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Common Biases in OECD and IMF Forecasts: Who Dares to be Different?

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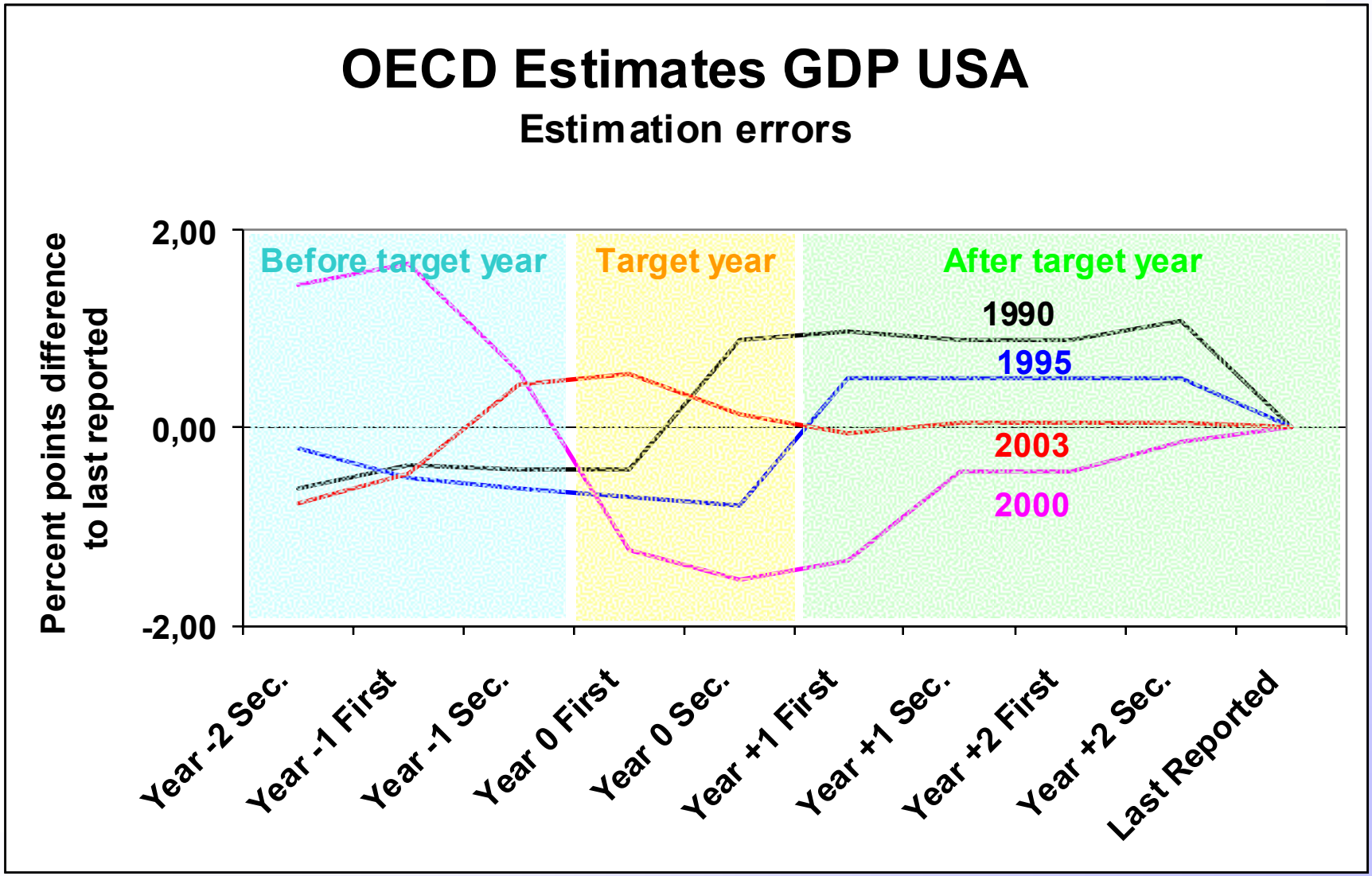
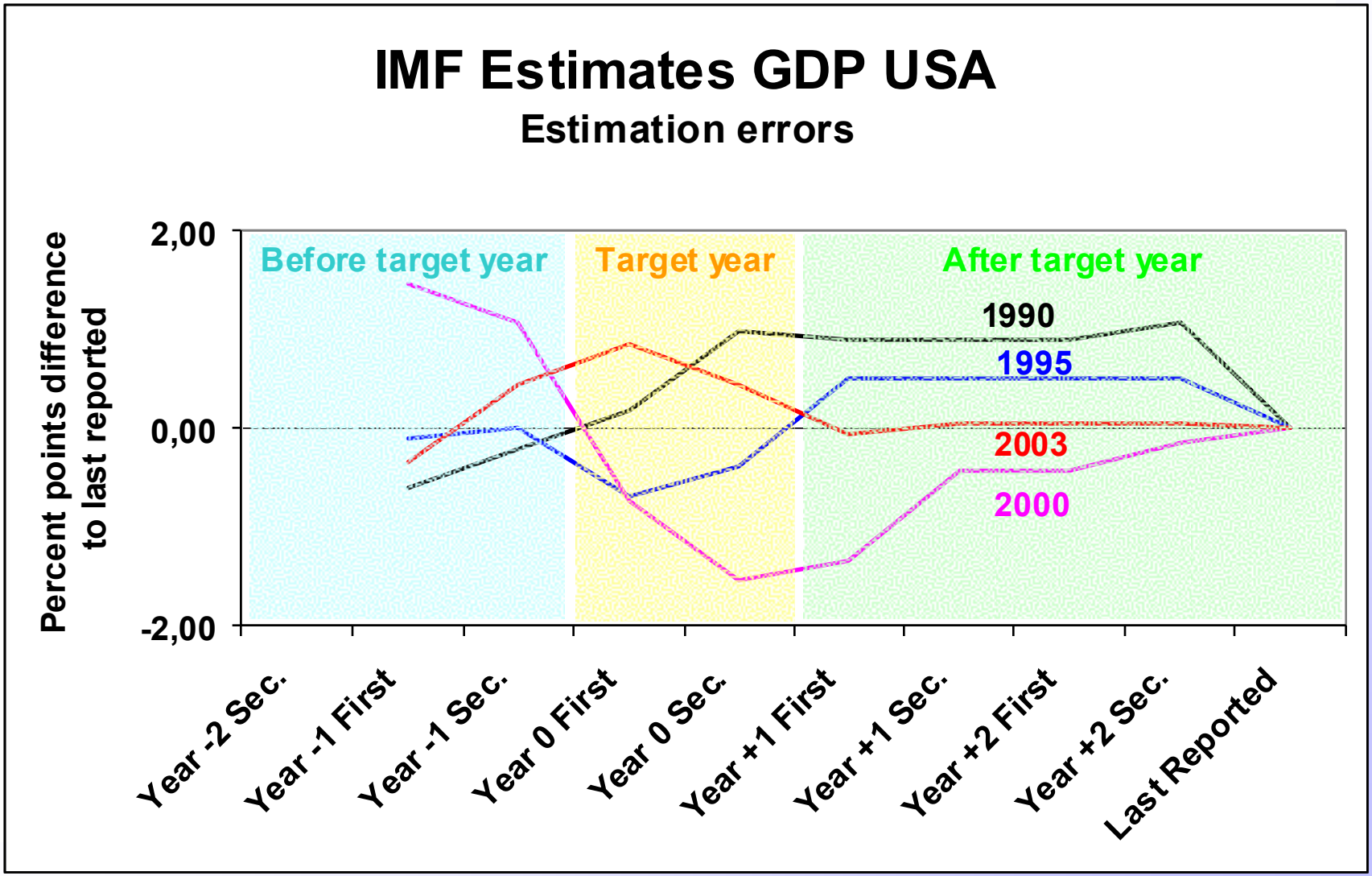
Motivation for this paper

