The Accuracy of IMF Crises Nowcasts

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Abstract

As lender of last resort, the IMF provides loans to countries in economic crises. Loan disbursements require mandated policy reforms and qualitative performance criteria whose breadths and stringencies are contingent on IMF crisis assessments. A rich literature scrutinizes the efficacy of IMF crisis loan programs, our study examines the accuracy of the underlying IMF forecasts that predicated program design. Analyzing 600 IMF crisis loan programs from 1992 to 2019, we find IMF forecast assessments of the crisis conditions differ substantially from the realized data. We also test if forecasts efficiently integrated all information available to the IMF at the time of the forecasts including (i) program objectives, (ii) program conditionality, (iii) country types, and (iv) crisis types. An important finding is that IMF GDP growth forecasts during crises as improved substantially since 2006.

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