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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 surveys conducted by Central Banks in the region, growth and inflation expectations for 2015 have remained constant in the region during November. At the individual country level, growth expectations increased in three countries, remained constant in further three and decreased in two. Inflation expectations increased in four countries remained constant in two and fell in further two.

Growth expectations for 2015 remained constant both on the simple average basis at 2.0% and on the GDP weighted average basis at -0.3% with heterogeneous changes across countries. They rose by 0.1% in Chile, Guatemala and Mexico, remained constant in Colombia (at 3.1%), Peru (at 2.8%) and Uruguay (at 1.8%), and fell by 0.2% both in Brazil and Paraguay.

Inflation expectations remained constant for the region at 5.4% on the simple average basis and increased by 0.3% on the GDP weighted average basis compared to previous month. Inflation expectations increased in Colombia by 0.6%, Brazil by 0.5%, Guatemala by 0.2% and Peru by 0.1%. They remained stable in Uruguay at 9.6% and Chile at 4.6%, and decreased in Paraguay by 0.7% and Mexico by 0.3%.

Table 1. Growth and Inflation Expectations for 2015

Country	Growth expectation (percentage expected for 2015)		Inflation expectation (percentage expected for 2015)	
	as of Nov 2015	Oct-Nov change	as of Nov 2015	Oct-Nov change
Brazil	-3.2	↓ -0.2	10.3	↑ 0.5
Chile	2.1	↑ 0.1	4.6	⇒ 0.0
Colombia	3.1	⇒ 0.0	6.2	↑ 0.6
Guatemala	3.7	↑ 0.1	2.7	↑ 0.2
Mexico	2.4	↑ 0.1	2.4	↓ -0.3
Paraguay	3.5	↓ -0.2	3.7	↓ -0.7
Peru	2.8	⇒ 0.0	3.8	↑ 0.1
Uruguay	1.8	⇒ 0.0	9.6	⇒ 0.0
Eight country average	2.0	⇒ 0.0	5.4	⇒ 0.0

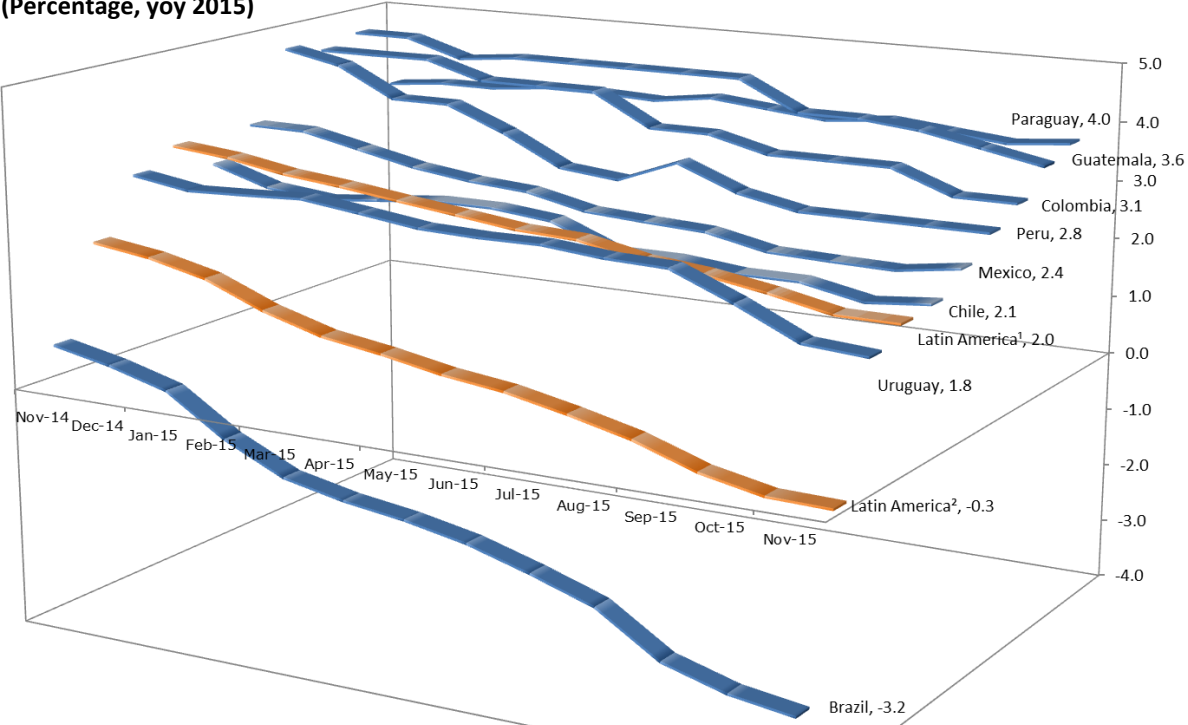
Source: REVELA, IDB 2015. Data available for download [here](#).