- We are comparing forecasts and ex-post data revisions for G-7 countries
  - Real-time estimates
- GDP estimates by OECD and IMF
  - Agnostic data analysis
  - We do not investigate the reasons for differences
- We investigate the hypothesis of common biases
  - Common exogenous assumptions
  - Interaction of forecasters
  - Uncertainty decreases over time as forecasts evolve

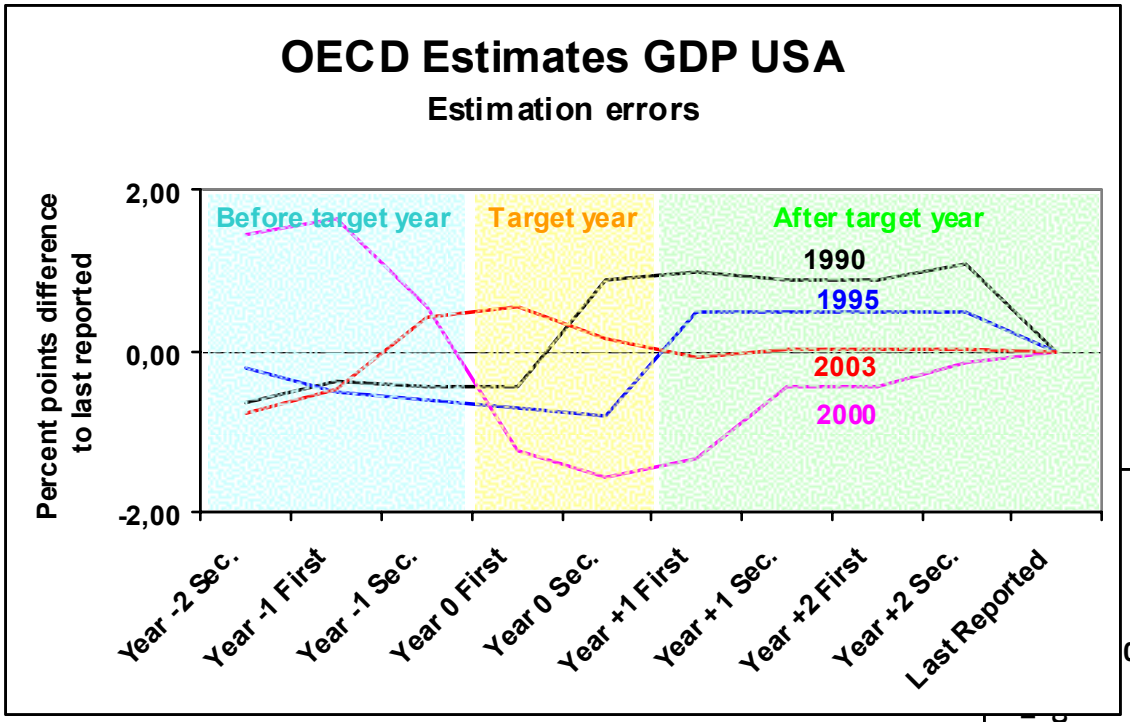
Dated OECD estimates for USA

