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Short-Term Economic Projections for Latin America and the Caribbean

Francisco Villarreal

Projections Centre - ECLAC

Project LINK Spring Meeting, May 17th 2005

Presentation Overview

- Methodological aspects of projection methodology
- Economic Outlook for LAC
  - Outlook for 2005
  - Main challenges

Projection Methodology

- The methodology is based on the conceptual framework provided by SNA 93
  - Quarterly data on components of GDP
    - Expenditure
      - $GDP=\underbrace{\underbrace{CP + CG}_{C} + \underbrace{FBKF + EX}_{I}}_{\text{Internal Demand}} + X - M$
    - Production
      - $GDP=\underbrace{GG+Trade+Construction+Utilities+TC+SS}_{\text{Aggregate Value Added (VAB)}} + Tax$

Projection Methodology

- Seasonal Adjustment Using TRAMO-SEATS - X/12-ARIMA.
- ARIMA methodology used for individual component projection.
- Aggregation of Components
- Comparison with current quarter projection using monthly data.

Projection Methodology

- External Sector
  - Demand function:

    $$X=f(Y^{w},P)\ ,\ M=f(Y^{d},P)$$

  - The demand functions are estimated using multivariate time series analysis (VAR – VEC)

Projection Methodology

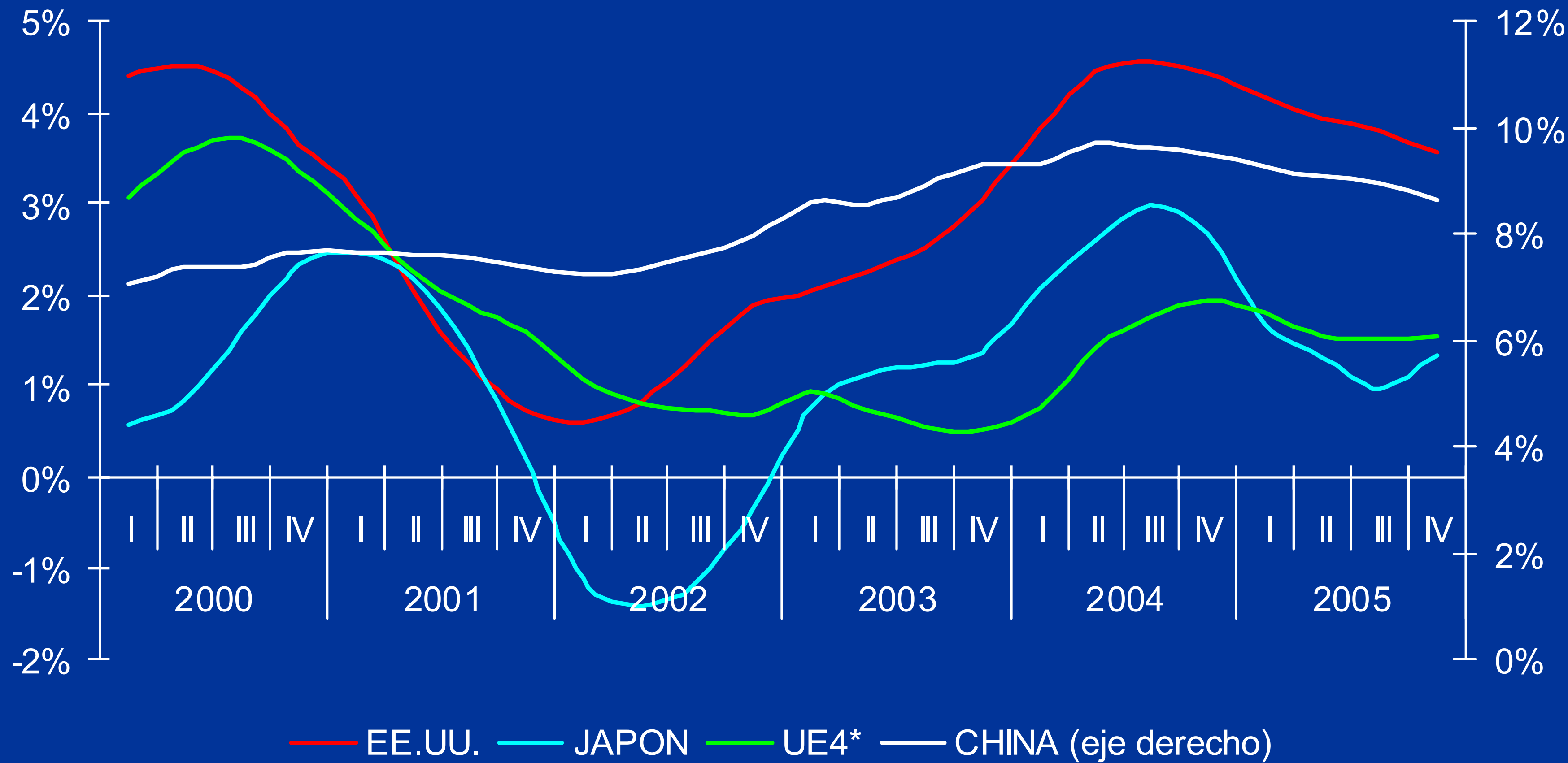
- Consistency Analysis
  - Projections are adjusted to maintain the relationships that exist between the components of GDP under SNA93, e.g. The relationship between Taxes, Imports and Trade
- Discussion with Desk-Officers and Regional Offices

