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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

Considering the February surveys conducted by Central Banks in the region, the simple average of growth expectations for 2017 remained constant compared to January, at 2.3%. Similarly, inflation expectations remained stable considering the simple average at 4.7%.

Growth expectations for 2017 increased only in Uruguay (by 0.3%) and fell in Peru by 0.3% and in Chile by 0.1%. In the remaining five countries in the sample, growth expectations remained constant in February compared to the previous month. Growth expectations for 2017 were as low as 0.5% in Brazil and as high as 3.8% in Paraguay in February.

Inflation expectations at the individual country level fell in Brazil by 0.4% and increased in four countries: by 0.2% in Paraguay and by 0.1% in Colombia, Mexico and Uruguay. In the three remaining countries, inflation expectations were constant in February compared to the previous month. Inflation expectations in the region ranged from 2.9% in Chile to 8.5% in Uruguay in February.

In this report, the information for the computation of the GDP-weighted average was updated, using 2015 GDP in the calculation of weights of each country instead of 2013 GDP used previously up to the report for January 2017 expectations.

Table 1. Growth and Inflation Expectations for 2017

Country	Growth expectation (percentage expected for 2017)		Inflation expectation (percentage expected for 2017)	
	as of Feb 2017	Jan - Feb change	as of Feb 2017	Jan - Feb change
	Brazil	0.5	→ 0.0	4.4
Chile	1.9	↓ -0.1	2.9	→ 0.0
Colombia	2.6	→ 0.0	4.6	↑ 0.1
Guatemala	3.3	→ 0.0	4.5	→ 0.0
Mexico	1.5	→ 0.0	5.4	↑ 0.1
Paraguay	3.8	→ 0.0	4.3	↑ 0.2
Peru	3.5	↓ -0.3	3.0	→ 0.0
Uruguay	1.4	↑ 0.3	8.5	↑ 0.1
Eight country average	2.3	→ 0.0	4.7	→ 0.0