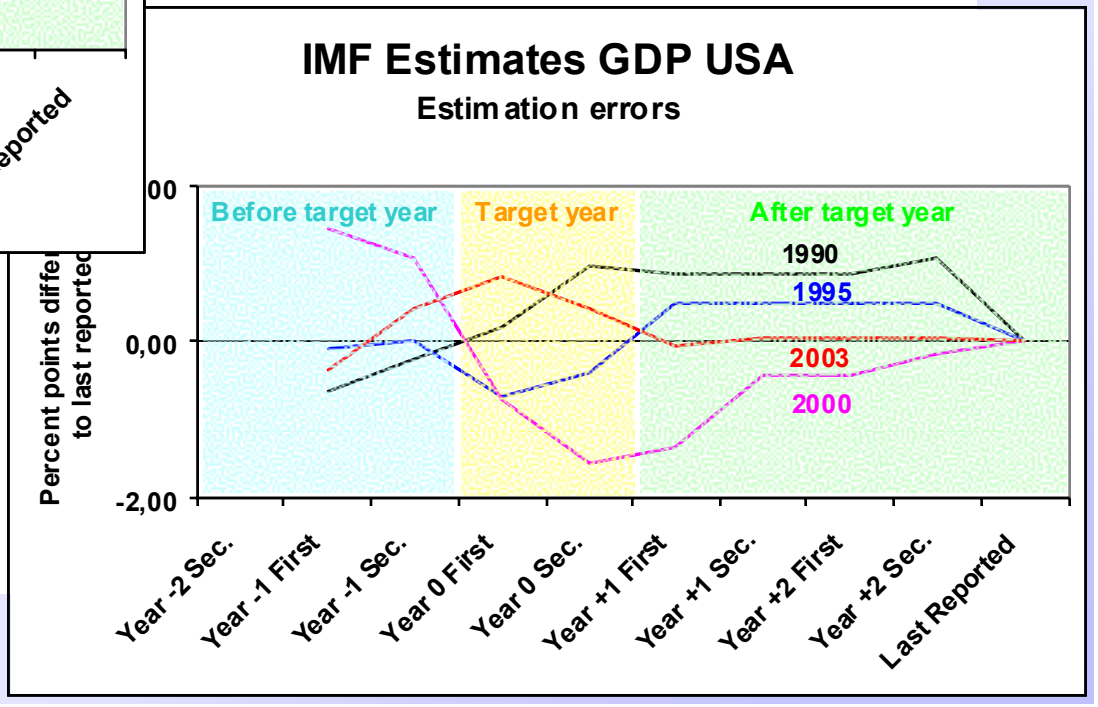


Dated IMF estimates for USA

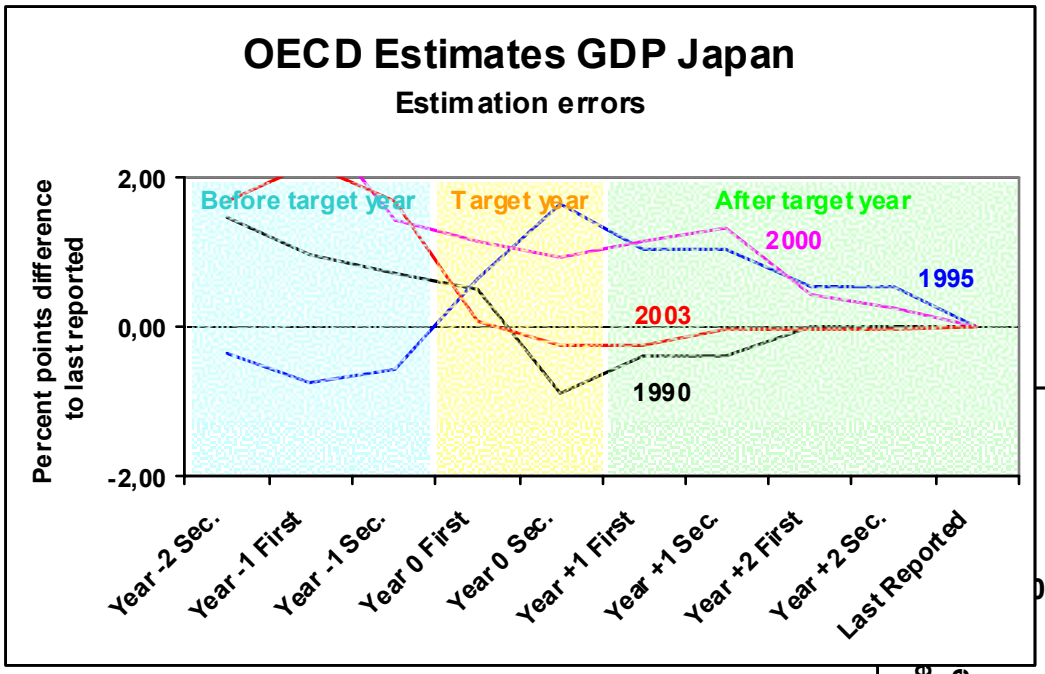


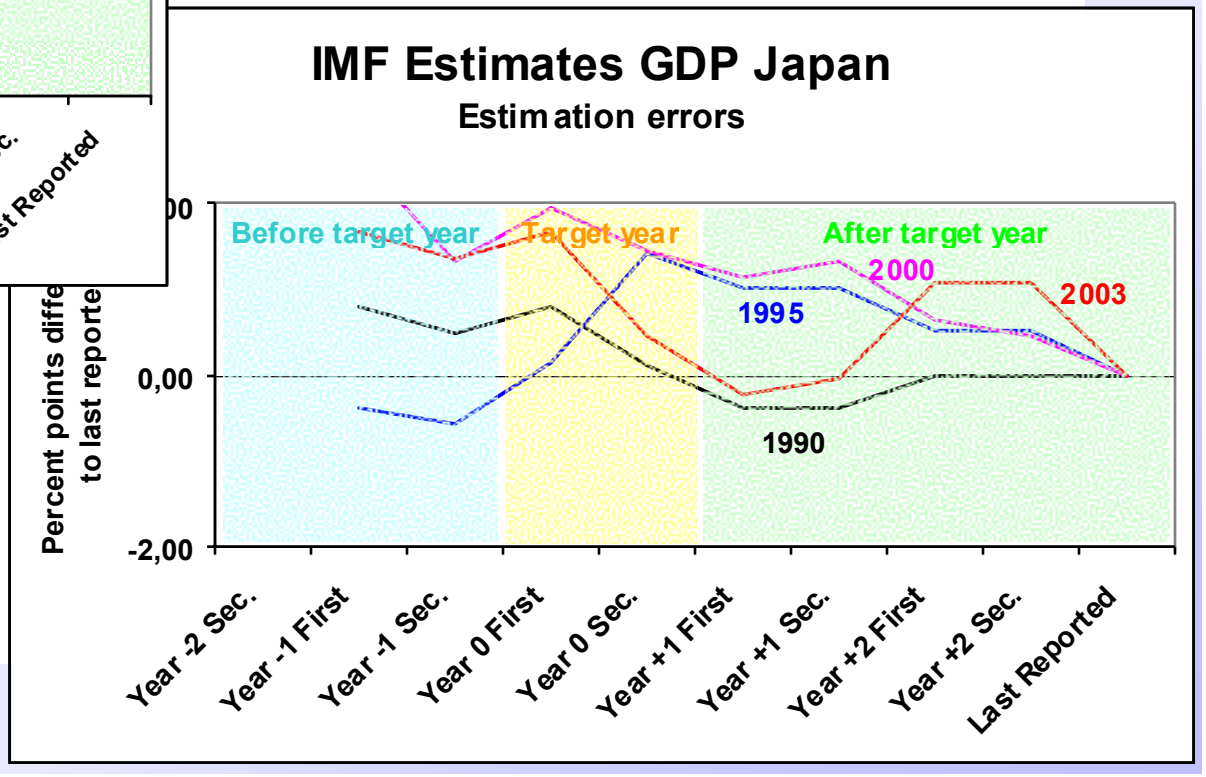
Comparison of OECD / IMF estimates for USA





