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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 July surveys conducted by Central Banks in the region, the simple average of growth expectations for 2017 remained constant at 2.4%, while the simple average of inflation expectations for 2017 fell by 0.2% from 4.4% to 4.2% compared to June.

At the individual country level, growth expectations remained constant in six out of the eight countries in the sample: Paraguay at 4.0%, Uruguay at 3.4%, Guatemala at 3.2%, Peru at 2.5%, Mexico at 2.0% and Chile at 1.5%. Expected growth fell in Columbia by 0.2% from 2.4% to 2.2% and in Brazil by 0.1% from 0.4% to 0.3%.

Inflation expectations declined in five countries, rose in two and remained stable in one. They fell by 0.5% in Uruguay, by 0.3% in Brazil and Chile, by 0.2% in Peru and by 0.1% in Colombia. Inflation expectations increased by 0.2% in Guatemala and by 0.1% in Mexico, and remained constant at 4% in Paraguay.

Growth expectations for 2017 in the region ranged from 0.3% in Brazil to 4.0% in Paraguay while inflation expectations for 2017 ranged from 2.5% in Chile to 6.4% in Uruguay in June.

Country	Growth expectation (percentage expected for 2017)		Inflation expectation (percentage expected for 2017)	
	as of Jul 2017	Jun - Jul change	as of Jul 2017	Jun - Jul change
	Brazil	0.3	↓ -0.1	3.3
Chile	1.5	→ 0.0	2.5	↓ -0.3
Colombia	2.2	↓ -0.2	4.3	↓ -0.1
Guatemala	3.2	→ 0.0	4.5	↑ 0.2
Mexico	2.0	→ 0.0	6.1	↑ 0.1
Paraguay	4.0	→ 0.0	4.0	→ 0.0
Peru	2.5	→ 0.0	2.8	↓ -0.2
Uruguay	3.4	→ 0.0	6.4	↓ -0.5
Eight country average	2.4	→ 0.0	4.2	↓ -0.2

