

## IMF FORECAST ACCURACY DOES NOT AFFECT GROWTH OUTCOMES

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Posted on 1/19/2022 9:04 AM

Beaudry and Willems (BW) argue that over-optimistic macroeconomic forecasts, as represented by the IMF's, result in lower GDP growth over the following years. The estimated impact is, in their words, "sizable". If growth is forecast at, say, 5% per annum for a particular country and the outcome is 4%, they estimate a 1% growth reduction. Put like this, it is clear that the inference is invalid. If we think in terms of a hypothetical experiment, the forecast error would not be a manipulable quantity. Instead, we can examine the impact of a reduction of the World Economic Outlook (WEO) forecast from 5% to 4%. With a 4% forecast and a 4% outcome, there will be no error and hence no growth impact. The unit coefficient in the BW estimates implies that the growth outcome drops out of the equations.

I demonstrate this more formally in the attached note. I conclude that there is no evidence that growth outcomes are affected by WEO forecast accuracy. I also attach a revised dataset that includes greater detail on the WEO forecast errors and the Stata do file used to generate the estimates reported in my note.

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[Stata files](#)