

An Evaluation of the World Economic Outlook Forecasts. IMF, march 2006

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Summary: The World Economic Outlook (WEO) is a key source of forecasts of global economic conditions. It is therefore important to review the performance of these forecasts against both actual outcomes and alternative forecasts. This paper conducts a series of statistical tests to evaluate the quality of the WEO forecasts for a very large cross section of countries, with particular emphasis on the recent recession and recovery. It assesses whether forecasts were unbiased and informationally efficient, and characterizes the process whereby WEO forecasts get revised as the time to the point of the forecast draws closer. Finally, the paper assesses whether forecasts can be improved by combining WEO forecasts with the Consensus forecasts. The results suggest that the performance of the WEO forecasts is similar to that of the Consensus forecasts. While WEO forecasts for many variables in many countries meet basic quality standards in some, if not all, dimensions, the paper raises a number of concerns with current forecasting performance.

Full text:
<http://www.imf.org/external/pubs/ft/wp/2006/wp0659.pdf>