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

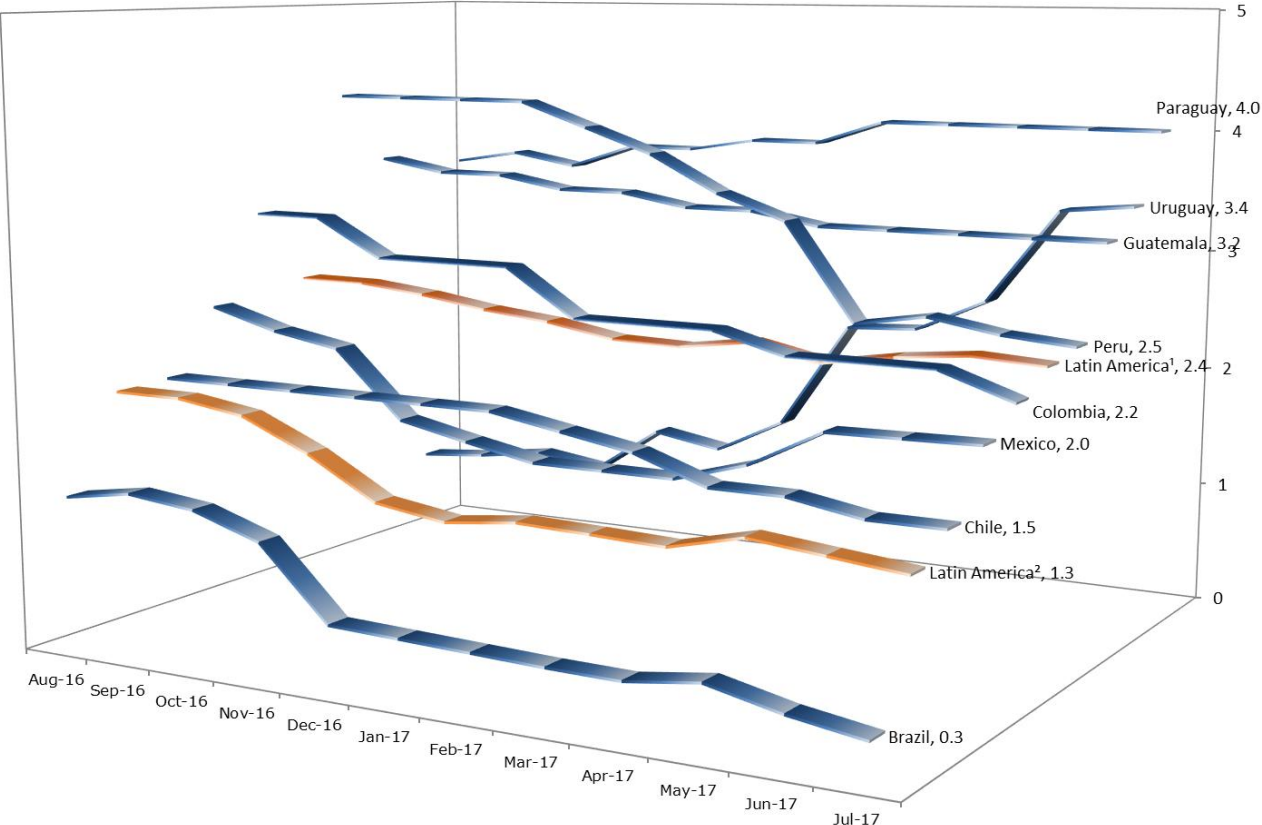
B. Growth

Growth expectations for 2017 remained stable in July according to the simple average of the surveys at 2.4% and had a mild decline under the GDP-weighted average calculation by 0.1% from 1.4% to 1.3% compared to the previous month. Compared to surveys in January, expected growth in the region increased only by 0.1% on their simple average basis and remained stable on the GDP-weighted average calculation. As Figure 1 depicts, growth expectations on average have remained stable during the first semester of 2017, despite significant trends in countries like Uruguay, Peru and Mexico.

At the individual country level, expected growth remained stable in most countries compared to expectations in June: at 4.0% in Paraguay, at 3.4% in Uruguay, at 3.2% in Guatemala at 2.5% in Peru, at 2.0% in Mexico and at 1.5% in Chile. Growth expectations declined by 0.2% in Colombia from 2.4% to 2.2%, and by 0.1% in Brazil from 0.4% to 0.3%. With these results, growth expectations for 2017 in the region ranged from 0.3% in Brazil to 4.0% in Paraguay in July.

Growth expectations in Uruguay depict a steep positive trend with a 2.3% increased 2.3% compared to January, followed by rises in Mexico by 0.5% and Paraguay by 0.2%. On the contrary, growth expectations present a negative trend in Peru, falling by 1.3% compared to the previous six months. Milder cumulative declines were registered in Chile by 0.5%, Colombia by 0.4%, Brazil by 0.2% and Guatemala by 0.1%.

Figure 1. Market Expectations of Growth
(Percentage, yoy 2017)



Source: REVELA, IDB 2017. Data available for download [here](#).

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

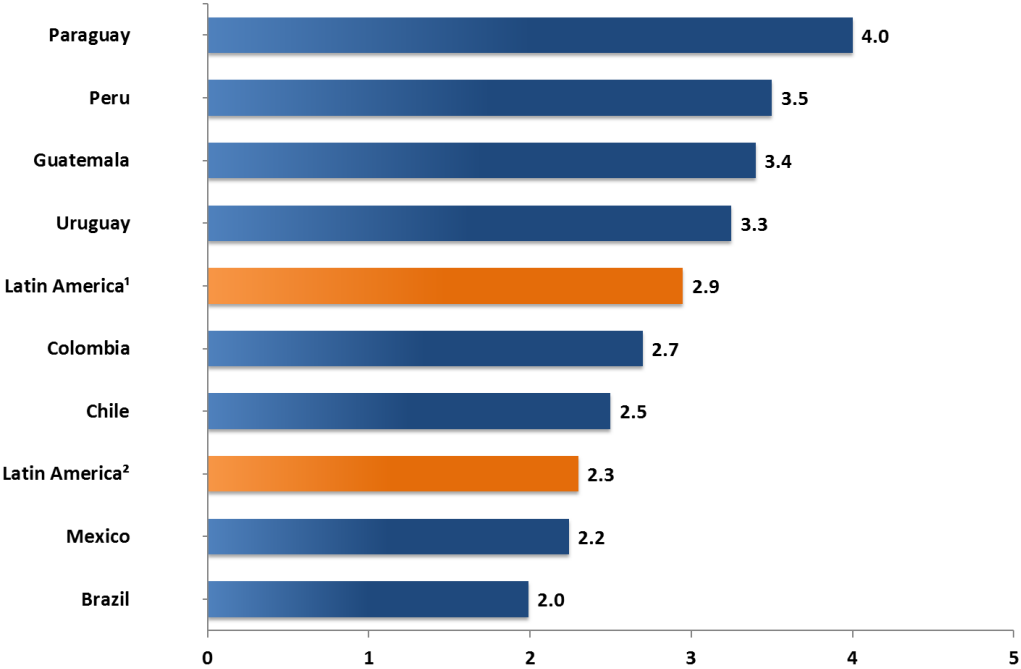
² Refers to the GDP weighted average of the eight inflation targeting countries.

Growth expectations for 2018 declined by 0.1% under the simple average calculation from 3.0% to 2.9% and also under the GDP-weighted average calculation from 2.4% to 2.3% in July compared to the previous month. Similarly, both indicators fell by 0.2% compared to their respective levels six months before.

