

**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 May surveys conducted by Central Banks in the region, regional growth expectations for 2015 have decreased while inflation expectations have remained constant. Compared to last month, growth expectations fell in five countries remained stable in two and only increased in one.

The 2015 simple average growth expectation for the region in 2015 has declined from 2.9% to 2.8% and the GDP weighted mean growth expectation fell from 1.1% to

0.9% in the last month. Growth expectations decreased, in Brazil (from -1.1% to -1.2%), Chile (from 2.8% to 2.7%), Colombia (from 4.2% to 3.7%), Mexico (from 2.8% to 2.7%), and Peru (from 4.0% to 3.6%). Similarly, growth expectations in May remained stable in Paraguay at 4.5% and in Uruguay at 2.8%. Finally they increased in Guatemala (from 3.8% to 3.9%).

Although the simple average inflation expectations for 2015 remained constant at 4.8% over the course of the last month, the GDP weighted average increased from 5.8% to 5.9%. Indeed, inflation expectations increased in Brazil (from 8.3% to 8.4%), Chile (from 3.4% to 3.5%), Colombia (from 3.7% to 3.9%) and Guatemala (from 3.8% to 3.9%). However, inflation expectations decreased in Mexico (from 3.1% to 3.0%) and remained stable in Paraguay (at 4.5%), Peru (at 2.9%) and Uruguay (at 8.3%).

Table 1. Growth and Inflation Expectations for 2015

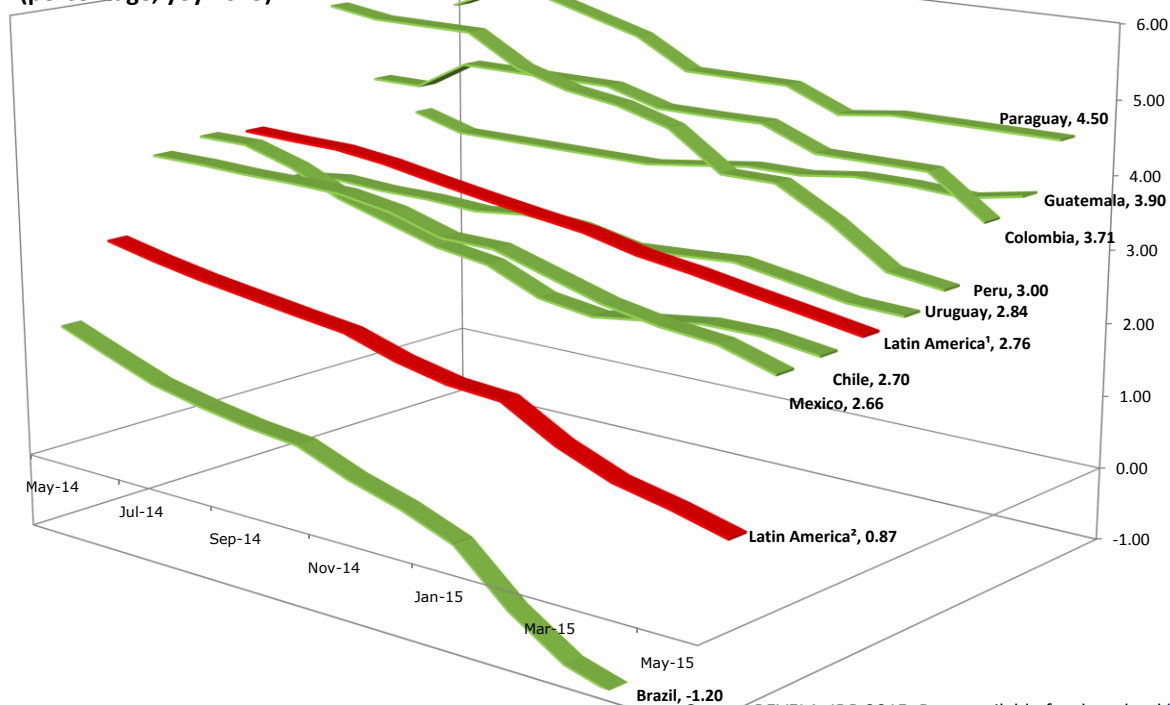
Country	Growth expectation (percentage expected for 2015)		Inflation expectation (percentage expected for 2015)	
	as of May 2015	Apr-May change	as of May 2015	Apr-May change
Brazil	-1.2	↓ -0.1	8.4	↑ 0.1
Chile	2.7	↓ -0.1	3.5	↑ 0.1
Colombia	3.7	↓ -0.5	3.9	↑ 0.2
Guatemala	3.9	↑ 0.1	3.9	↑ 0.1
Mexico	2.7	↓ -0.2	3.0	↓ -0.1
Paraguay	4.5	⇒ 0.0	4.5	⇒ 0.0
Peru	3.0	↓ -0.1	2.9	⇒ 0.0
Uruguay	2.8	⇒ 0.0	8.3	⇒ 0.0
Eight country average	2.8	↓ -0.1	4.8	⇒ 0.0

