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Revelation of Expectations in Latin America

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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 April surveys conducted by Central Banks in the region, regional growth expectations for 2015 continued to decline while inflation expectations have increased. Compared to last month, growth expectations fell in four countries, and they remained stable in the other four.

The 2015 simple average growth expectation for the region in 2015 declined from 3.0% to 2.9% and the GDP weighted mean growth expectation fell from 1.2% to 1.1% in the last month. Growth expectations decreased, in Brazil (from -0.9% to -1.1%), Mexico (from 3.0% to 2.9%), Peru (from 3.6% to 3.1%) and Uruguay (from 3.0% to 2.9%). Growth expectations in April remained stable in Chile at 2.8%, in Colombia at 4.3%, in Guatemala at 3.8%, and in Paraguay at 4.5%.

Both the simple average and the GDP weighted average inflation expectations for 2015 increased over the course of the last month by 0.1%, the former increased from 4.6% to 4.7% and the latter from 5.7% to 5.8%. Indeed, inflation expectations increased in Brazil (from 8.1% to 8.2%), Chile (from 3.2% to 3.4%), Colombia (from 3.7% to 3.8%), Peru (from 2.8% to 2.9%) and in Uruguay (from 8.2% to 8.3%). However, inflation expectations remained constant in the other countries covered by REVELA, namely, in Guatemala at 3.9%, in Mexico at 3.1% and in Paraguay at 4.5%.