Economic Outlook

- Economic Outlook 2005
  - International Scenario – Recent trends and projections
  - Latin America and the Caribbean
    - GDP
    - Inflation
    - Trade Balance

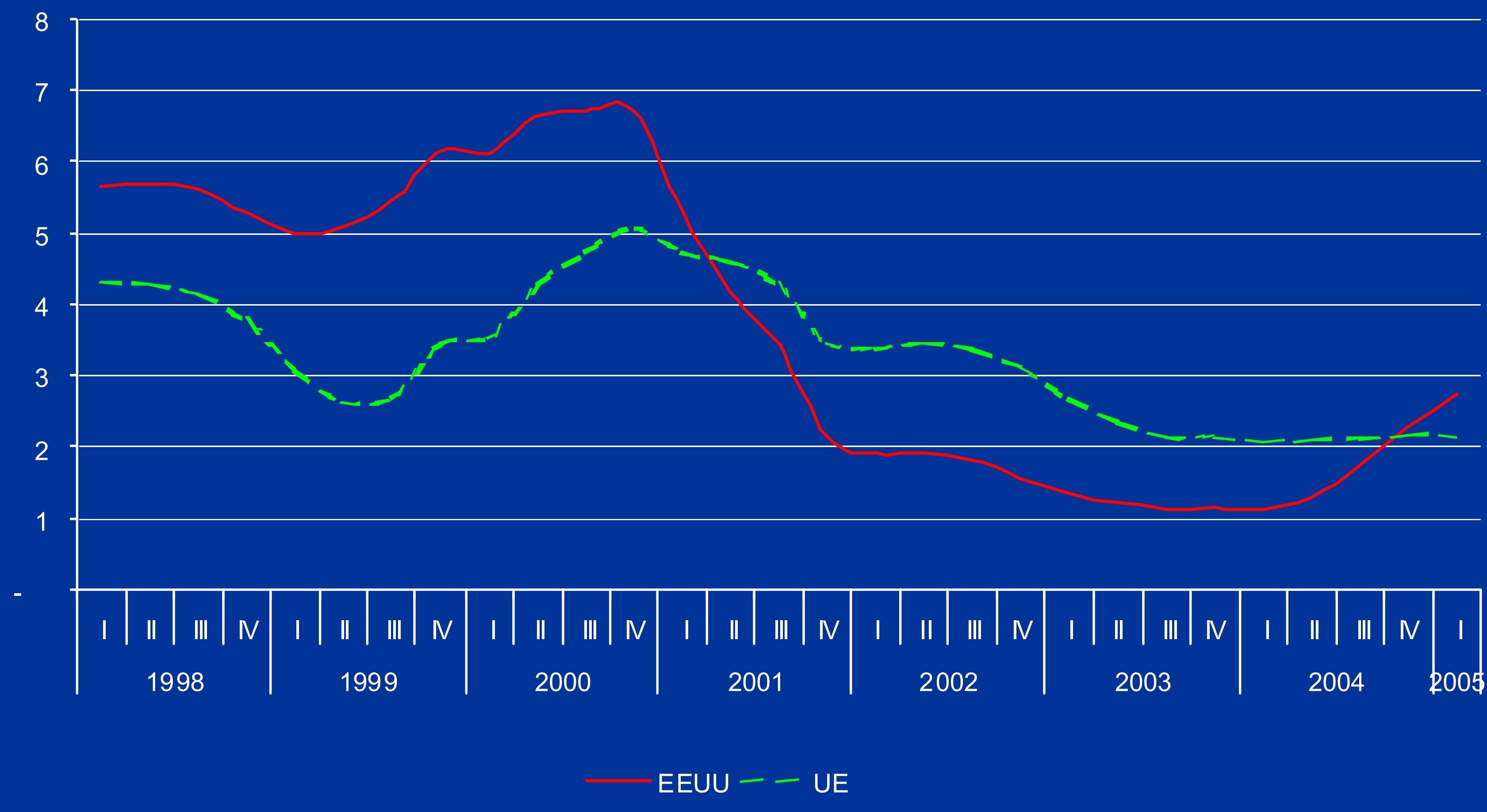
Economic Outlook

World: GDP growth 2000 - 2005



Economic Outlook

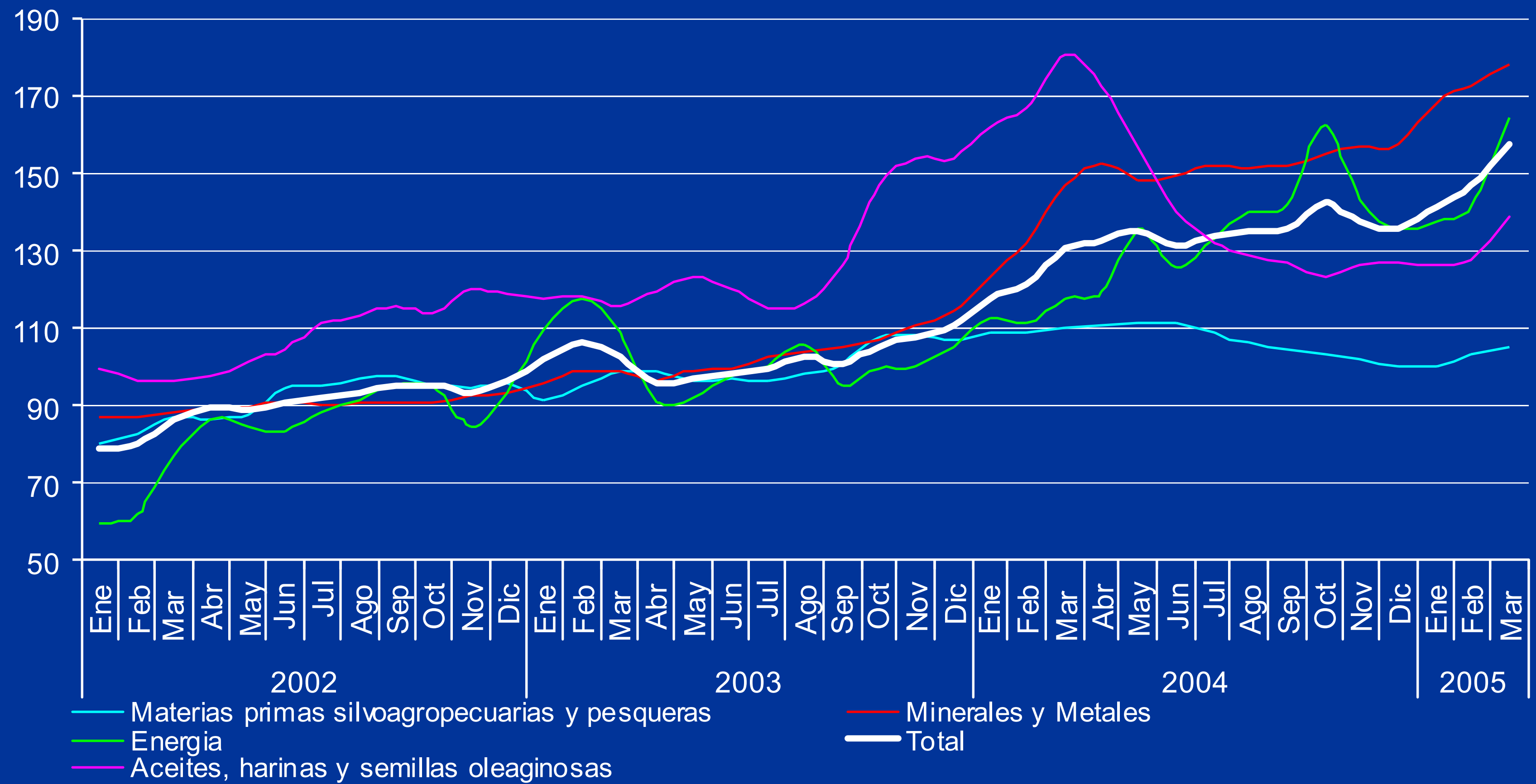
International Interest Rates: LIBOR 1998-2005



