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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 May surveys conducted by Central Banks in the region, the simple average of growth expectations for 2017 rose by 0.1% compared to the previous month, from 2.3% to 2.4%, while the simple average of inflation expectations for 2017 fell by 0.1% from 4.6% to 4.5%.

Growth expectations rose by 0.3% both in Mexico and Uruguay and by 0.1% in Peru. They remained stable in the other five countries: Paraguay at 4.0%, Guatemala at 3.2%, Colombia at 2.4%, Chile at 1.6% and Brazil at 0.5%.

Inflation expectations fell in four countries, remained stable in three and rose in only one country. The most significant decline was observed in Uruguay by 0.6% followed by 0.1% falls in Brazil, Guatemala and Peru. On the contrary, inflation expectations rose by 0.2% in Mexico and remained stable in Colombia at 4.4%, Paraguay at 4.0% and Chile at 2.9%.

Growth expectations for 2017 in the region ranged from 0.5% in Brazil to 4.0% in Paraguay while inflation expectations for 2017 ranged from 2.9% in Chile to 7.2% in Uruguay in May.

Table 1. Growth and Inflation Expectations for 2017

Country	Growth expectation (percentage expected for 2017)		Inflation expectation (percentage expected for 2017)	
	as of May 2017	Apr - May change	as of May 2017	Apr - May change
Brazil	0.5	→ 0.0	3.9	↓ -0.1
Chile	1.6	→ 0.0	2.9	→ 0.0
Colombia	2.4	→ 0.0	4.4	→ 0.0
Guatemala	3.2	→ 0.0	4.4	↓ -0.1
Mexico	2.0	↑ 0.3	5.9	↑ 0.2
Paraguay	4.0	→ 0.0	4.0	→ 0.0
Peru	2.6	↑ 0.1	3.1	↓ -0.1
Uruguay	2.6	↑ 0.3	7.2	↓ -0.6
Eight country average	2.4	↑ 0.1	4.5	↓ -0.1