Table 1. Growth and Inflation Expectations for 2015

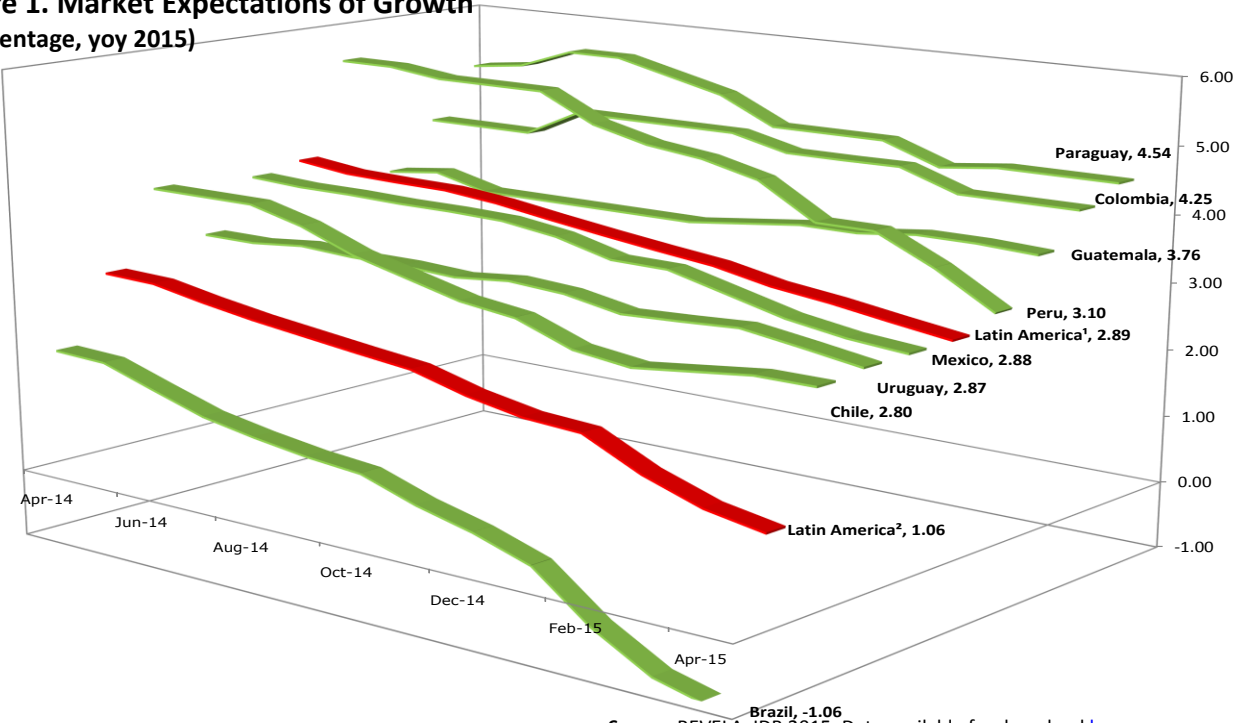
Country	Growth expectation (percentage expected for 2015)		Inflation expectation (percentage expected for 2015)	
	as of April 2015	Mar-Apr change	as of April 2015	Mar-Apr change
Brazil	-1.1	↓ -0.2	8.2	↑ 0.1
Chile	2.8	⇒ 0.0	3.4	↑ 0.2
Colombia	4.2	⇒ 0.0	3.8	↑ 0.1
Guatemala	3.8	⇒ 0.0	3.8	⇒ 0.0
Mexico	2.9	↓ -0.1	3.1	⇒ 0.0
Paraguay	4.5	⇒ 0.0	4.5	⇒ 0.0
Peru	3.1	↓ -0.5	2.9	↑ 0.1
Uruguay	2.9	↓ -0.1	8.3	↑ 0.1
Eight country average	2.9	↓ -0.1	4.7	↑ 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 in April. Both on a simple average basis (Latin America 1) and considering the GDP weighted average (Latin America 2) growth expectations have declined by 0.1% from March to April, the former from 3.0% to 2.9% and the latter from 1.2% to 1.1%. The steeper declines of growth expectations this month were once again observed in Brazil and Peru. In the first country, they fell by 0.2%, deepening the expected recession from -0.9% to -1.1%. In the second, they fell by 0.5% from 3.6% to 3.1%, the largest decline observed this month. Six months ago Peru was the country expected to grow the fastest of those in the REVELA database and not stands in fourth position. Smaller declines (of 0.1%) were also observed in Mexico and Uruguay. Nevertheless, growth expectations for 2015 remained constant in April in the other four countries covered by REVELA, in Chile (at 2.8%) in Colombia (at 4.3%), Guatemala (at 3.8%) and Paraguay (at 4.5%). In the last six months, growth expectations for 2015 have declined sharply across the region, 0.7% on a simple average basis and 1.2% if you consider the GDP weighted average. The largest cumulated declines were observed in Brazil (2.1%), Peru (1.7%) and Mexico (0.8%). At the same time, less significant falls were seen in Chile (0.3%), Colombia (0.3%), Paraguay (0.2%) and Uruguay (0.4%). Guatemala is the only country covered by the REVELA database that experienced an increase (0.3%) on growth expectations for 2015 over the last six months.