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

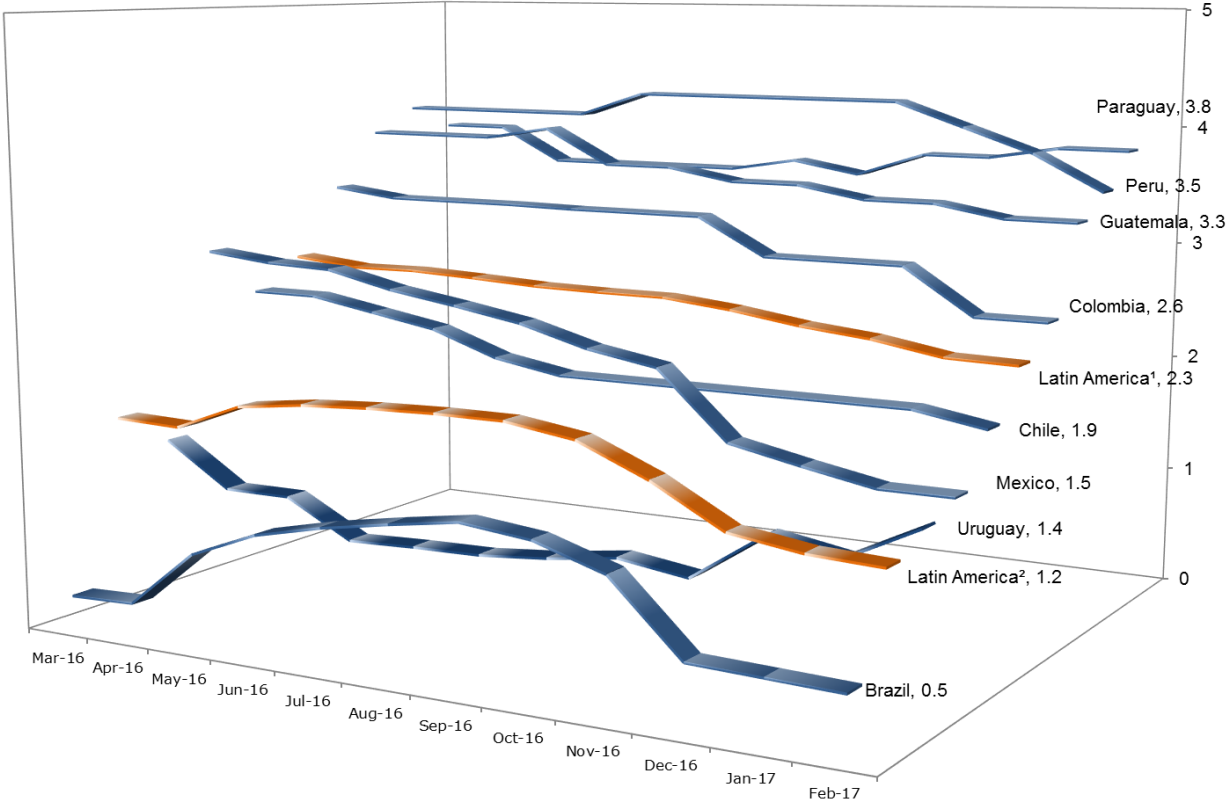
B. Growth

Growth expectations for the region for 2017 remained stable at 2.3% in February compared to the previous month, according to the simple average of the eight countries covered by REVELA. Also under the GDP-weighted average of the surveys, growth expectations remained stable, at 1.3%. Compared to surveys six months ago, growth expectation fell by 0.3% on the simple average basis and by 0.7% on the GDP-weighted average basis

At the individual country level, growth expectations remained stable in most countries in February compared to the previous month, increasing only in one country and decreasing in two. Growth expectations rose in Uruguay by 0.3% from 1.1% to 1.4%, and they fell by 0.3% in Peru from 3.8% to 3.5% and by 0.1% in Chile from 2.0% to 1.9%. Growth expectations remained constant in Paraguay at 3.8%, Guatemala at 3.3%, Colombia at 2.6%, Mexico at 1.5% and Brazil at 0.5%.

compared to the previous six months, growth expectation fell in most (six) countries and rose only in two in February. They rose by 0.7% in Uruguay and by 0.3% in Paraguay compared to expectations in August. Growth expectations fell by 1% in Mexico compared to six months ago, followed by a 0.8% decline in Guatemala, a 0.7% in Brazil, Colombia and Peru, and a 0.1% in Chile. With these results, growth expectations in the region ranged from 0.5% in Brazil to 3.8% in Paraguay in February.

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



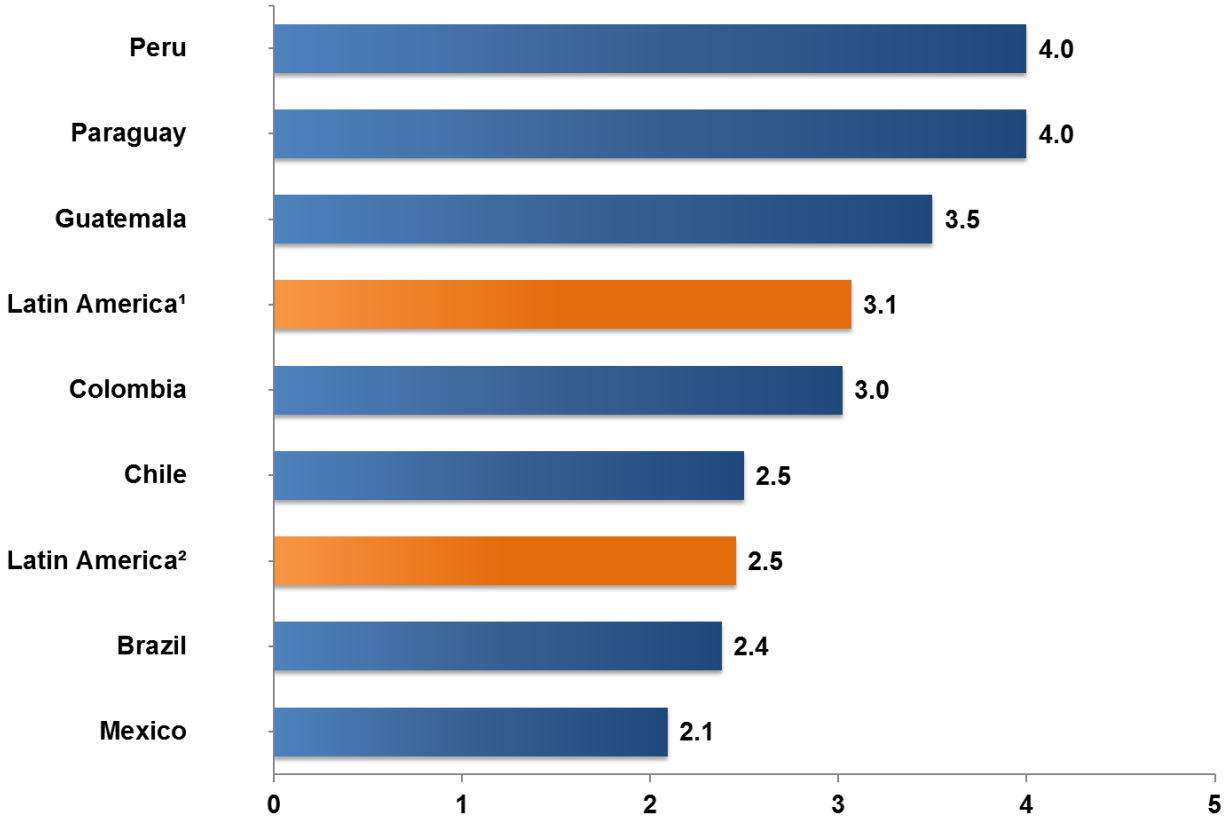
Source: REVELA, IDB 2017. Data available for download [here](#).

