Harnessing Twitter and GPT for a Novel Political Uncertainty Index for Peru: Implications for USD/PEN Exchange Rate Fluctuations

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Abstract

This study examines the impact of political uncertainty on key macroeconomic variables, including the USD to PEN exchange rate, through a specialized index built from social media analysis. Tweets from prominent Peruvian figures (2018-2023) are analyzed and labeled by GPT-3.5 Turbo, determining their stance on Peru's political and economic situation. This process contributes to the creation of a political uncertainty time series. This series, indicative of Peru's economic climate, is integrated with a (chosen macroeconomic forecasting method) to enhance the prediction of macroeconomic trends, with a focus on currency exchange dynamics.

Keywords: Political Uncertainty, Macroeconomic Fluctuations, Exchange Rate, Peruvian Economy, Twitter, GPT-3.5 Turbo.
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