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



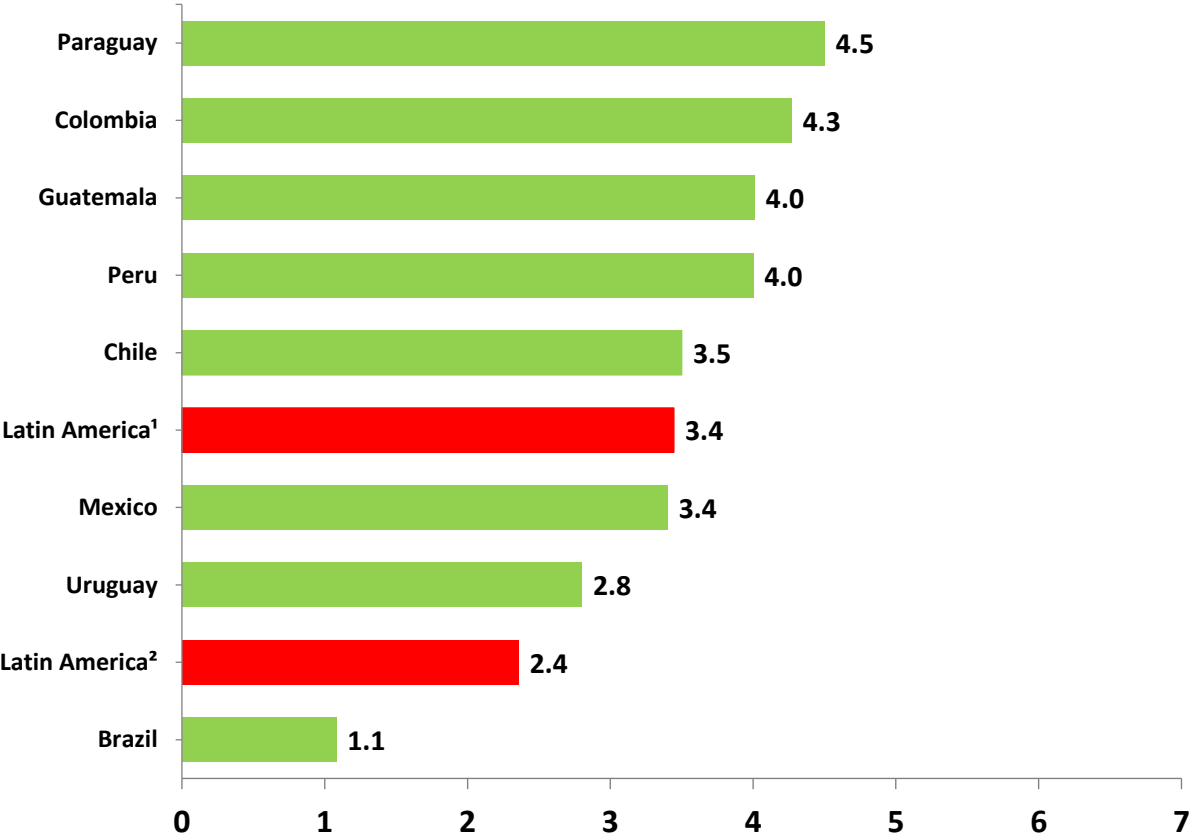
Source: REVELA, IDB 2015. Data available for download [here](#).

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.

In April 2015, the simple mean growth expectation for the region in 2016 declined by 0.1%, from 3.5% to 3.4%. At the same time, the GDP weighted mean remained constant at 2.4%. Interestingly, in contrast to growth expectations for 2015 two countries improved their growth expectation for 2016 (both by 0.3%) in the last month, namely Guatemala and Mexico, in former case from 3.7% to 4.0% and in the latter from 3.1% to 3.4%. Nevertheless, in the last month growth expectations for next year fell in four countries, in Brazil (from 1.2% to 1.1%), in Paraguay (from 4.7% to 4.5%), in Peru (from 4.5% to 4.0%) and Uruguay (from 3.1% to 2.8%). Finally, in the other two countries covered by the database growth expectation were maintained constant. This was the case in Chile (at 3.5%) and Colombia (at 4.3%). Therefore, growth expectations for 2016 currently range from 4.5% in Paraguay and 1.1% in Brazil.