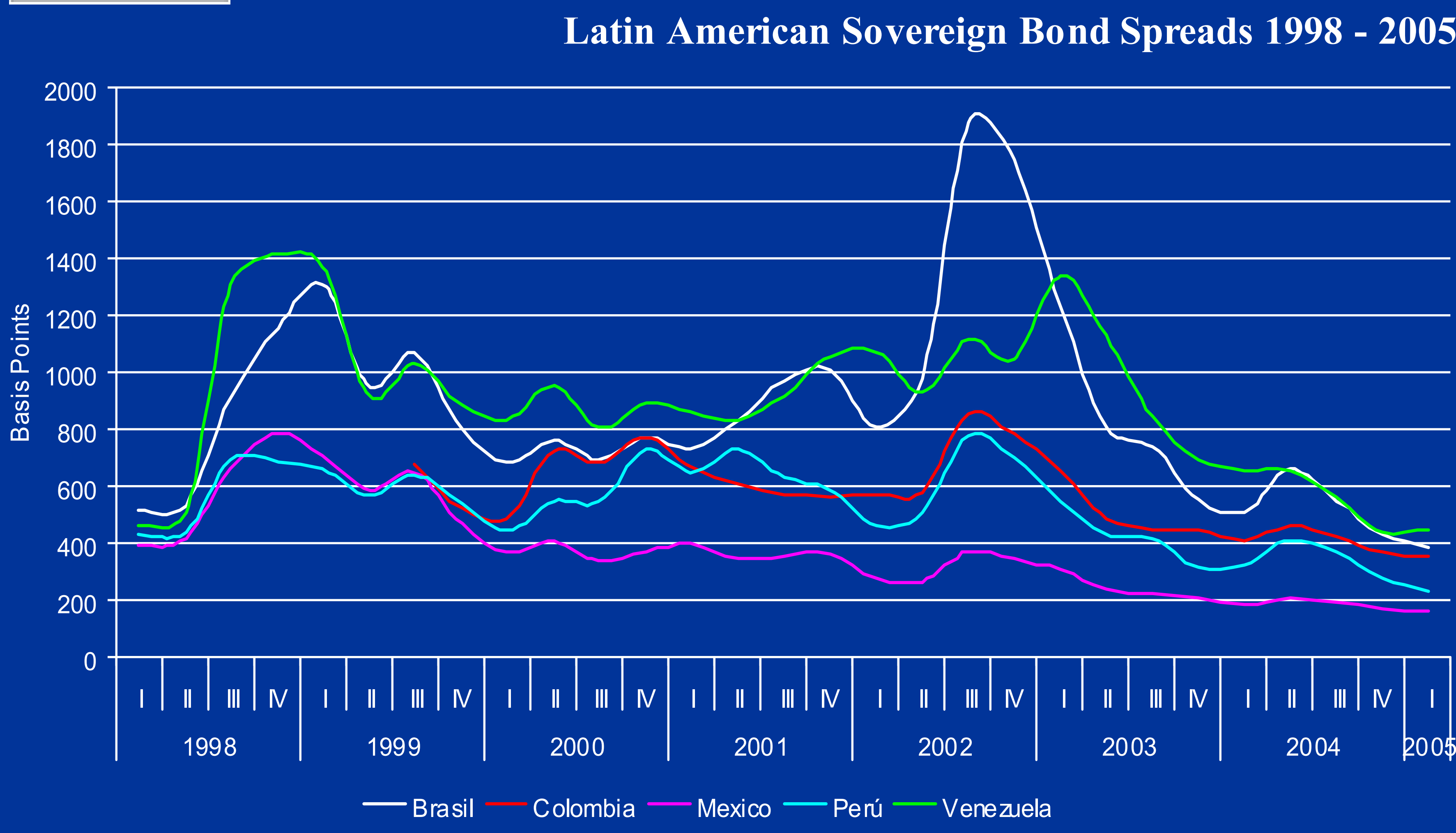
Economic Outlook

Commodity Price Indices: 2002 – 2005

2000=100

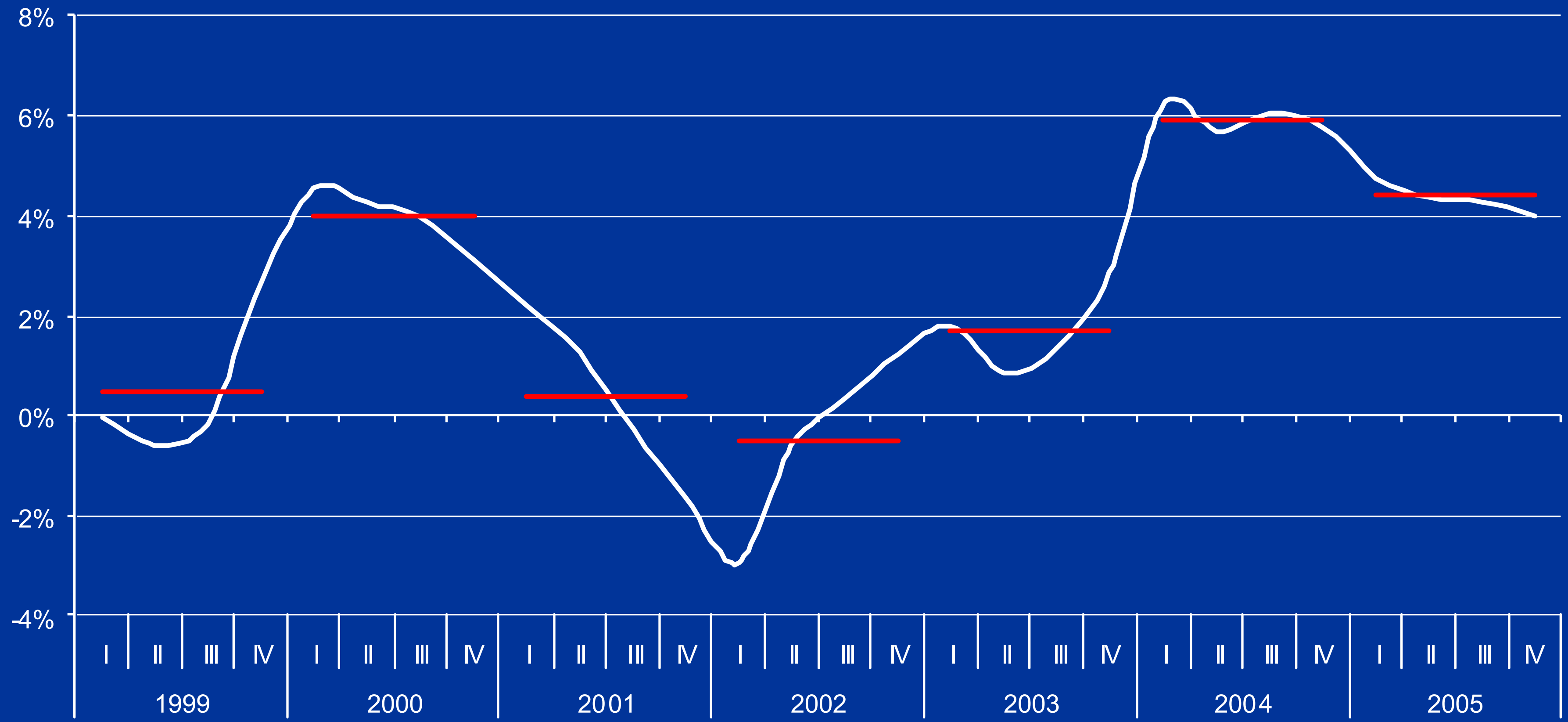


Economic Outlook



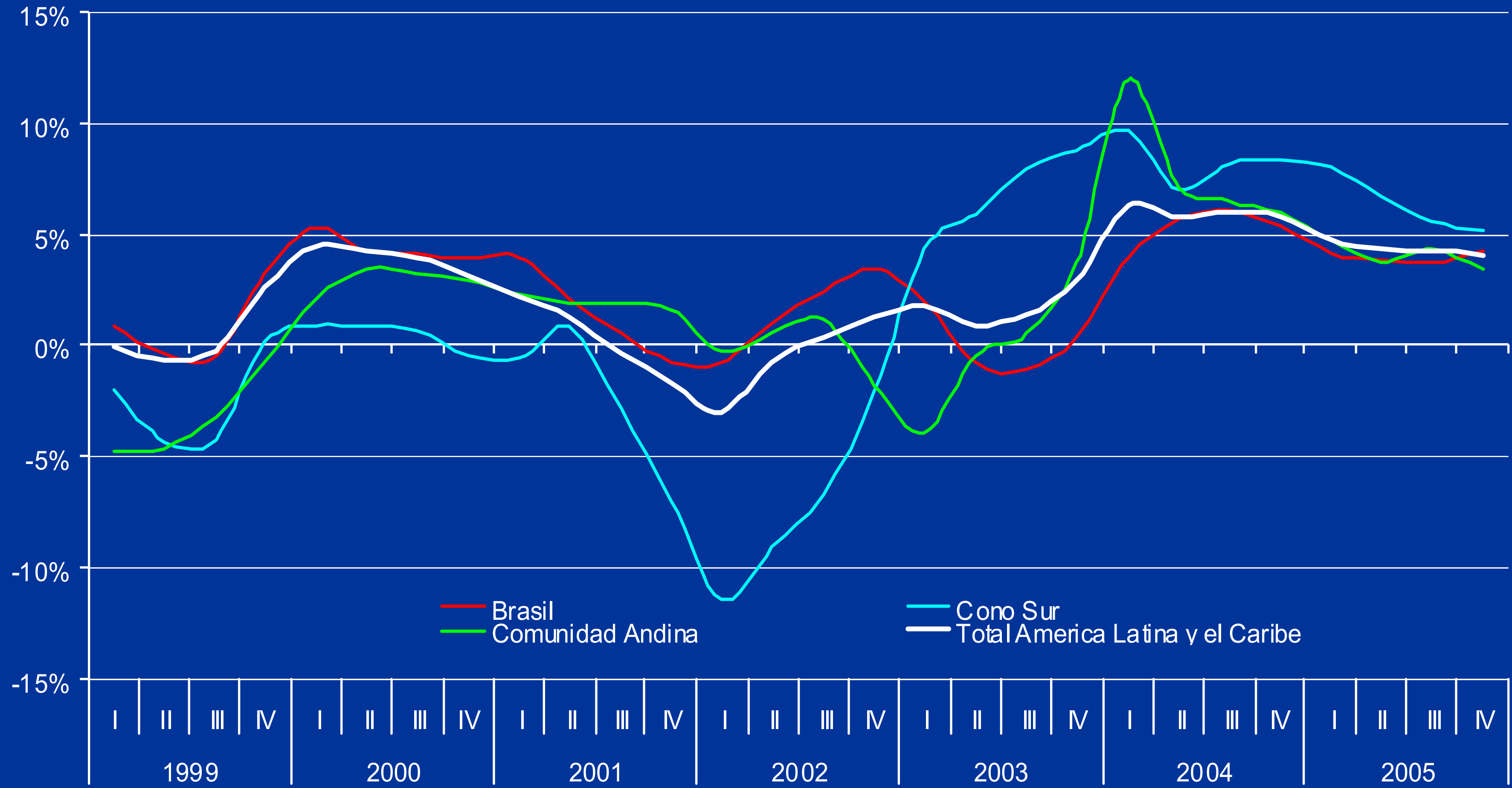
Economic Outlook

Latin America and the Caribbean: GDP growth 1999 - 2005



Economic Outlook

South America: GDP growth 1999 - 2005



Economic Outlook