B. Growth

According to November surveys, growth expectations for 2015 remained constant for the region both on the simple average (at 2.0%) and on the GDP weighted average basis (at -0.3%). At the individual country level growth expectations increased by 0.1% in three countries: Guatemala from 3.6% to 3.7%, Mexico from 2.3% to 2.4% and Chile from 2.0% to 2.1%. They remained constant in Colombia at 3.1%, Peru at 2.8% and Uruguay at 1.8%. Finally, growth expectations fell by 0.2% in two countries: Brazil from -3.0% to -3.2% and Paraguay from 3.7% to 3.5%. Now, 2015 growth expectations for the region rank from -3.2% in Brazil to 3.7% in Guatemala. Brazil, the largest economy in the region, is the only country with negative growth expectations for 2015 and the main driver for the negative growth expectations in the region on the GDP weighted average.

Compared to surveys six months ago, growth expectations for the region fell by 0.8% on the simple average basis. Also on the GDP weighted average, growth expectations decreased by 1.2%. Despite the monthly increases on growth expectations in some countries of the region, no increase was observed in any country compared to previous six months surveys. The most significant cumulative declines were observed in Brazil by 2.0%, Paraguay and Uruguay by 1.0% in both cases, followed by Chile and Colombia falling by 0.6% in both cases. More modest declines were observed in Mexico by 0.3%, Guatemala by 0.2% and Peru by 0.2%.

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.