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 both on a simple average and GDP-weighted average basis, at 3.1% on the former and at 2.5% on the latter in February compared to the previous month. Growth expectations for 2018 rose in Brazil by 0.1% from 2.3% to 2.4% compared to January and fell by 0.1% in two countries: Guatemala from 3.6% to 3.5% and Mexico from 2.2% to 2.1%. They remained stable in Peru and Paraguay at 4.0%, Colombia at 3.0% and Chile at 2.5%. Growth expectations for 2018 ranged from 2.1% in Mexico to 4.0% in Paraguay according to surveys in February.

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.

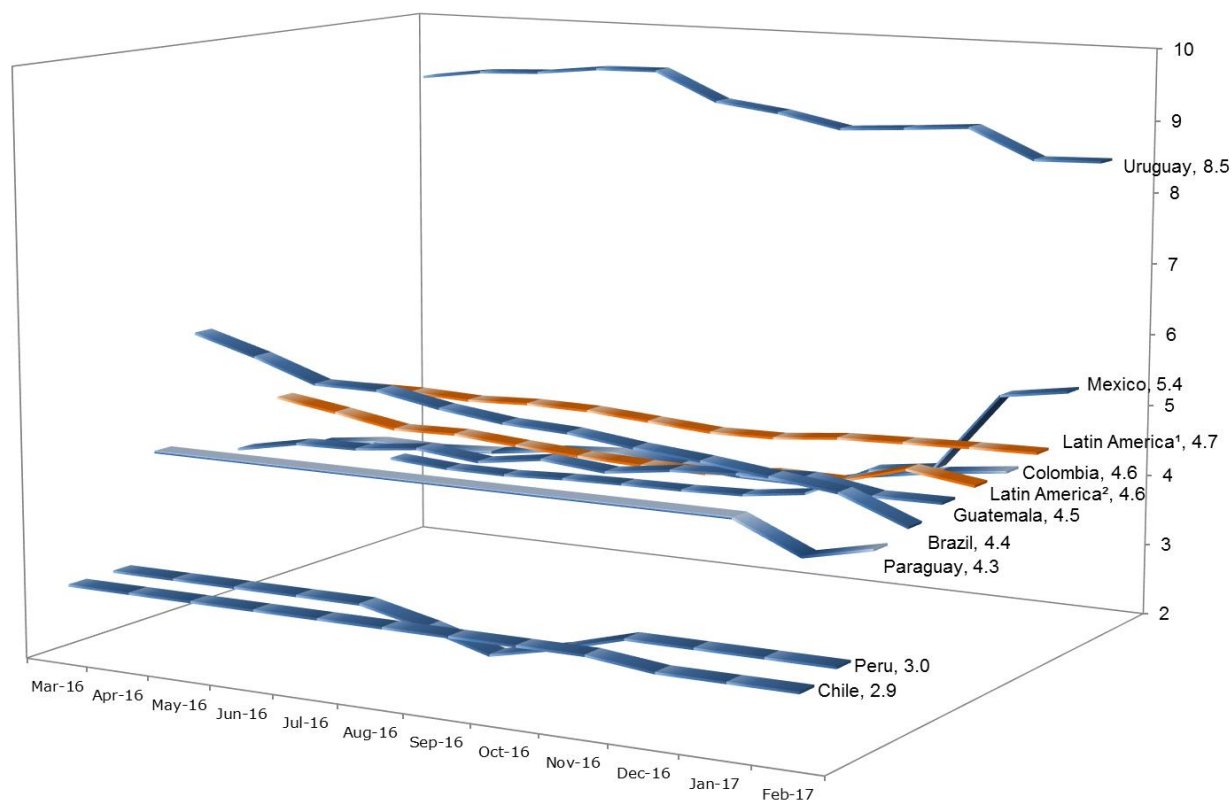
C. Inflation

Inflation expectations for the region for 2017 remained constant at 4.7% on a simple average basis in February compared to the previous month. On the contrary, the GDP-weighted average of inflation expectations declined by 0.1% compared to the previous month, from 4.7% to 4.6%. Compared to expectations six months ago, the simple average rose by 0.1% while the GDP-weighted average increased by 0.2%.