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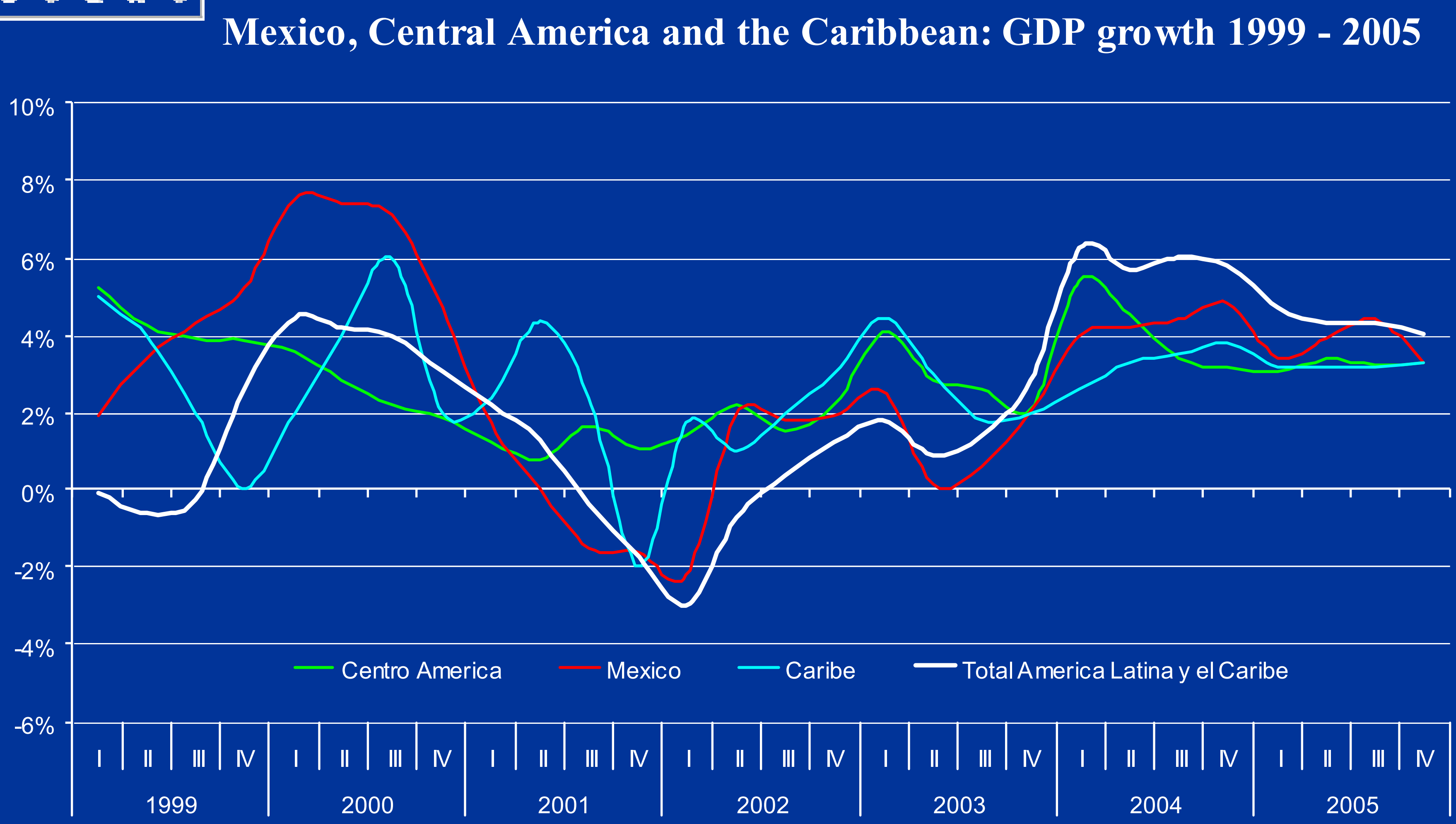

Economic Outlook

Latin America and the Caribbean: GDP growth rates 2004 - 2005

País	2004	Escenario 2005		
		Bajo	Proyectado	Alto
Argentina	9,0	6,0	6,5	7,0
Bolivia	3,8	3,0	3,3	3,4
Brasil	5,2	3,7	4,0	4,3
Chile	6,1	5,6	6,2	6,4
Colombia	4,0	3,1	3,5	3,6
Costa Rica	4,2	3,3	3,5	4,0
Ecuador	6,9	3,0	3,4	3,6
El Salvador	1,5	2,2	2,5	2,7
Guatemala	2,7	2,5	3,0	3,7
Honduras	5,0	3,8	4,2	4,5
México	4,4	3,5	3,8	4,0
Nicaragua	5,1	3,5	4,0	4,5
Panamá	6,2	4,0	4,5	5,0
Paraguay	2,9	2,4	3,0	3,4
Perú	5,1	4,0	4,5	5,1
República Dominicana	2,0	2,2	2,5	2,7
Uruguay	12,4	5,7	6,0	6,3
Venezuela	17,3	5,0	6,5	8,0
Caribe	4,1	3,5	4,0	4,5
Total	**5,8**	**4,0**	**4,4**	**4,7**