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

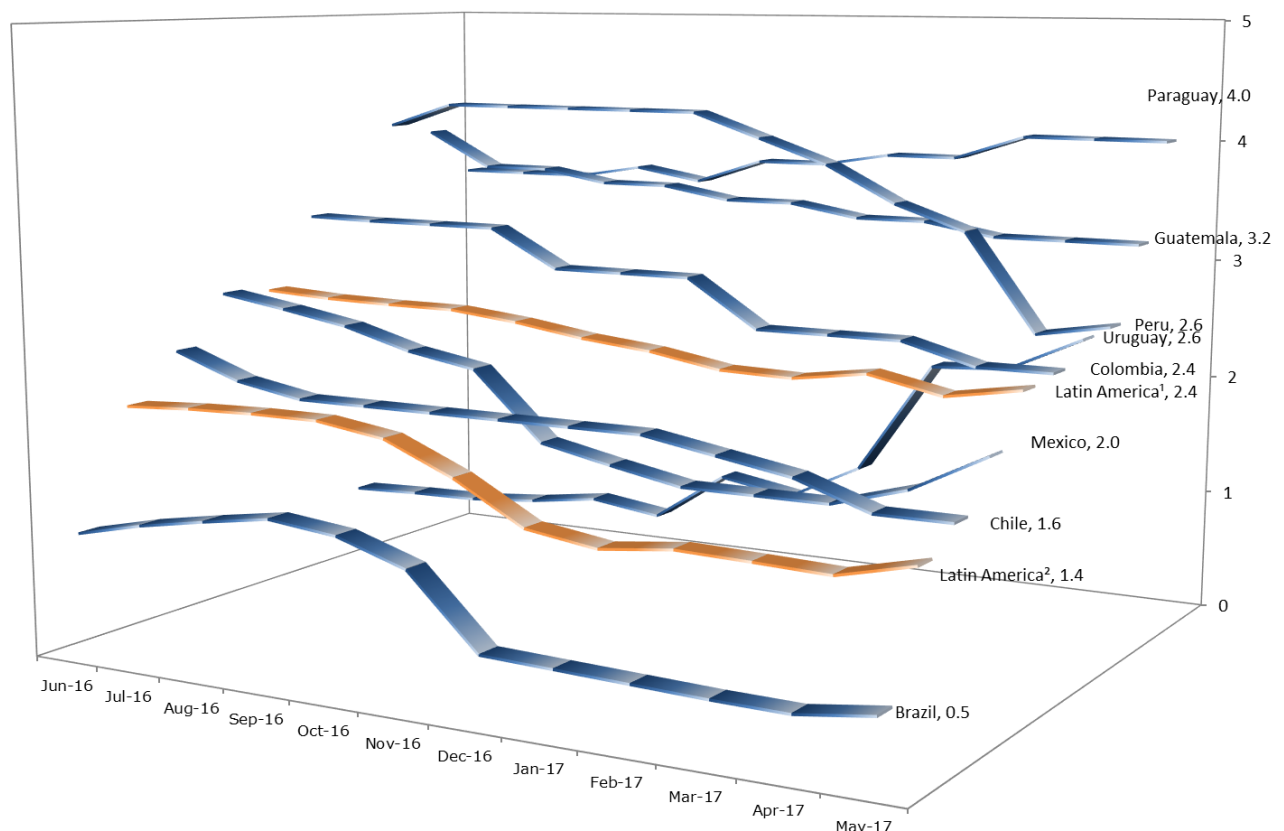
B. Growth

Growth expectations for the region for 2017 increased by 0.1% from 2.3% to 2.4% in May compared to the previous month according to the simple average of the expectations. Also, under the GDP-weighted average calculation, growth expectations rose by 0.1% from 1.3% to 1.4% in May. Despite the increases observed in May, growth expectations are below their levels six months ago, declining by 0.1% on the simple average basis and by 0.3% under the GDP-weighted average basis.

At the individual country level growth expectations rose in three countries, remained constant in five and, for the first time in 2017, they did not fall in any country. Expected growth increased by 0.3% in Mexico and Uruguay, from 1.7% to 2.0% in the former and from 2.3% to 2.6% in the latter. They also rose in Peru, by 0.1% from 2.5% to 2.6% in May compared to the previous month. Finally, growth expectations remained stable in Paraguay at 4.0%, Guatemala at 3.2%, Colombia at 2.4%, Chile at 1.5% and Brazil at 0.5% compared to surveys in April.

Compared to surveys six months ago, growth expectations rose significantly, by 1.8%, in Uruguay, and by 0.3% in Mexico and Paraguay. The most significant cumulative fall was observed in Peru by 1.6% compared to November 2016. Further declines were observed in: Brazil by 0.6%, Colombia by 0.5%, Chile by 0.4% and Guatemala by 0.2%. With these results, growth expectations for 2017 in the region ranged from 0.5% in Brazil to 4.0% in Paraguay.

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



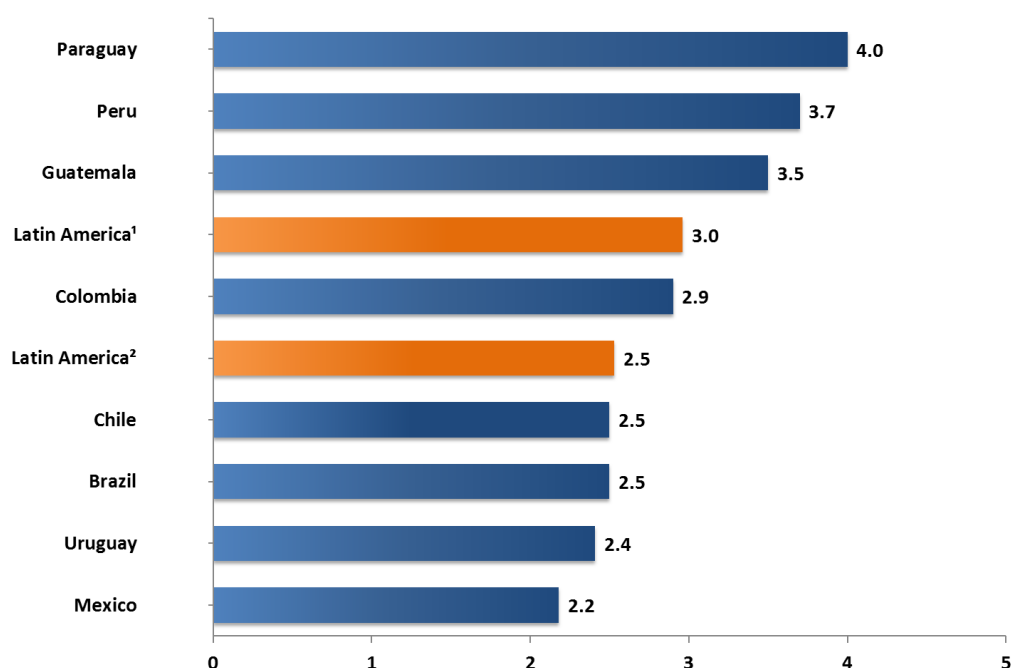
Source: REVELA, IDB 2017. Data available for download [here](#).

