

# [Economic indicator forecast](https://assignbuster.com/economic-indicator-forecast/)

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Economic Indicator Forecast: Several economic indicators are essential for any forecast, however only the six below will be discussed here. 1. Real Gross Domestic Product (GDP)   
  
According to the I. M. F the country's G. D. P will remain steady in the remaining quarter at 3. 6%   
  
while the Office of economic analysis (State of Oregon) projects that GDP will fall by 2. 6% a rate   
  
that is not alarming in the short run given the resilience the economy has shown.   
  
2. Unemployment rate:   
  
Projections for unemployment (% of the labor force) are that the rate will be 5. 2%. This is   
  
higher than the 4. 7 % given by the Office of economic analysis (State of Oregon). The forecast is   
  
based on the fact that productivity growth rate has remained weak since 2004.   
  
3. GDP Deflator.   
  
IMF projects the figures for this indicator to be 2. 0%. This is same as the figure given by the office   
  
of economic analysis   
  
4. Current account balance (% of GDP)   
  
IMF says that current account balance will decrease by 6. 1% while the Office of economic analysis   
  
(State of Oregon) give their forecast as 5. 0% this is attributed to the performance of the import   
  
market that will be adversely affected by the upward moving interest rates.   
  
5. Oil prices.   
  
Due to geopolitical factors namely volatility in the Middle East, and increasing demand   
  
especially in emerging markets, oil prices are set to remain high with both IMF and office of   
  
economic analysis agreeing on their projections that prices for the next quarter will be in the   
  
upward of $54 per barrel.   
  
6. Consumer price index (CPI).   
  
According to IMF, CPI will be 2. 4% while the Office of economic analysis (State of Oregon)   
  
projects a 2. 6% change. The rising cost of energy is among the factors that will influence this trend   
  
Table 1.   
Indicator % change   
IMF   
Office of economic analysis (state of Oregon)   
Real GDP   
3. 6   
2. 6   
Unemployment (% of labour force)   
5. 1   
4. 7   
CPI Inflation   
2. 5   
0. 9   
Current account balance(% of GDP)   
6. 0   
5. 0   
GDP deflator   
2. 0   
2. 0   
Oil prices ($ per barrel)   
54   
54   
  
The Office of economic analysis (State of Oregon) is more accurate especially in the forecast on   
  
current account balance. This is because increasing levels of foreign debt and higher interest rates   
  
will definitely shove current account balance down. The poor position of net foreign asset will have   
  
the same effect not mentioning the lower external deficit recommended by policy makers to move   
  
current account balance to a sustainable level. Steady growth in employment and income   
  
tend to support the lower rates of unemployment given.   
  
  
Inflation Rate.   
  
Inflation refers to " the persistent rise in general price level" (Lipsey 445). The main indicator for   
  
inflation is the consumer price index (CPI). The cost of energy, which has been on the rise   
  
contributes largely on the increase in the rate of inflation. In 2006 energy index rose 22% SAAR   
  
accounting 40% for rise in rate of inflation. At the same time though, economic slack shrunk   
  
reducing inflation rate volatility. Geopolitical factors such as sensitive Middle East situation remain   
  
the greatest risk in causing instability to these rates. Otherwise rate of inflation is projected to   
  
remain stable in the coming years. As seen in the graph below inflation peaked in the second   
  
quarter of the year 2005. According to IMF forecast inflation will remain stable at 2. 5% in the last   
  
quarter of 2006 while the Office of economic analysis (State of Oregon) sees a possibility of the   
  
rate going down to 0. 9%.   
  
IMF is more accurate on this one considering the strong inflationary measures in the policy   
  
document. The resilience of the economy is not to be ignored for it is evident that it can withstand   
  
the rising petroleum based energy costs.   
  
  
  
  
  
Note: values 1-8 above refer to the period between 2005 and 2006 and can be divided into quarters   
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
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