Economic Outlook

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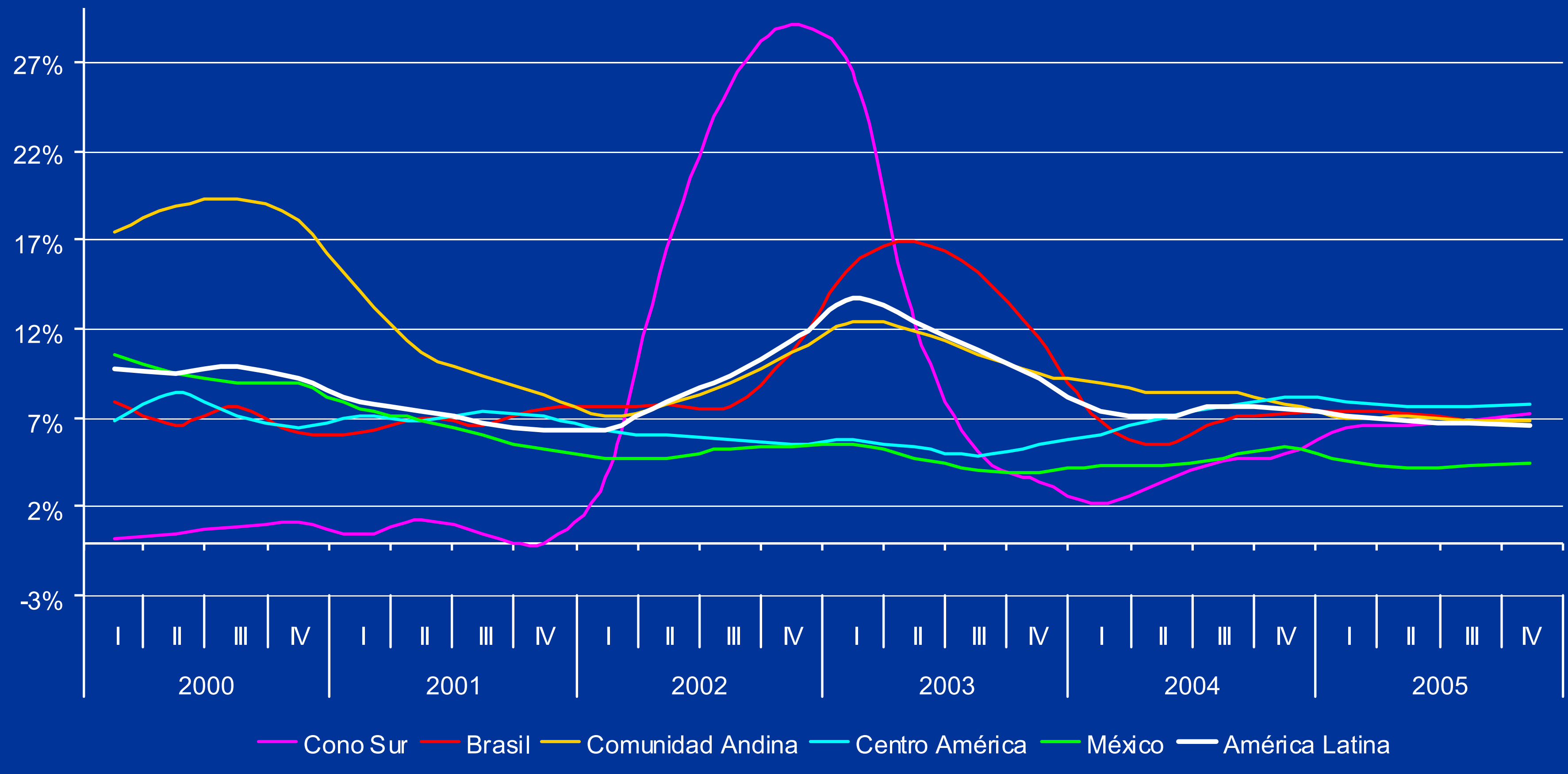
Latin America: Inflation 2000 - 2005