At the individual country level, growth expectations for 2018 fell in four countries, remained stable in three and increased only in one in July compared to June. Expected growth for 2018 fell by 0.2% in three countries: Brazil from 2.2% to 2.0%, Colombia from 2.9% to 2.7% and Peru from 3.7% to 3.5%. It also declined in Guatemala by 0.1% from 3.5% to 3.4%. On the contrary, 2018 expected growth rose by 0.2% in Uruguay from 3.1% to 3.3%, and remained stable in Paraguay at 4.0%, Chile at 2.5% and Mexico at 2.2%. Growth expectations for 2018 ranged from 2.0% in Brazil to 4.0% in Paraguay according to July surveys.

Compared to surveys six months ago, growth expectations fell in four countries and remained unchanged in three. The most significant cumulative decline was observed in Peru by 0.5%, followed by Brazil and Colombia by 0.3% in both countries and Guatemala by 0.2%. Growth expectations remained stable compared to January in Paraguay at 4.0%, Chile at 2.5% and Mexico at 2.2%.

Figure 2. Growth Market Expectations (Percentage, yoy 2018)



Source: REVELA, IDB 2017. 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.

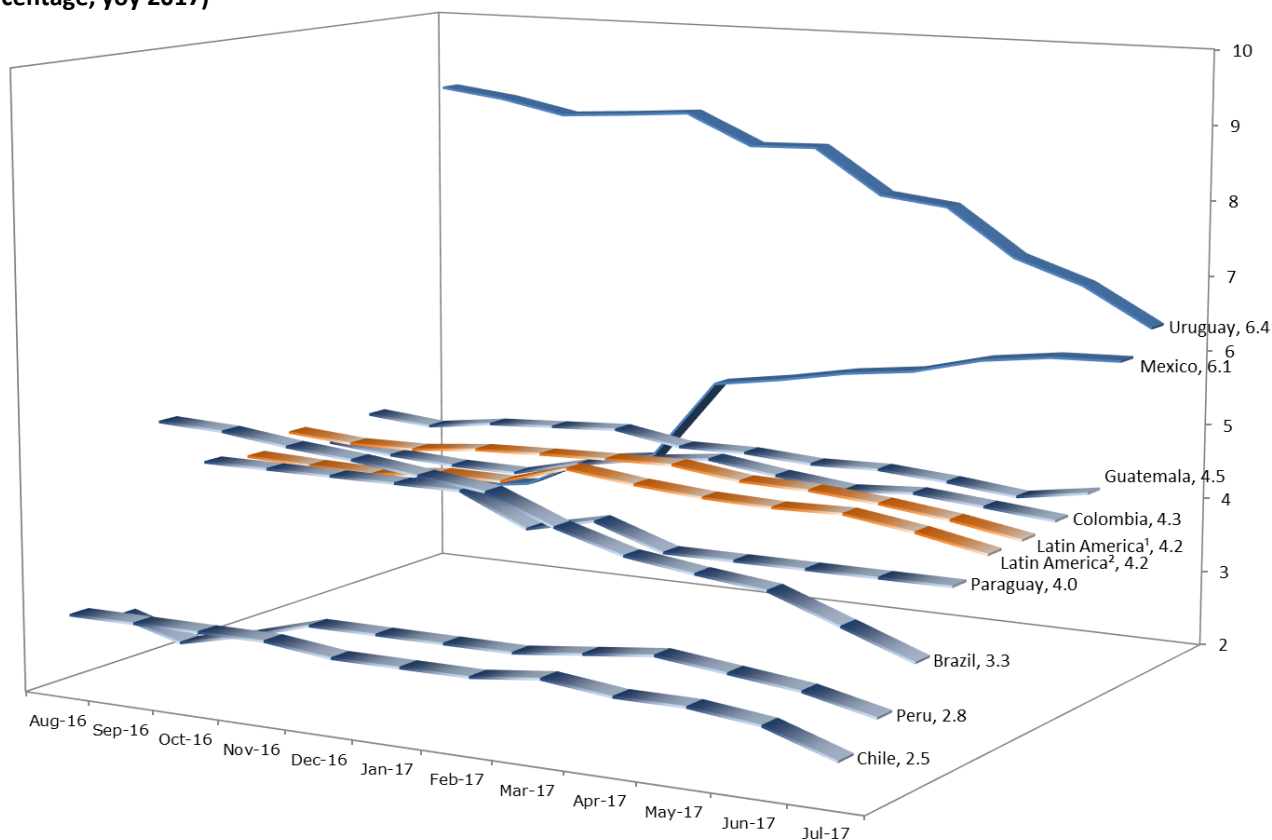
C. Inflation

In July, inflation expectations for 2017 declined by 0.2% from 4.4% to 4.2% both under the simple average and the GDP-weighted average of expectations. Similarly, inflation expectations fell by 0.5% under both indicators compared to surveys six months ago.