At the individual country level, inflation expectations in February rose in four countries, remained stable in three and declined only in one. Inflation expectations increased by 0.2% in Paraguay from 4.1% to 4.3%, and by 0.1% in three countries: Uruguay from 8.4% to 8.5%, Mexico from 5.3% to 5.4% and Colombia from 4.5% to 4.6%. In Brazil, inflation expectations fell by 0.4% from 4.8% to 4.4%. They remained stable in Guatemala at 4.5%, Peru at 3.0% and Chile at 2.9% compared to January's surveys.

Compared to expectations six months ago, inflation expectations increased sharply in Mexico by 2.0%. Milder increases were observed in Colombia by 0.3% and Peru by 0.2% compared to the previous six months. On the contrary, inflation expectations fell by 0.8% in Brazil, by 0.5% in Uruguay, 0.2% in Paraguay and 0.1% in Chile. February's surveys indicate that inflation expectations in the region are highly heterogeneous, ranging from 2.9% in Chile to 8.5% in Uruguay.

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



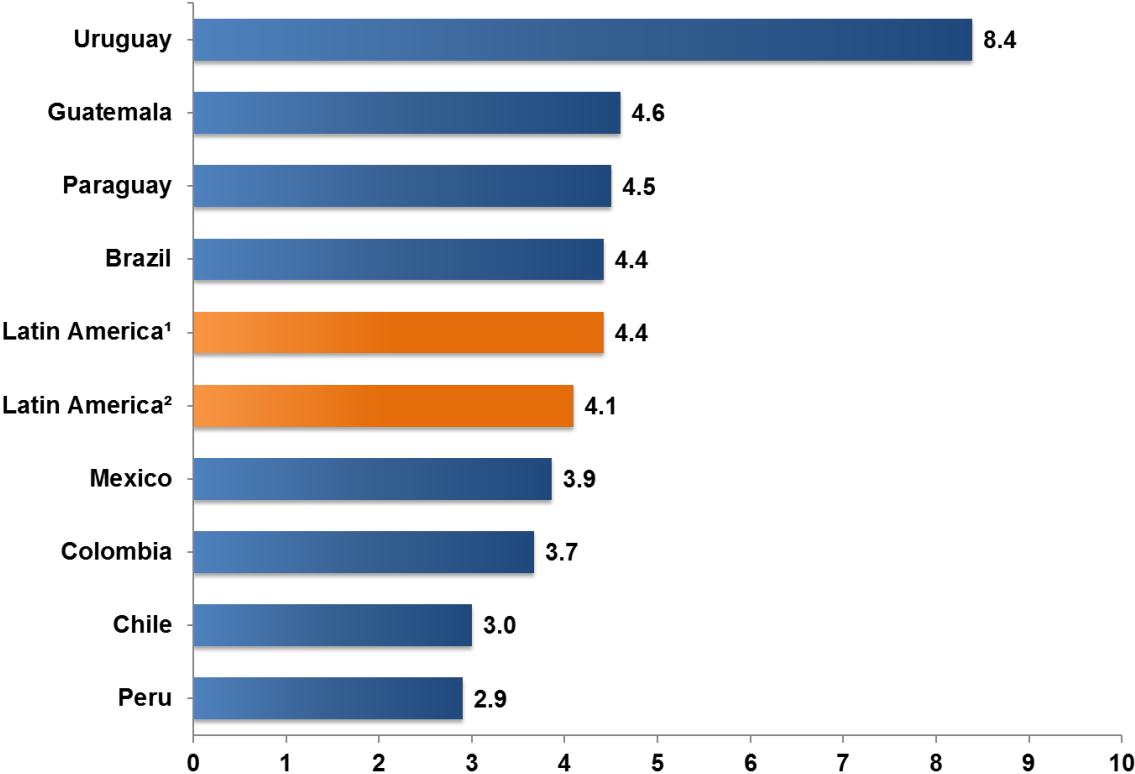
Source: REVELA, IDB 2017. Data available for download [here](#).