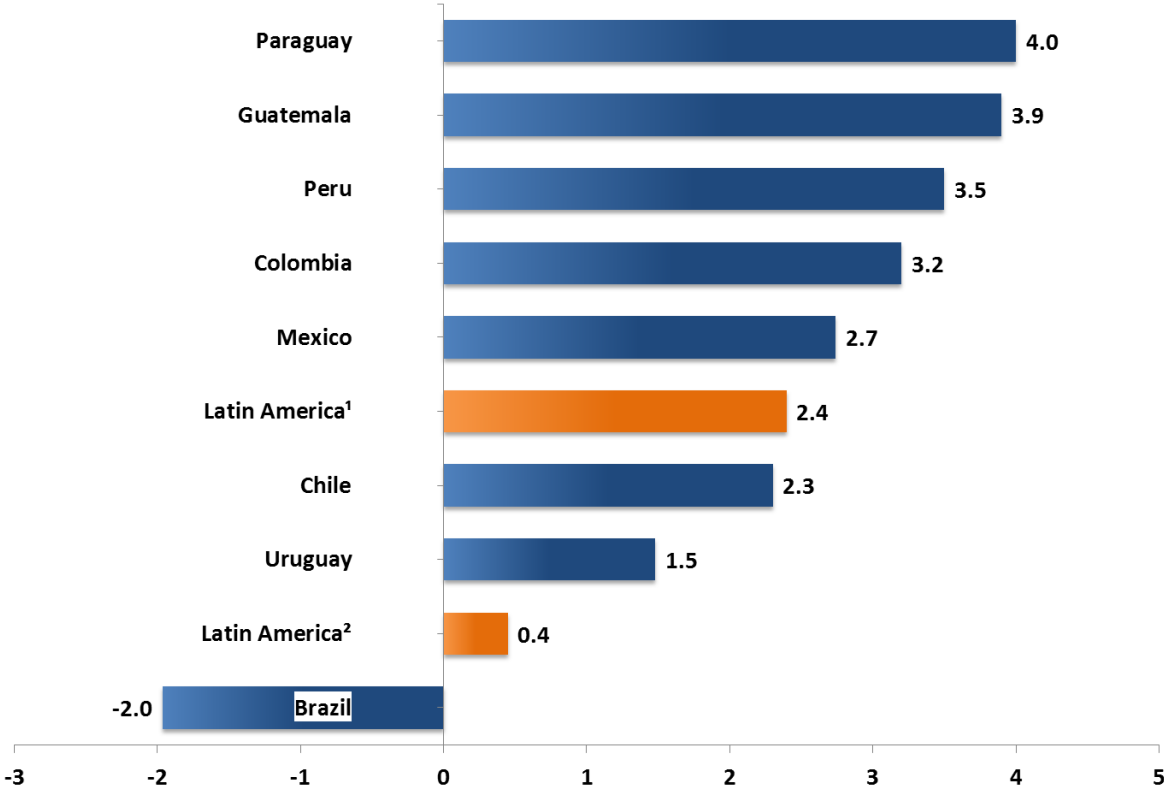
² Refers to the GDP weighted average of the eight inflation targeting countries.



Growth expectations for 2016 decreased by 0.1% on the simple average basis from 2.5% to 2.4%, and by 0.4% on the GDP weighted average basis from 0.8% to 0.4%, compared to previous month surveys. At the individual country level, 2016 expected increased in one country, remained constant in four and fell in three countries compared to previous month. Guatemala is the only country where growth expectations increased by 0.1% from 3.8% to 3.9%. Declines were observed in Brazil by 0.6% from -1.4% to -2.0%, Mexico by 0.1% from 2.8% to 2.7% and Chile by 0.1% from 2.4% to 2.3%. Growth expectations remained constant four countries: Paraguay at 4.0%, Peru at 3.5%, Colombia at 3.2% and Uruguay at 1.5%. Growth expectations for 2016 now rank from -2.0% in Brazil to 4.0% in Paraguay.

Compared to previous six month surveys, 2016 growth expectations fell both on the simple average and on the GDP weighted average basis, by 1.0% on the former and by 1.8% on the latter. Declines were observed in Brazil by 2.9%, Chile and Uruguay by 1.2% in both cases, Peru by 0.7%, Colombia and Mexico by 0.6% in both cases and Paraguay by 0.5%. Guatemala is the only country with constant growth expectations for 2016 (at 3.9%) compared to surveys six months ago.

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.