Comparison of OECD / IMF estimates for Japan





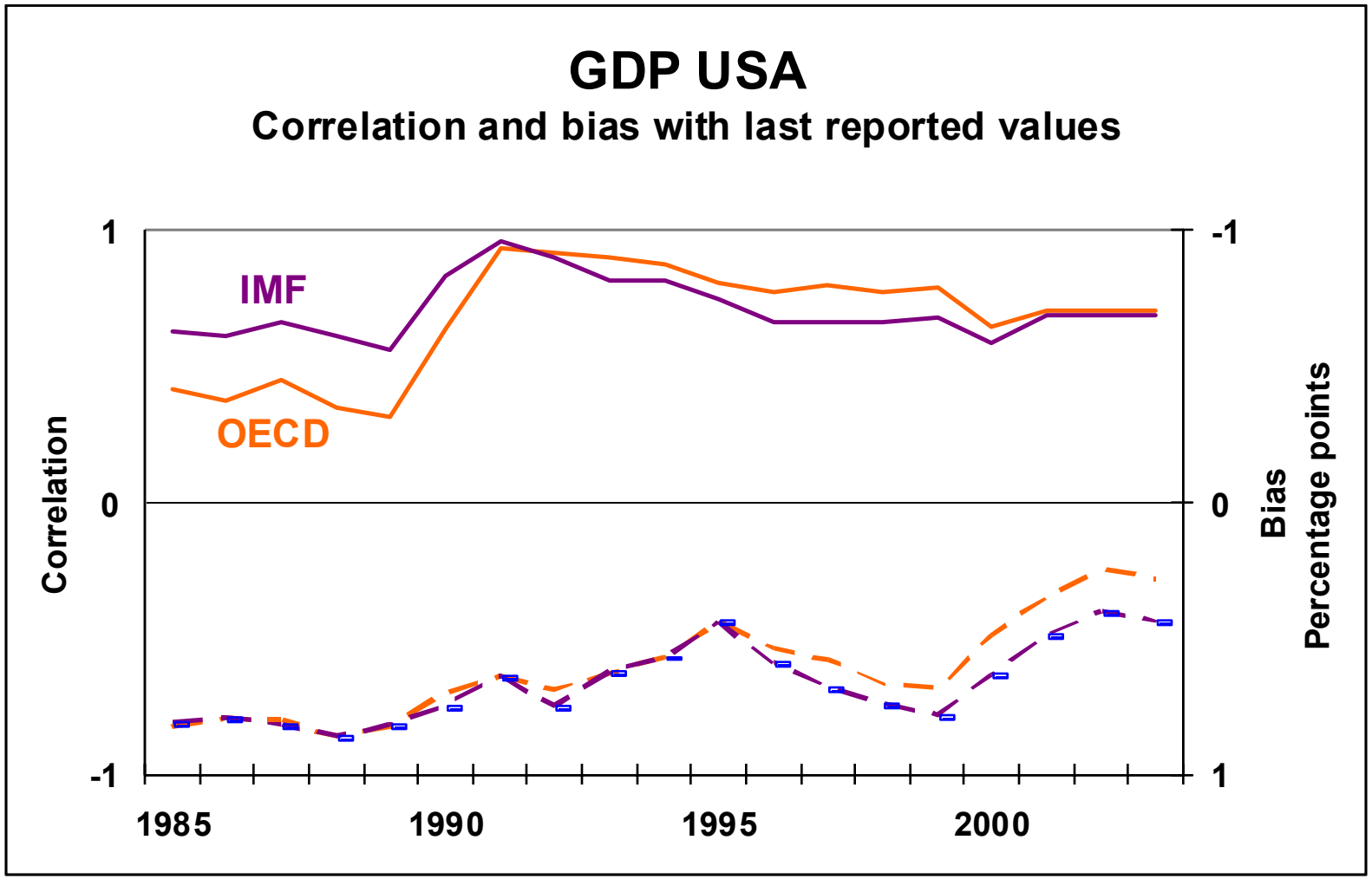
We investigate two types of potential biases

- **Step 1:** Common biases among OECD / IMF estimates for the G7
  - Evidence of strong common biases for OECD / IMF estimates for each G7 country
- **Step 2:** Common biases among G7 country estimates for IMF
  - But only a few country groups exhibit common biases within the set of OECD / IMF estimates
- This is a puzzling result
  - Despite strong common biased estimates between OECD and IMF estimates for each G7 country, this is in general not true among countries

