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GDP Growth: Panama Best, Ecuador Worst

Panama will see the strongest economic growth next year, followed by Argentina. Ecuador will see the lowest expansion.

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Latin America's economies are expected to grow 4.2 percent next year, according to a new forecast from the International Monetary Fund. That is higher than the 3.6 percent growth the fund had forecast in April.

However, Latin America's GDP growth next year will still be lower than the world average of 4.9 percent and lag behind the forecasted growth in all regions except the European Union. By contrast, developing Asia will grow by 8.6 percent, the IMF says.

PANAMA JUMPS

While both Brazil and Mexico will grow faster than originally forecast (up 0.5 and 0.4 percentage points, respectively), the strongest revisions have taken place in Panama (up 2.1 percentage points), Argentina (2.0 percentage points), Costa Rica (1.5 percentage points) and Ecuador (up 1.0 percentage point), according to an analysis by *Latin Business Chronicle* based on IMF forecasts released in April and September.

Only one country, Haiti, has seen its growth forecast revised down, by 0.4 percentage points. The other eight countries will likely grow as the IMF originally had forecast.

Brazil, Latin America's largest economy, will grow by 4.0 percent next year. That is better than the 3.6 percent the IMF estimates for this year. Mexico's economy, the region's second-largest, will likely expand by 3.5 percent in 2007, which is somewhat lower than the 4.0 percent growth expected this year.

Panama is set to grow more than any other country in Latin America next year, the fund predicts. The country's economy will expand by 6.1 percent. Argentina follows, with 6.0 percent growth.

Chile will record the third-highest growth: 5.5 percent, which was revised up by 0.3 percentage points compared with the April forecast. "Some of the elements constraining economic expansion in 2006 will not be replicated with the same intensity next year (mining production is projected to pickup and oil prices are expected to slightly decline in 2007)," Bear Stearns analyst Franco Uccelli wrote in a commentary on Chile Friday.

UNCERTAIN ECUADOR, SLOWDOWN IN VENEZUELA

Ecuador is expected to register GDP growth of 3.2 percent next year. That is 1.0 percentage points better than the fund had predicted earlier this year, but will still end up as the lowest growth rate in Latin America.

Venezuela, which will likely record the region's best growth rate this year, will see a marked slowdown next year, the IMF forecasts. The oil exporting economy will only grow by 3.7 percent in 2007, which is lower than the regional average.

The recent fall in international oil prices is affecting the economy, as are increased efforts by the government to reduce private investment. Yet, despite the economic slowdown and rising inflation (see [Latin Inflation: Venezuela Worst, Panama Best](#)), President Hugo Chavez still appears headed to easy victory in the December presidential elections.

"We think that it is unlikely that President Chavez will fail to be reelected in December," Bear Stearns analyst Alberto Bernal says. "He has all the resources and the political machinery that he needs to ensure that there are no surprises. In addition, it is very unlikely that the electoral council will be further restructured to give the opposition increased confidence in the legitimacy of the process."

Meanwhile, the IMF has also revised its 2006 growth estimate for Latin America from 4.3

percent to 4.8 percent. Better-than-expected growth in Costa Rica, Venezuela and Ecuador helped drive the forecast up, as did slight improvements in Brazil and Mexico.

“While external performance has continued to be supported by high prices for key commodity exports, domestic demand has become the main engine of growth, “ the IMF said in the World Economic Outlook last week.

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