 2016 have declined in all but one country. The largest declines were in Brazil and Peru by 1.0%, Colombia by 0.7%, Mexico by 0.6%, Chile by 0.5%, and in Paraguay by 0.2%. The only increased was observed in Guatemala by 0.2%. On a simple average basis, growth expectations decreased by 0.6%, and considering a GDP weighted average, they decline by 0.8% when compared to January.

Figure 2. Growth Market Expectations
(Percentage, yoy 2016)



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

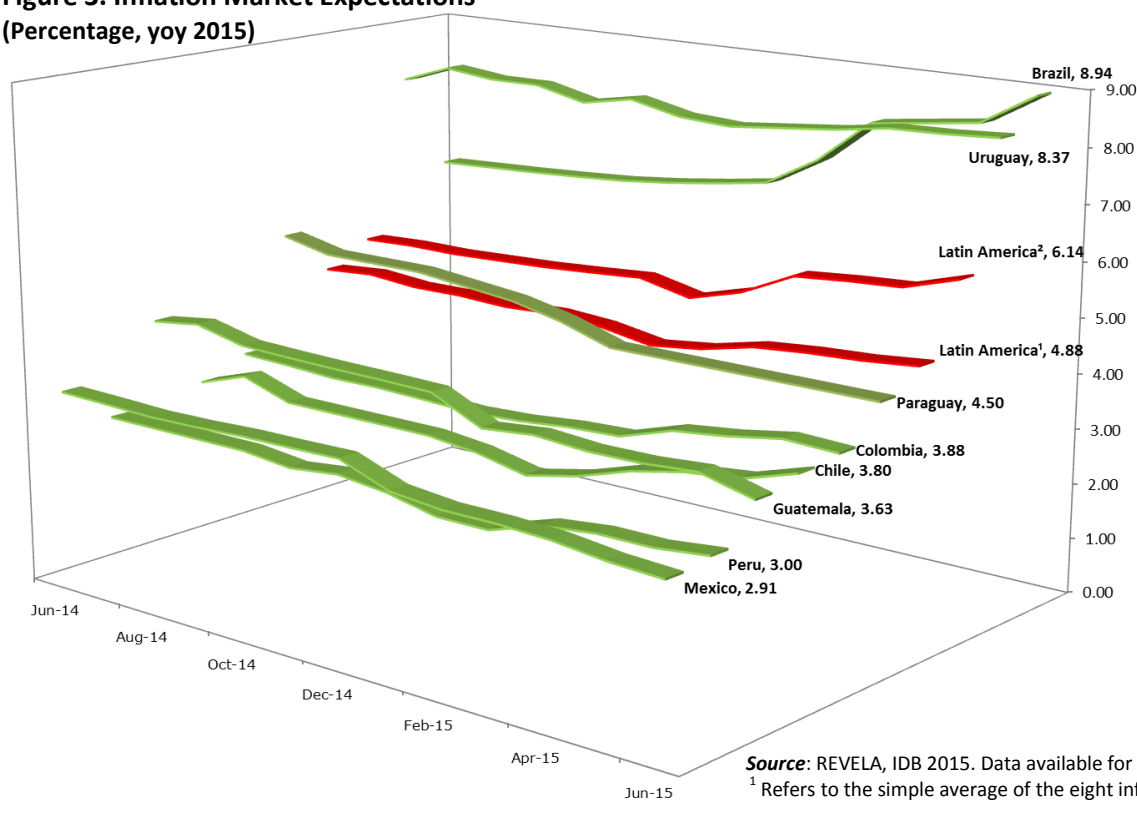
¹ Refers to the simple average of the eight inflation targeting countries.

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

C. Inflation

Inflation expectations for 2015 increased for the region by 0.1%, from 4.8% to 4.9%, on a simple average basis compared to the previous month. They also increased considering the GDP weighted average expected inflation measure by 0.3%, from 5.8% to 6.1%. However, at the individual country level, the evolution of expectations was quite heterogeneous across the region, with increases in Brazil by 0.5% (from 8.4% to 8.9%), Chile by 0.3% (from 3.5% to 3.8%), and by 1% in Peru (from 2.9% to 3.0%) and Uruguay (from 8.3% to 8.4%). Expectations remained stable in Colombia at 3.9% and in Paraguay at 4.5%. Finally, they decreased in Guatemala by 0.3% (from 3.9% to 3.6%) and in Mexico by 0.1% (from 3.0% to 2.9%). Compared to their value six months ago, inflation expectations have increased significantly, by 0.4% on a simple average basis and by 0.9% according to the GDP-weighted average measure. Over the last six months, they have increased by 2.3% in Brazil, 0.9% in Chile, 0.7% in Colombia, 0.4% in Uruguay and 0.3% in Peru. On the contrary, they have decreased by 0.6% in Guatemala and in Mexico, and by 0.3% in Paraguay for the same time span. Brazil and Uruguay are the countries with highest inflation expectations for 2015, 8.9% and 8.4% respectively, and Mexico and Peru are the countries with lowest inflation expectations according to the information available in June, 2.9% and 3% respectively.