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 May. On a simple average basis (Latin America 1) average growth expectations for the current year have declined by 0.1%, from 2.9% to 2.8% in the last month. In addition, considering the GDP weighted average (Latin America 2) they decreased by 0.2%, from 1.1% in April to 0.9% last month, the first time it is below one percent since December 2009. Nevertheless, contrary to the previous quarter this month decline in regional growth expectations cannot be attributed to Brazil, where the monthly decline was just 0.1% in May. Instead, the lion share of the decline this month came from Colombia (by 0.5%) and Mexico (by 0.2%), respectively the third and second largest economies of the region. Similarly, growth expectations declined in May by 0.1% in Chile and in Peru. On the contrary, growth expectations have remained stable in Paraguay (at 4.5%), and Uruguay (at 2.8%) and have increased by 0.1% in Guatemala. 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 (1.9%), Peru (1.7%), Mexico (0.9%) and Colombia (0.8%). At the same time, less significant falls were seen in Chile (0.3), Paraguay (0.2%) and Uruguay (0.3%). 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)



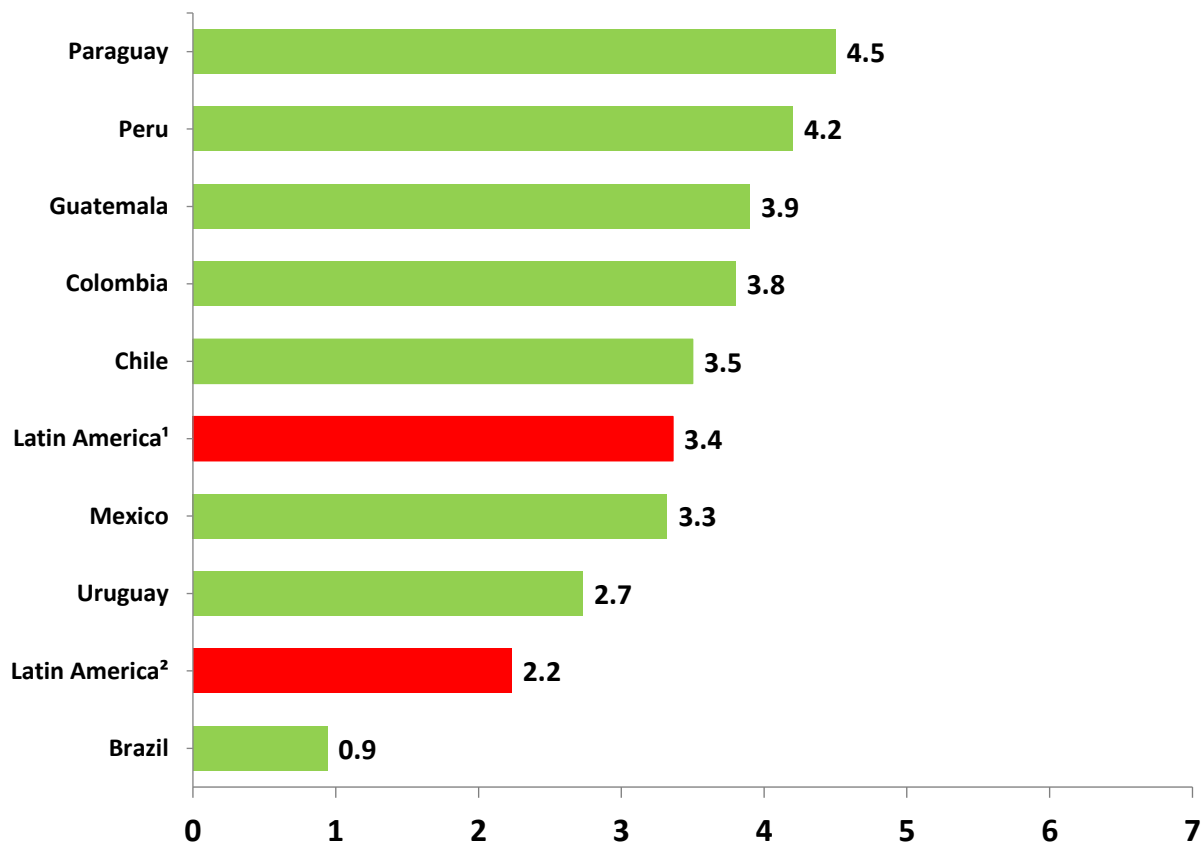
Source: REVELA, IDB 2015. Data available for download [here](#).