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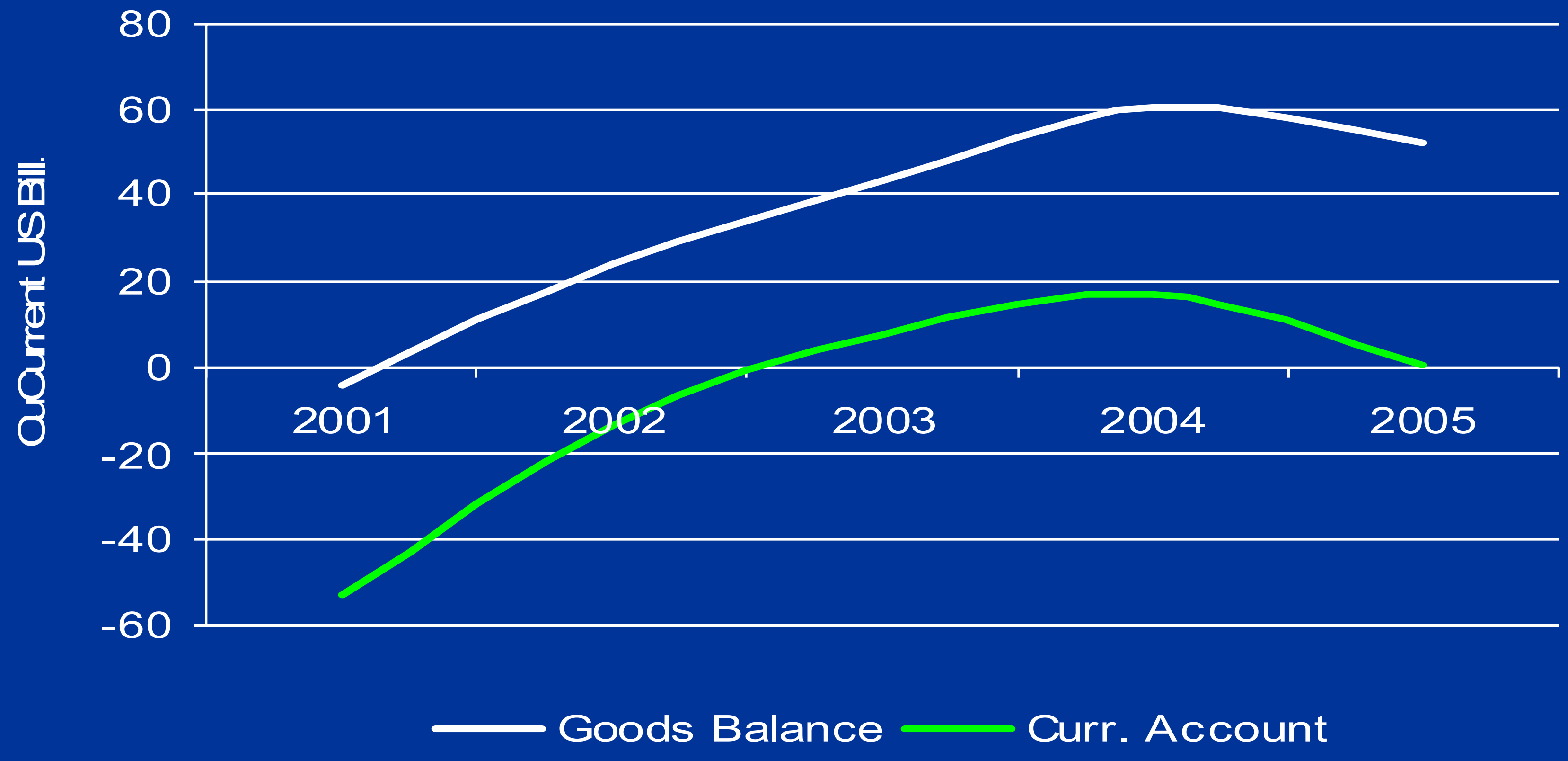
Economic Outlook

Latin America: Inflation 2004 - 2005

	2004	Escenario 2005		
		Bajo	Proyectado	Alto
Argentina	6,1	7,0	9,5	12,0
Bolivia	4,6	4,5	5,0	5,5
Brasil	7,6	5,0	6,6	8,2
Chile	2,4	2,0	2,5	3,0
Colombia	5,5	4,0	5,1	6,0
Costa Rica	13,1	11,0	11,5	13,0
Ecuador	1,9	1,5	2,1	3,5
El Salvador	5,3	3,0	4,1	5,0
Guatemala	9,2	8,0	8,9	10,0
Honduras	9,2	8,0	9,1	10,0
México	5,2	3,5	4,4	5,5
Nicaragua	8,9	8,0	9,7	10,0
Panamá	1,6	1,0	2,1	3,0
Paraguay	2,8	4,0	4,9	6,0
Perú	3,5	2,0	2,3	3,0
República Dominicana	28,7	10,0	12,3	15,0
Uruguay	7,6	5,5	6,5	7,5
Venezuela	19,2	16,0	19,4	22,0
Total	**7,4**	**5,2**	**6,6**	**8,0**

Economic Outlook

Latin America: Trade Balance and Current Account 2001 - 2005



Main Challenges

- Trade and Fiscal Deficit in the US
- Effects of Oil Prices
- Domestic Demand
- Investment
- Fiscal Policy

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