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



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

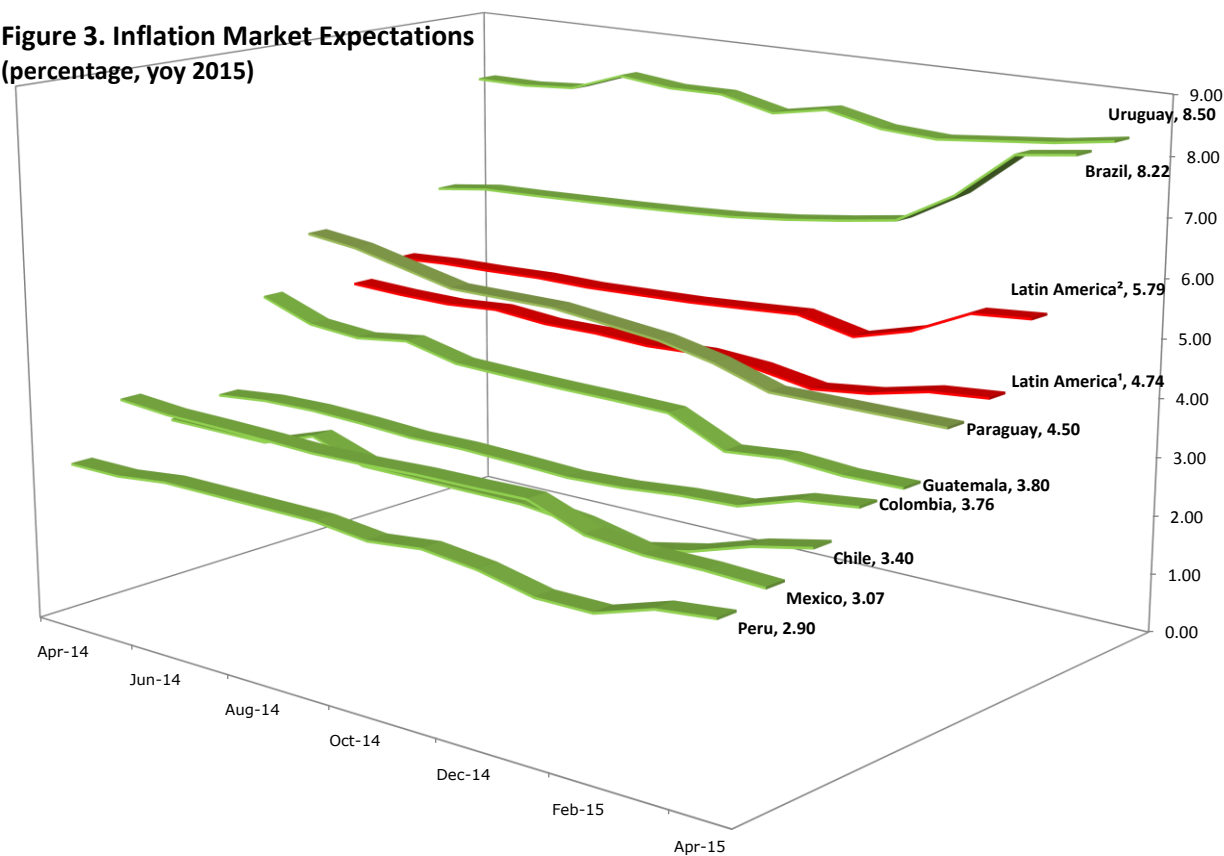
¹ Refers to the simple average of the eight inflation targeting countries.

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

C. Inflation

Both the simple average and the GDP weighted average inflation expectation for 2015 for the region rose in April, although at a more modest rate than in the previous month. The former increased from 4.6% to 4.7% and the latter from 5.7% to 5.8%. Nevertheless, after several months in this upward trend current values are above the expectations six months ago. In the case of the simple average the cumulated increase amounts to 0.2% but from a GDP weighted average perspective expected inflation for the region in 2015 has increased by 0.7%. In April, the largest increase on inflation expectations for 2015 (by 0.2%) was observed in Chile, from 3.2% to 3.3%. Similar but smaller (of 0.1%) increases were observed in Brazil, from 8.1% to 8.2%, in Colombia, from 3.7% to 3.8%, in Peru, from 2.8% to 2.9%, and in Uruguay, from 8.4% to 8.5%. Over the last six months, inflation expectations for 2015 have risen by 1.9% in Brazil, by 0.4% in Chile, by 0.5% in Colombia, by 0.2% in Peru and by 0.3% in Uruguay. However, over the same period of time they decreased by 0.4% in Guatemala, by 0.4% in Mexico and by 0.6% in Paraguay.