<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 May 2015, both the simple mean and the GDP weighted mean growth expectations for the region in 2016 declined by 0.1%, the former from 3.5% to 3.4% and the latter from 2.3% to 2.2%. Growth expectations for the next year now range from 0.9% in Brazil to 4.5% in Paraguay. Once again the largest decline was observed this month in Colombia, where expectations for 2016 declined by 0.5%. At the same time, more modest declines were observed in Brazil (from 1.1% to 0.9%), Guatemala (from 4.0% to 3.9%) and Mexico (3.4% to 3.3%). Conversely, growth expectations increased last month in Peru (from 4.0% to 4.2%). Finally, in the other two countries covered by the database, Chile and Paraguay, growth expectations were maintained constant, in the former case at 3.5% and in the latter case at 4.5%. Since January 2015, large declines in growth expectations for 2016 have been observed in the four largest economies covered by the *REVELA* database. More precisely, growth expectations have declined by 0.8% in Peru, by 0.7% in Brazil, and Colombia, and by 0.5% in Mexico.

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



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

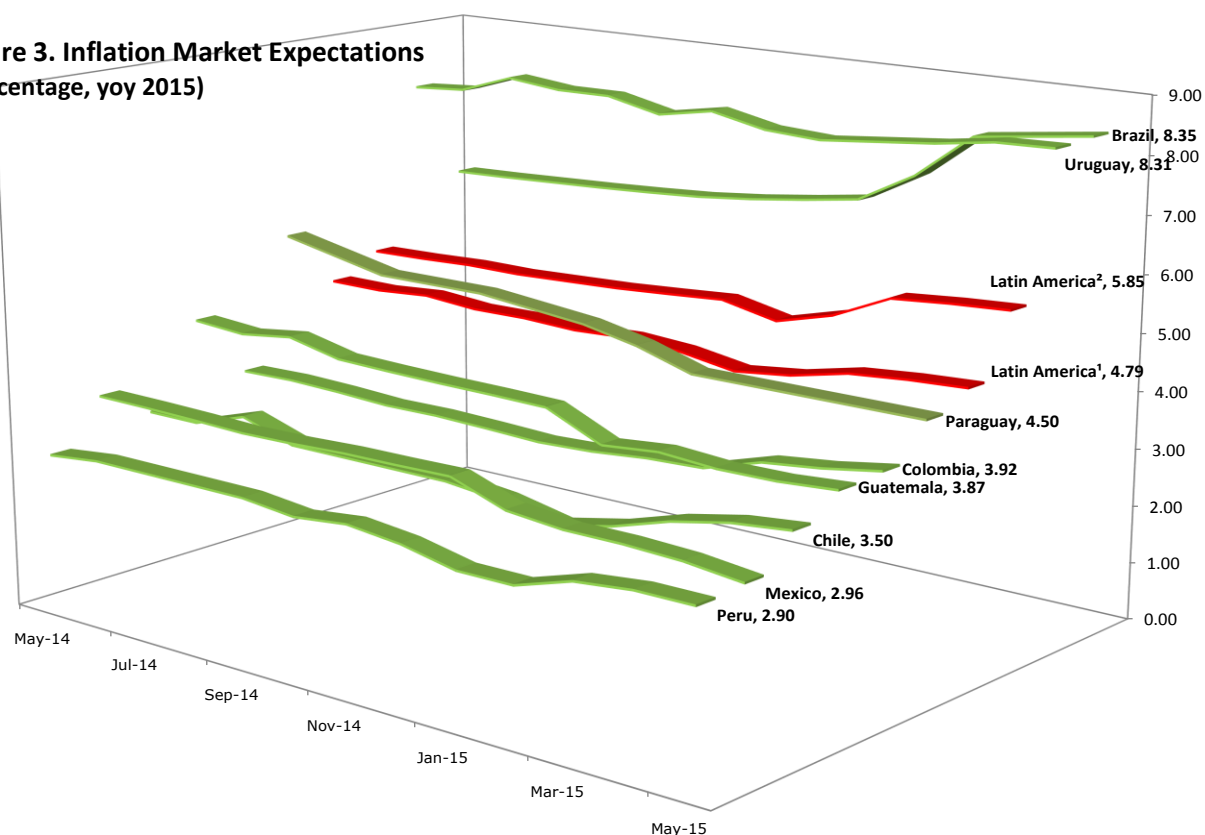
<sup>1</sup> Refers to the simple average of the eight inflation targeting countries.

<sup>2</sup> Refers to the GDP weighted average of the eight inflation targeting countries.