Figure 3. Inflation Market Expectations
(Percentage, yoy 2015)



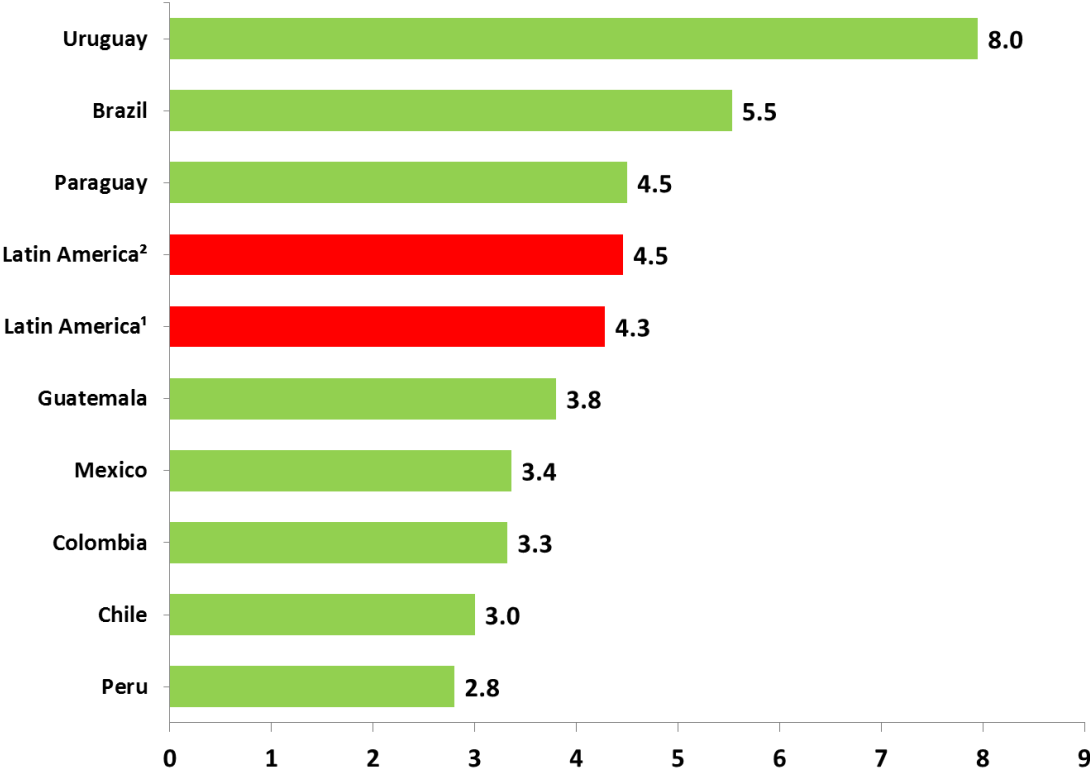
Source: REVELA, IDB 2015. Data available for download [here](#).

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Inflation expectations for the region in 2016 remained constant at 4.3% on a simple average basis and at 4.5% on a GDP weighted basis respectively, comparing May and June. Both figures have remained stable since January 2015. In fact, they have remained constant in Brazil at 5.5%, Paraguay at 4.5%, Mexico at 3.4%, Chile at 3.0% and Peru at 2.8% in June. The only changes were observed in Uruguay by 0.1% (from 7.9% to 8.0%), Colombia by 0.1% (from 3.2% to 3.3%) and Guatemala by -0.1% (from 3.9% to 3.8%). Considering the evolution from January, inflation expectations for 2016 increased in Uruguay by 0.3%, Peru by 0.2% and Colombia by 0.1%, and remained stable in Chile at 3%. Finally, they decreased by 0.2% in Guatemala, and by 0.1% in Brazil, Mexico and Paraguay. Inflation expectations for 2016 now range between 2.8% in Peru and 8.0% in Uruguay.

Figure 4. Inflation Market Expectations
(Percentage, yoy 2016)



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

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