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



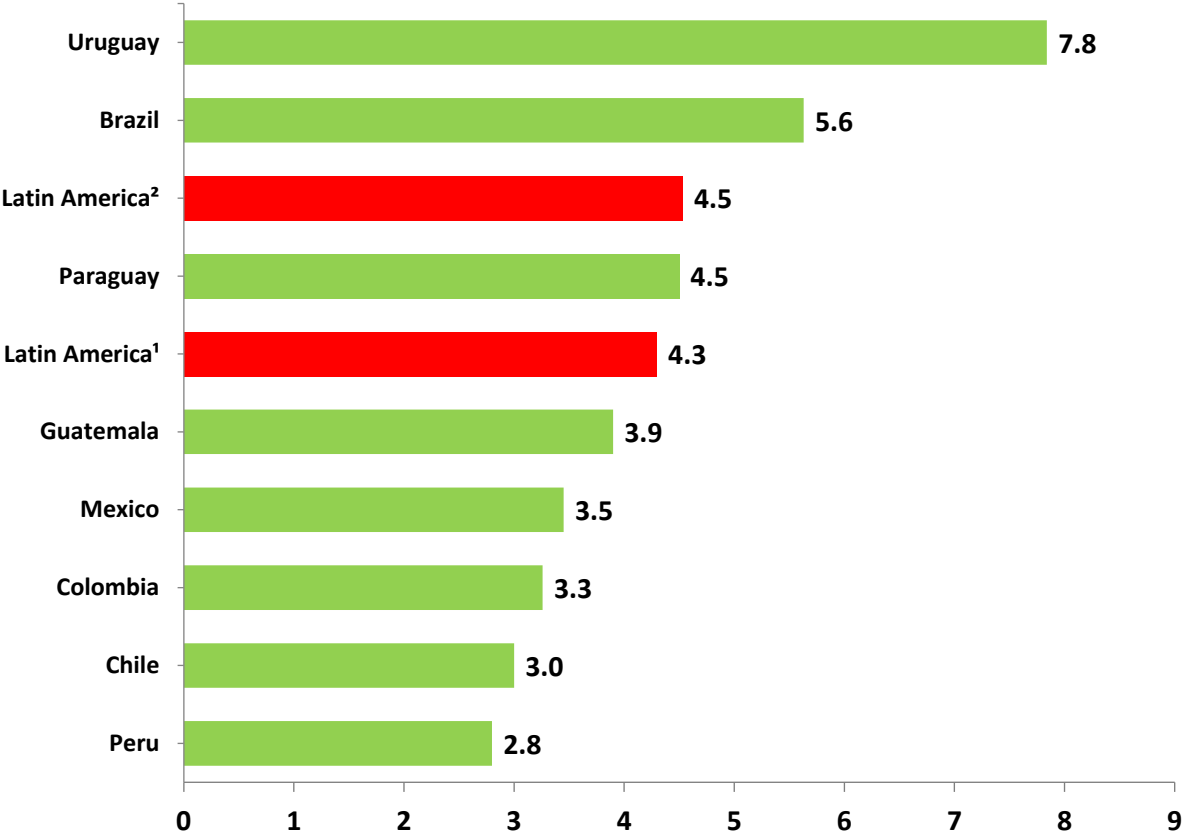
Source: REVELA, IDB 2015. Data available for download [here](#).

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Inflation expectations for the region in 2016 remained constant at 4.3% on a simple average and at 4.5% on a GDP weighted basis respectively. As a matter of fact, both aggregates have remained stable since January 2015. However, inflation expectations for 2016 have evolved in different directions within the region. Indeed, in April expectations for 2016 increased by 0.1% in Peru (from 2.7% to 2.8%), and in Uruguay (from 7.7% to 7.8%). Additionally, they decreased by 0.2% in Guatemala, from 4.1% to 3.9% and they have remained constant in Chile (at 3.0%), Colombia (at 3.3%), Mexico (at 3.5%) and Paraguay (at 4.5%). These changes have maintained constant the range of inflation expectations for 2016, placing them now between 2.8% in Peru and 7.8% in Uruguay.

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



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

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