
Chile will be among largest economies in the world with high GDP growth in 2011

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Summary

The Chilean economy will shine next year, with only minor expansion to China and India, with the help of a strong support in investment and dynamism of the construction sector the all the economic sectors will do their job.

Analysis

In a 2011 in which the bulk of the world economy recorded a slowdown in growth from this year, Chile will go in the opposite direction. Accelerate, to be among the three countries with the highest GDP growth worldwide. Nevertheless, the ability to shine as the 90 and being the diligent student of the class of more permanent is the big question that lingers in the horizon. This week, the new estimates of GDP growth of Central Bank for the country, with a maximum of 5.5% for 2010 and 6.5% in 2011 - joined the Imacec of 7.1% in July, setting a Table of expectation on the local economy. In this context, according to the latest projections of JP Morgan for about the 40 most important economies in the world, with a growth which provides around 6% Chile will lead the global growth next year, being surpassed only by China (8, 6%) and India (8.5%), accompanied by Peru (6%). Since 1995, when he scored an expansion greater than 10%, that Chile was among the 10 economies more dynamic. «Chile will be among the few countries in the world will not produce a slowdown in 2011 as the global online as across Europe, Asia, USA and the rest of A. America are setting a trend for moderation» says director of Moody's Latin America, Alfredo Coutinho. It's a feeling shared in Chile and the largest center for global market, Wall Street. «The growth of 6% by 2011 seems reasonable. The Chilean economy began to grow at a rapid pace

in the second quarter and maintained a level of interest in the second half and in 2011,» he said from New York, an economist at Goldman Sachs Alberto Ramos. John Edmunds, Babson College's academic, is betting that Chile will grow by over 6% in 2011, given the momentum from economies such as India, China, Australia, and Korea. «That has not been taken much into account, because the U.S. and European growth will not be very strong,» he says from Boston. Investment is the key for experts, the car that will pull the cart of the economy next year will be the investment. The rate would reach about 30% of GDP, under the earthquake reconstruction program that will focus on transportation, construction and communications. «Chile has one of the key sources for growth, with an investment ratio of one third of GDP has to grow at sustainable rates of 6% on a continuous basis,» said Coutinho, who says that rate, is comparable only to the investment ratios in Asia. In the same line, Ramos said that the construction will be the star in 2011, although he believes that exports, consumption and labor market have a good year. But economist Patricio Rojas, Rojas and Associates, puts numbers to push the growth sectors. Believes that communications will grow by 9% in 2011 and highlights the expansion that will transport (6% to 7%) and trade (6% to 6.5%). «But construction should be the major sector that will lead the strong growth of the economy next year. Assuming that this could happen growth rates of no more than 4.5% to 5% this year to over 10 % in 2011. If that happens, one could say that there is the basis for growth next year, «Overheating? While growth is very robust for several quarters next year, experts disagree on the possibility of overheating of the economy. «A scenario for growth of between 6% and 6.5% is doable, it's not an overheating economy, because there are several sectors of the supply side are going to need a stimulus, they were content,» other expert Rojas, who he notes that the strong

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investment growth is driven by capital goods imports. «The Central Bank will be setting in inflation more attention and more likely to go ahead with its monetary tightening path. Therefore, the risk of overheating is almost nil,» he adds. Angel Cabrera, a partner at Forecast, there is a significant increase in risk of inflationary pressures in 2011. «There is a risk that some define as inflationary overheating. To me, it's an ongoing process, because as the output gap is closing, with consumption growth rates of 10%, inflationary pressures increase gradually, which is already beginning to happen. This happens in stages, but it's going to intensify in the next 12 to 14 months,» says the expert. Alfredo Coutinho downplays the risk. He says that if growth exceeds 6% consistently during the four quarters of the year, that can generate excess demand and inflationary pressure. «If growth goes above 6% and then moderates, there should be no problem,» he explains. The big question that exists among experts is whether this high growth can be sustained for years. Associated with it, the question is whether the government can realize the reforms to improve productivity and potential growth, Bernardo Javalquinto, economist at JMLC believes that at the pace that Chile is growing, Chileans cannot cope with its rate due to the fact that Chile does not have skill labor force, insist that at solving the problems facing the local economy today relating to restrictions on labor markets and energy and matter competitive exchange rate. Additionally, while economists see a good chance that Chile will grow by over 5% in the next four to five years indicate that this also depends on external context. «Chile is a small open economy that reflects what is happening with the global economy. If the external environment remains favorable and the price of copper remains high, it is possible that Chile continues to grow above 5%. If the world economy is not as healthy be more difficult,» said Ramos. Stresses that the country's economy is well managed and without structural imbalances, which allows above-average growth of countries in the region. Coutinho is even more optimistic. «There will be a sustained growth of the Chilean economy in at least four or five years if the

investment ratio to GDP ratio remains at average levels. Piñera Chile administration will be on average 5% growth, with some years on it, «he says. He thinks the concrete possibility of this virtuous circle of growth in the coming years due to reforms implemented in the past 30 years as expectations that concrete Piñera more liberal vision of the economy. «This administration would not be enjoying this stability with expansion if all this growth and change historical discipline had not been given. Yes there is a very important effect of what was done in Chile, which is now reporting significant results. But there is also eye of the President, which gives priority to investment and has a more liberal view in the sense that attempts to reduce state involvement in the economy,» concludes Coutiño. Javalquinto in the other hand, is very specific is worthless to growth at high rates if inflation is not controlled and if there is a big effort to invest in R+D+I in order to add value to all the natural resources that are exported. And to do that you need skill labor force which means that public and private must insist in better training and better education. In a recent opinion column, former Finance Minister Hernan Buchi, said some changes are still pending in the economy to enhance growth. «To have a permanent turnaround turnaround is needed for the incentives to use and produce, that does not exist,» he said. In this line, the dean of the Faculty of Economics, Catholic University, Francisco Roseberry, also warns that unresolved obstacles that affect the potential. «The risk is that once we overcome the normal recovery from a recession back to the 4% growth, with slower increases in employment,» he says. Alberto Ramos believes that the policies that might apply Sebastián Piñera not mean a radical departure from what has been done in previous administrations. «I think the policy change is so radical. Chile has had a policy framework always friendly to the market. There are always some differences on the rhetorical level if there is confidence about the market, but in terms macro policy framework, monetary and fiscal policies, is very good to have a high level of continuity,» concludes economist at Goldman Sachs.

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