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 remained stable at 3.0% on the simple average basis and at 2.5% on the GDP-weighted average basis in May compared to April. At the individual country level, 2018 growth expectations rose in two countries, remained constant in four and fell in further two. Expected growth for next year increased by 0.1% both in Guatemala from 3.4% to 3.5% and in Mexico from 2.1% to 2.2%, while it declined by 0.2% both in Peru from 3.9% to 3.7% and in Uruguay from 2.6% to 2.4%. Finally, expected growth for 2018 remained unchanged in Paraguay at 4.0%, Colombia at 2.9%, and in Chile and Brazil at 2.5% in both countries. Growth expectations for 2018 ranged from 2.2% in Mexico to 4.0% in Paraguay according to May surveys.

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



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

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

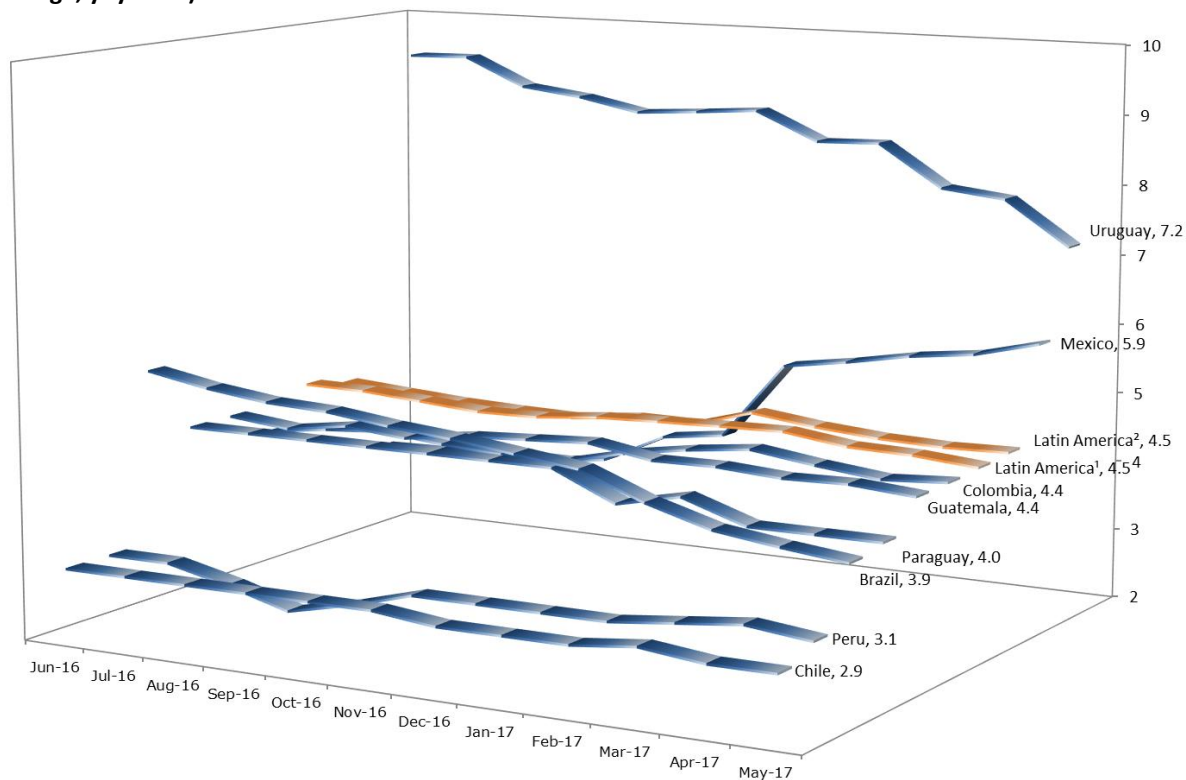
C. Inflation

Inflation expectations for 2017 declined by 0.1% from 4.6% to 4.5% in May according to the simple average basis, while they remained stable at 4.5% according to the GDP-weighted average basis compared to April. Similarly, compared to expectations six months ago, the simple average calculation fell by 0.1% while the GDP-weighted average remained stable.

