Economic indicator forecast

Literature, Russian Literature

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

Works Cited.

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