At the individual country level, inflation expectations for 2017 fell in five countries, remained stable in two in rose in further two compared to June. The most significant decline was surveyed in Uruguay by 0.5% from 6.9% to 6.4% compared to the previous month, followed by 0.3% reductions in two countries: Brazil from 3.6% to 3.3% and Chile from 2.8% to 2.5%. Further declines were surveyed in Peru by 0.2% from 3.0% to 2.8% and in Colombia by 0.1% from 4.4% to 4.3%. Contrarily, inflation expectations rose in Guatemala by 0.2% from 4.3% to 4.5% and in Mexico by 0.1% from 6.0% to 6.1%. Surveys in July indicated that inflation expectations for the region for 2017 ranged from 2.5% in Chile to 6.4% in Uruguay.

Compared to January, inflation expectations declined in six countries. Uruguay is the country with the sharpest cumulative fall in expectations compared to the previous six months, by 2%, followed by Brazil with a 1.5%. Milder cumulative falls were registered in Chile by 0.4%, Colombia and Peru by 0.2% in both cases and Paraguay by 0.1%. Contrasting the sharp drop in Uruguay during the first half of the year, inflation expectations in Mexico have sustained a positive trend, increasing by 0.8% during the same period. Finally, inflation expectations in Guatemala remained stable at 4.5% compared to the previous six months.

Figure 3. Inflation Market Expectations
(Percentage, yoy 2017)



Source: REVELA, IDB 2017. Data available for download [here](#).

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

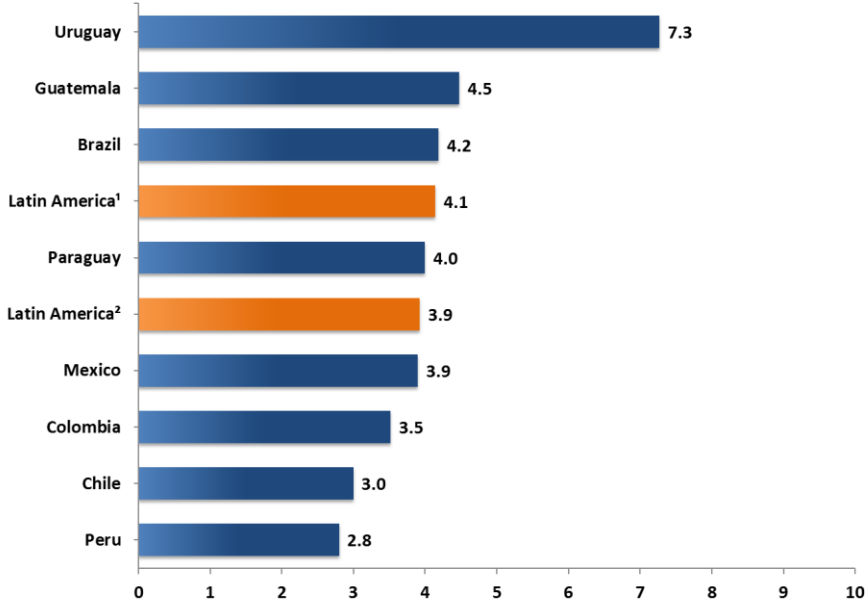
² Refers to the GDP weighted average of the eight inflation targeting countries.

Inflation expectations for 2018 declined by 0.1% both on the simple average basis from 4.2% to 4.1% and on the GDP-weighted average basis from 4.0% to 3.9% in July. Compared to surveys in January, the simple average fell by 0.3% and the GDP-weighted average calculation by 0.2%, depicting a moderate negative trend throughout 2017.

At the individual country level, inflation expectations for 2018 had moderate movements in three countries and remained stable in five in July compared to the previous month. They rose by 0.1% in Guatemala from 4.4% to 4.5% and in Mexico from 3.8% to 3.9% and declined by 0.1% in Brazil from 4.3% to 4.2%. Inflation expectations for 2018 remained stable in Uruguay at 7.3%, Paraguay at 4.0%, Colombia at 3.5%, Chile at 3.0% and Peru at 2.8%. July’s surveys indicate that inflation expectations for 2018 ranged from 2.8% in Peru to 7.3% in Uruguay.

Compared to January, inflation expectations declined by 1.0% in Uruguay, by 0.5% in Paraguay, by 0.3% in Brazil and by 0.1% in Colombia, Guatemala and Peru, remaining at the same level in Chile and Mexico.

Figure 4. Inflation Market Expectations
(Percentage, yoy 2018)



Source: REVELA, IDB 2017. 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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