## C. Inflation

While the simple average inflation expectation for 2015 for the region remained constant at 4.8% last month, the GDP weighted average increased by 0.1%, from 5.8% to 5.9%. Interestingly, if we compare the current values with the expectations six months ago the differences are starker. We find that the simple average inflation expectation for 2015 has increased by 0.2% and the GDP weighted average has increased by 0.7%. Contrary to growth expectations, inflation expectations for 2015 have not evolved in the same direction across the region. In May, they increased by 0.1% in Brazil, Chile and Guatemala and by 0.2% in Colombia. Additionally, over last six months they have risen by 1.9% in Brazil, from 6.5% to 8.4%, by 0.7% in Colombia, from 3.2% to 3.9%, and by 0.5% in Chile, from 3.0% to 3.5%. These significant increases are in sharp contrast with the situation in Mexico, Paraguay, Peru and Uruguay where inflation expectations have decreased by 0.1% in the former case and remained constant in the latter cases. Furthermore, in the last six months they decreased by 0.4% in Guatemala, from 4.2% to 3.9%, by 0.6% in Mexico, from 3.6% to 3.0%, and by 0.5% in Paraguay, from 5.0% to 4.5%. Finally, In Uruguay and Peru, inflation expectations for 2015 have remained relatively constant in the previous semester, slightly increasing by 0.1% in both cases, although at very different levels. Inflation expectations last month were at 8.3% in Uruguay and at 2.9% in Peru.