At the individual country level inflation expectations declined in four countries, rose in one and remained stable in three compared to April. The sharpest fall was observed in Uruguay by 0.6% from 7.8% to 7.2%. As depicted in Figure 3, expected inflation in Uruguay continues its downward path observed during 2017. Contrasting the evolution of expectations in Uruguay, inflation expectations in Mexico rose by 0.2% in May from 5.7% to 5.9% compared to April, confirming a positive trend that started twelve months ago and accelerated in 2017. More specifically, expected inflation declined 1.6% in Uruguay compared to its level six months ago while it rose by 1.9% in Mexico during the same time.

Mild declines were observed in three countries compared to April, by 0.1% in: Guatemala from 4.5% to 4.4%, Brazil from 4.0% to 3.9% and Peru from 3.2% to 3.1%. Inflation expectations remained stable compared to the previous month in Colombia at 4.4%, Paraguay at 4.0% and Chile at 2.9%. Compared to surveys six months ago, inflation expectations also declined in Brazil by 1.1%, Paraguay by 0.5%, Guatemala by 0.2% and Chile by 0.1%. Cumulative increases were observed in Colombia by 0.3% and in Peru by 0.1% compared to November 2016. With these results, inflation expectations for 2017 ranged from 2.9% in Chile to 7.2% in Uruguay in May.

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



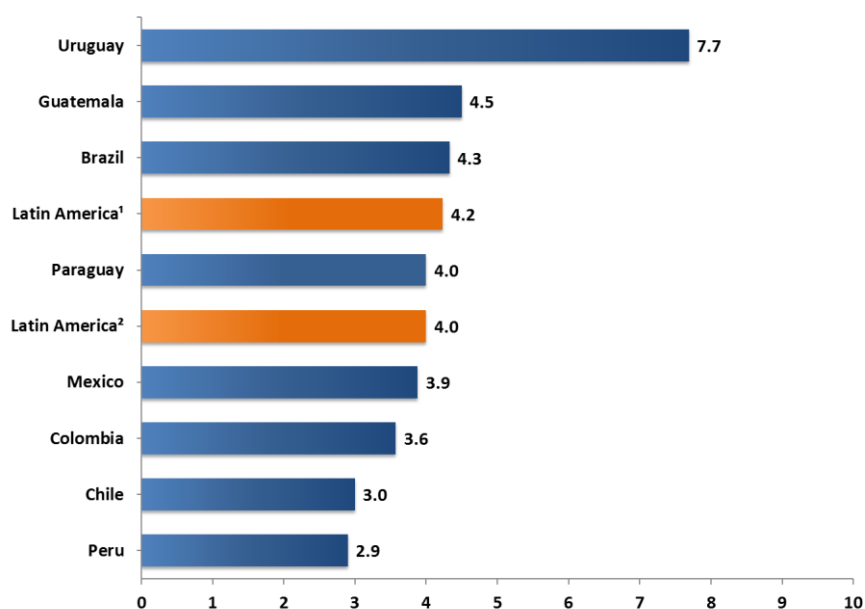
Source: REVELA, IDB 2017. Data available for download [here](#).

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

Inflation expectations for 2018 remained constant in May both under the simple average calculation at 4.2% and under the GDP-weighted average at 4.0% compared to the previous month. At the individual country level inflation expectations declined by 0.2% in Uruguay from 7.9% to 7.7% and by 0.1% in Guatemala from 4.6% to 4.5%. On the contrary, they rose by 0.1% in three countries: Mexico from 3.8% to 3.9%, Colombia from 3.5% to 3.6% and Peru from 2.8% to 2.9%. Inflation expectations remained stable in Brazil at 4.3%, Paraguay at 4.0% and Chile at 3.0%. Inflation expectations for 2018 ranged from 2.9% in Peru to 7.7% in Uruguay in May.

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



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

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