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Inflation expectations for 2018 remained stable in February 2017 compared to the previous month both, under a simple average basis (at 4.4%), and under a GDP-weighted average basis (at 4.1%). Only minor changes were observed at the individual country level with rises by 0.1% in Colombia from 3.6% to 3.7% and Uruguay from 8.3% to 8.4%, and a 0.1% decline in Brazil from 4.5% to 4.4%. Inflation expectations for 2018 ranged from 2.9% in Peru to 8.4% in Uruguay.

Figure 4. Inflation Market Expectations
(Percentage, yoy 2017)



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

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D. Change in weights

The data of GDP used to compute the GDP-weighted averages has been updated in the calculations for February’s expectations. Maintaining the previous methodology, weights were calculated based on the series of *Gross Domestic Product Based on Purchasing-Power-Parity* (GDP-PPP) from WEO, IMF. Previously, GDP-PPP data for 2013 was used to calculate the weighted average, which was replaced with data for 2015. Weights for each country were calculated as the ratio of 2015 GDP-PPP of the country over the sum of 2015 GDP-PPP across all countries in the sample of REVELA.

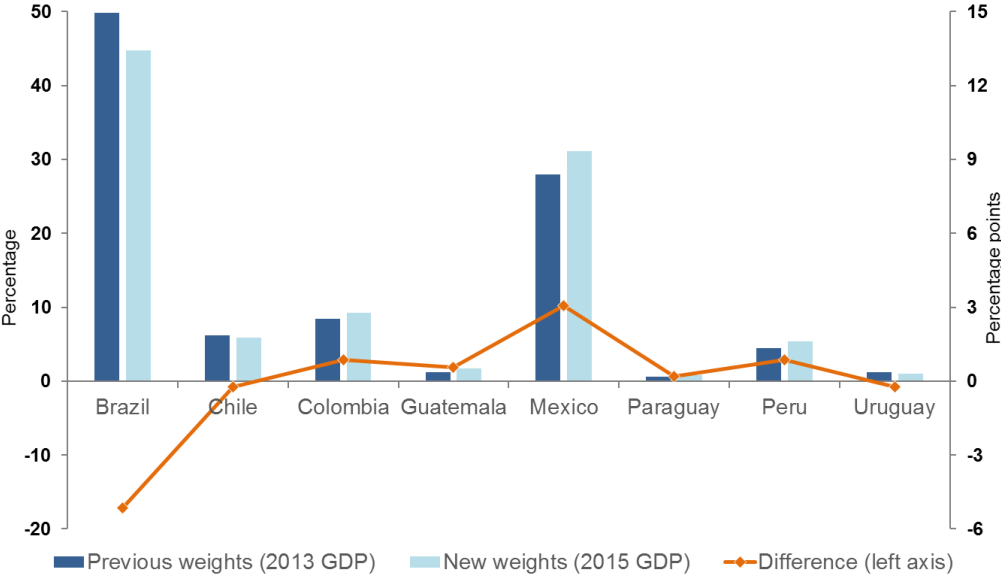
Table 2. GDP-Weighted Average previous and new weights

Country	Previous (percentage)	New (percentage)	Difference (percentage points)
Brazil	49.9	44.7	-5.1
Chile	6.2	5.9	-0.2
Colombia	8.4	9.3	0.9
Guatemala	1.2	1.8	0.6
Mexico	28.0	31.1	3.1
Paraguay	0.6	0.8	0.2
Peru	4.5	5.4	0.9
Uruguay	1.2	1.0	-0.2
Total	100	100	-

Note: New weights from 2015 GDP-PPP data.
 Previous weights from 2013 GDP-PPP data.
 Source: WEO, IMF

Table 2 and Figure 5 summarize the weights previously and currently used. The main differences are the reduction in the Weight of Brazil by 5.1 percentage points and the increase in Mexico by 3.1 percentage points. For the remaining countries, the changes in weights were between +/- 1 percentage points.

Figure 5. Previous and new weights used to compute GDP-weighted averages



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