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



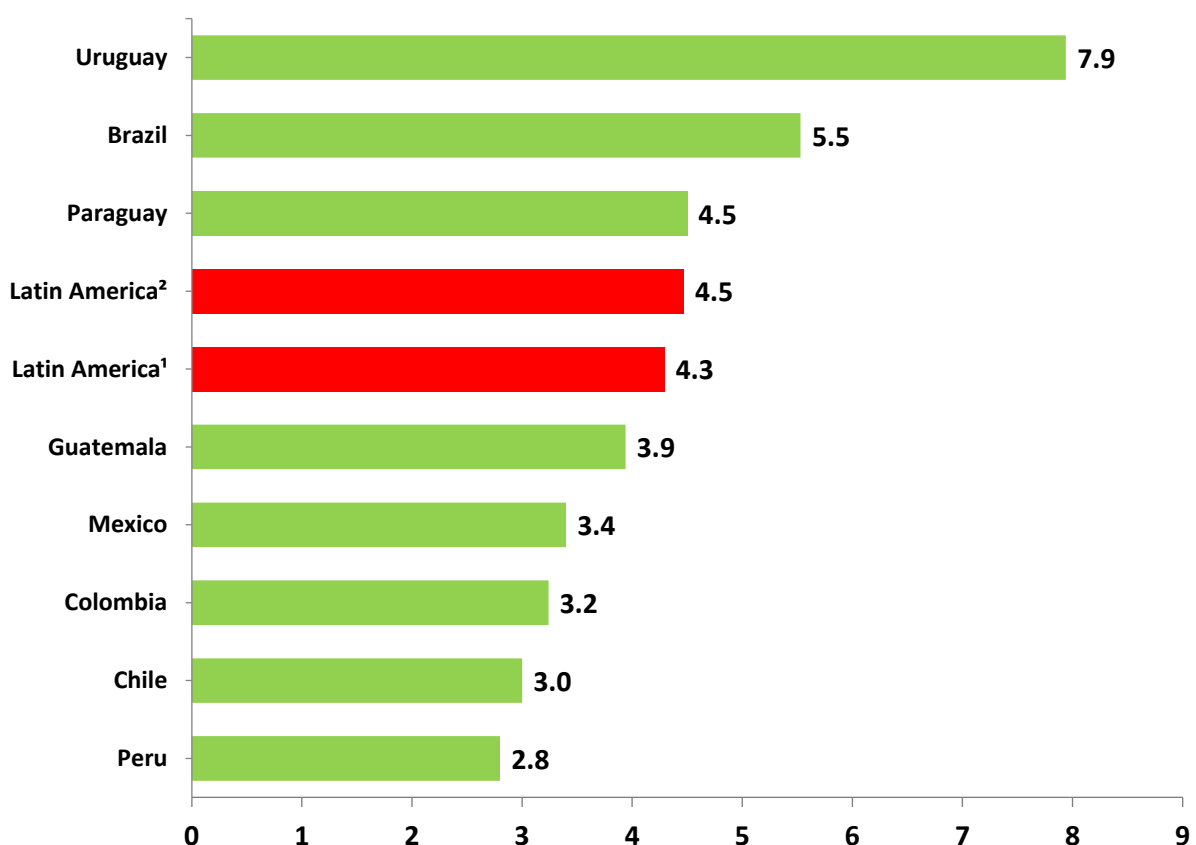
Source: REVELA, IDB 2015. Data available for download [here](#).

<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.

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 figures have remained stable since January 2015. Additionally, inflation expectations for 2016 changed last month only in two countries covered but the *REVELA* database, Brazil and Mexico. In both cases they decreased by 0.1%, in the former case from 5.6% to 5.5% and in the latter from 3.5% to 3.4%. Looking at the evolution in the past five months we can see that expectations also decreased by 0.1% in Paraguay, from 4.6% to 4.5%, and conversely, that they increased by 0.2% in Peru and Uruguay. They rise from 2.6% to 2.8% in the former case and from 7.7% to 7.9% in the latter one. Inflation expectations for 2016 now range between 2.8% in Peru and 7.9% in Uruguay.

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



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

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<sup>2</sup> Refers to the GDP weighted average of the eight inflation targeting countries.

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