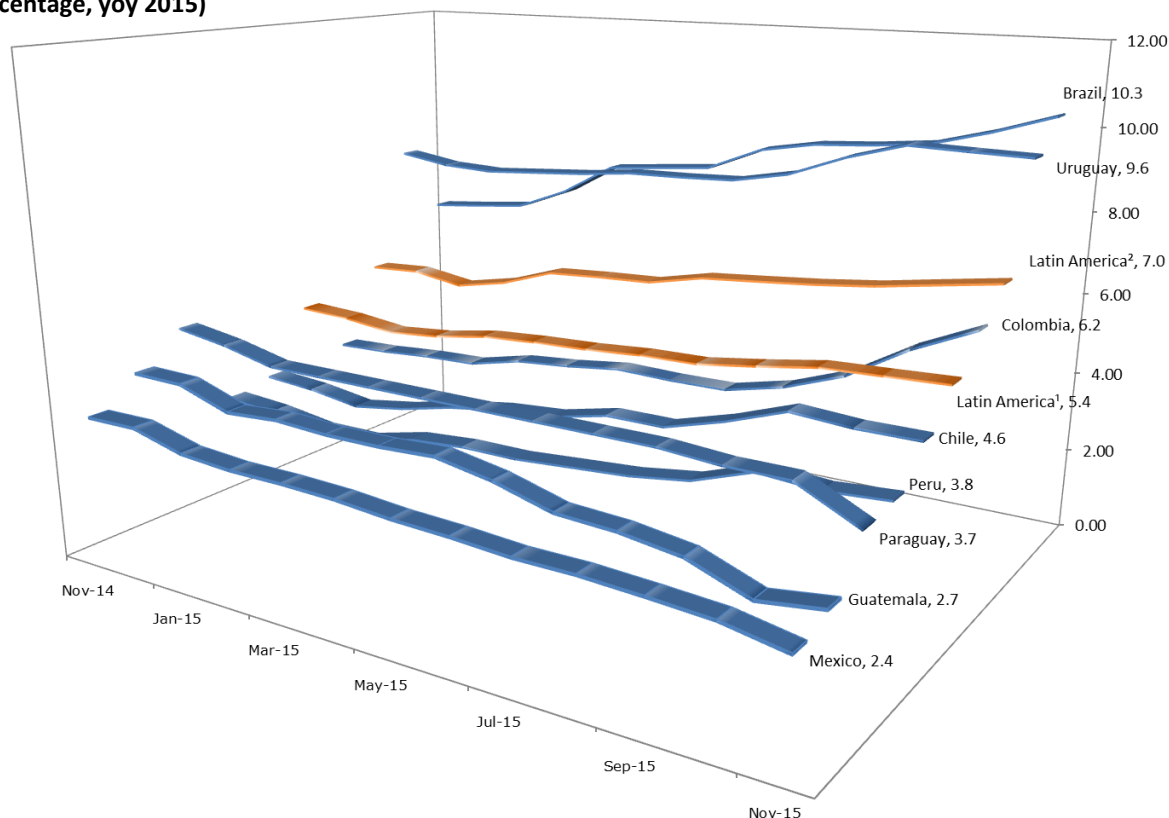
² Refers to the GDP weighted average of the eight inflation targeting countries.

C. Inflation

On November, inflation expectations for 2015 in the region remained constant at 5.4% on the simple average basis and increased by 0.3% from 6.7% to 7.0% on the GDP weighted average basis. At the individual country level, inflation expectations increased in Colombia by 0.6% from 5.6% to 6.2%, Brazil by 0.5% from 9.8% to 10.3%, Guatemala by 0.2% from 2.5% to 2.7% and Peru by 0.1% from 3.7% to 3.8%. Inflation expectations remained constant in Uruguay at 9.6% and Chile at 4.6% and decreased in Paraguay by 0.7% from 4.4% to 3.7% and in Mexico by 0.3% from 2.7% to 2.4%. With these results, 2015 inflation expectations rank from 2.4% in Mexico to 10.3% in Brazil.

Compared to previous six months surveys, expected inflation increased both on the simple average and on the GDP weighted average basis, on the former by 0.6% and on the latter by 1.2%. Cumulative increases were observed in Colombia by 2.3%, Brazil by 1.9%, Uruguay by 1.3%, Chile by 1.1% and Peru by 0.9%. Declines in inflation expectations were observed in Guatemala by 1.2%, Paraguay by 0.8% and Mexico by 0.6% compared to previous six months levels.

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



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

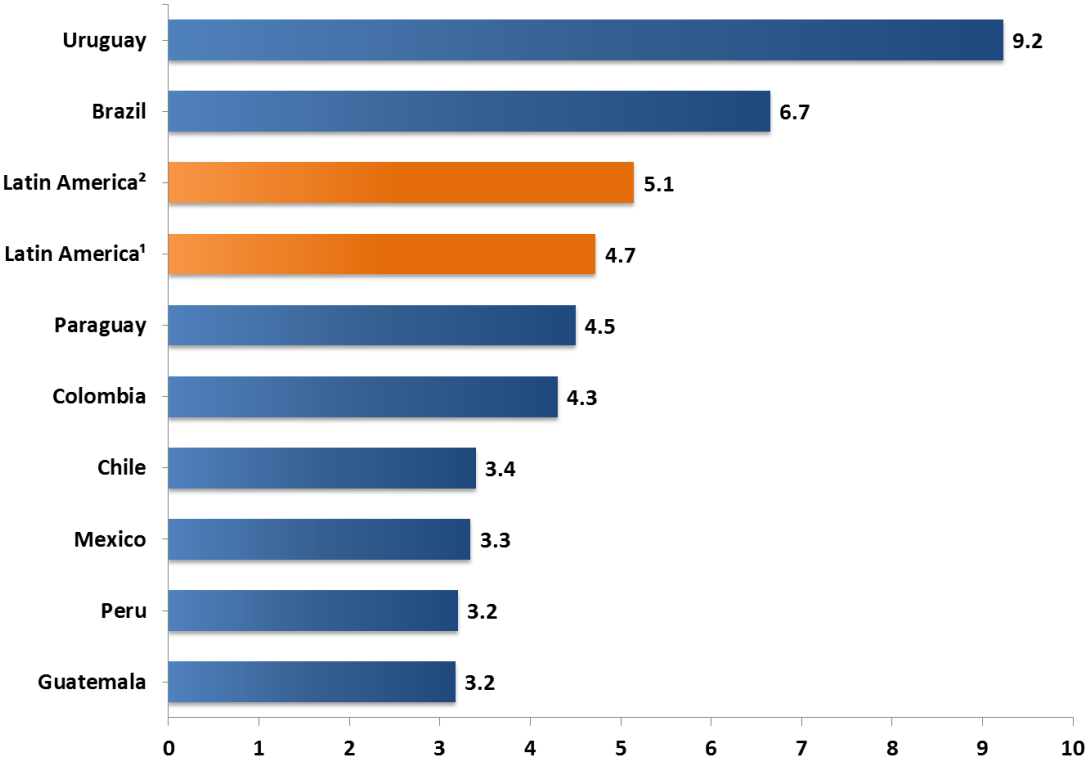
¹ Refers to the simple average of the eight inflation targeting countries.

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

Inflation expectations for 2016 increased by 0.1% on the simple average basis from 4.6% to 4.7% and by 0.2% on the GDP weighted average basis from 4.9% to 5.1%. At the individual country level, 2016 growth expectations increased in three countries: Brazil by 0.5% from 6.2% to 6.7%, Colombia by 0.4% from 3.9% to 4.3% and Uruguay by 0.1% from 9.1% to 9.2%. They remained constant in four countries: Paraguay at 4.5%, Chile at 3.4% and Guatemala and Peru at 3.2% in both cases. Mexico is the only country where inflation expectations for next year decreased, by 0.1% from 3.4% to 3.3% compared to previous month. Now, inflation expectations for 2016 rank from 3.2% (Peru and Guatemala) and 9.2% in Uruguay.

Compared to surveys six months ago, 2016 expected inflation increased by 0.4% on the simple average basis and by 0.6% on the GDP weighted average basis. The most significant cumulative increases were observed in Uruguay by 1.3%, Brazil by 1.2% and Colombia by 1.1%. More modest increases were observed in Chile and Peru by 0.4% in both countries. Expected inflation for next year remained constant in Paraguay at 4.5% and fell in Guatemala by 0.7% and Mexico by 0.1% compared to previous six months surveys.

Figure 4. Inflation 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.

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