Step 1:
Common biases among OECD/IMF

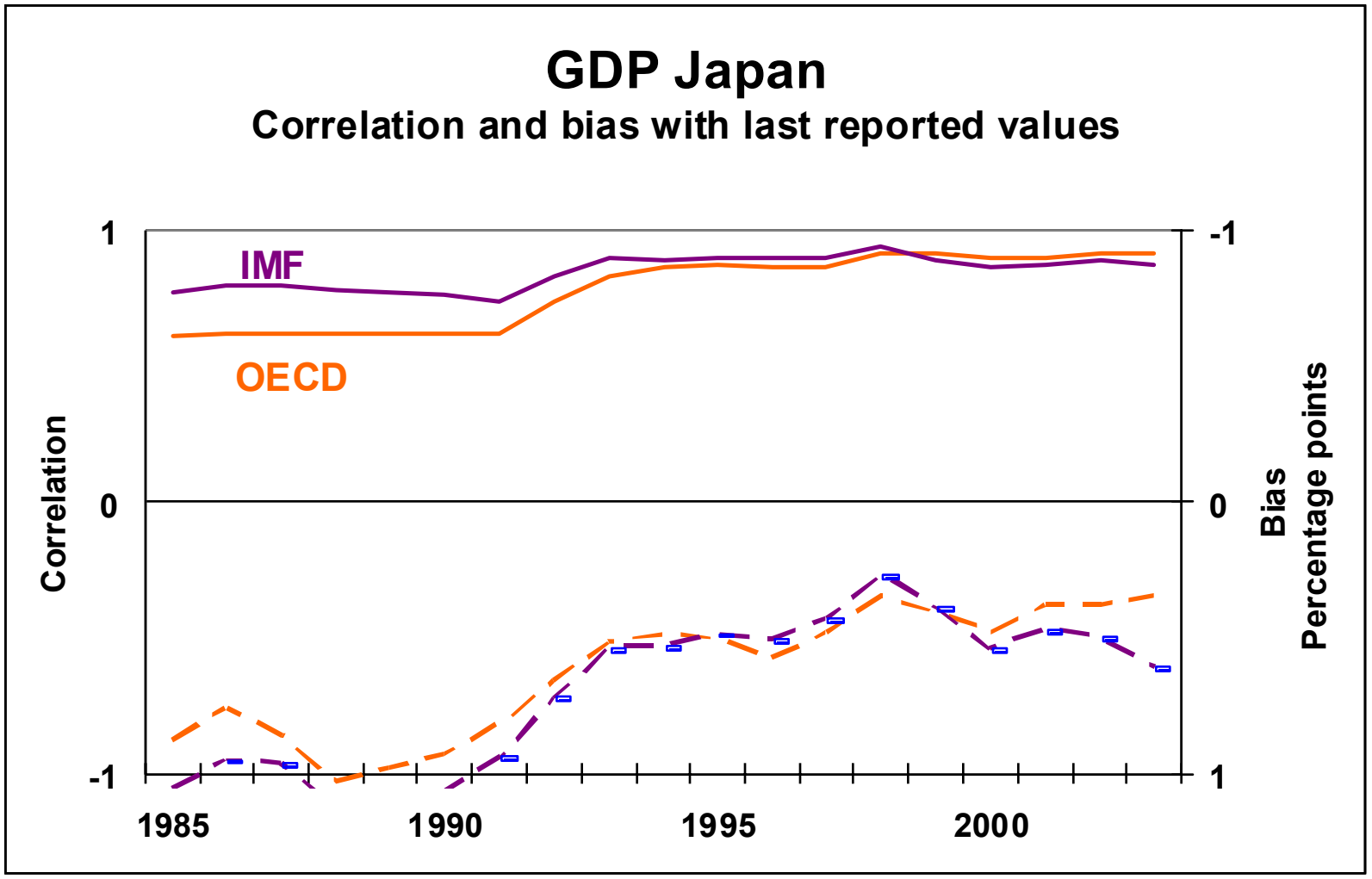
- We investigate common biases among OECD / IMF estimates countries for each G7 country
- Methodology:
  Sequentially estimated correlations and biases with fading memory

Common biases among OECD/IMF
USA

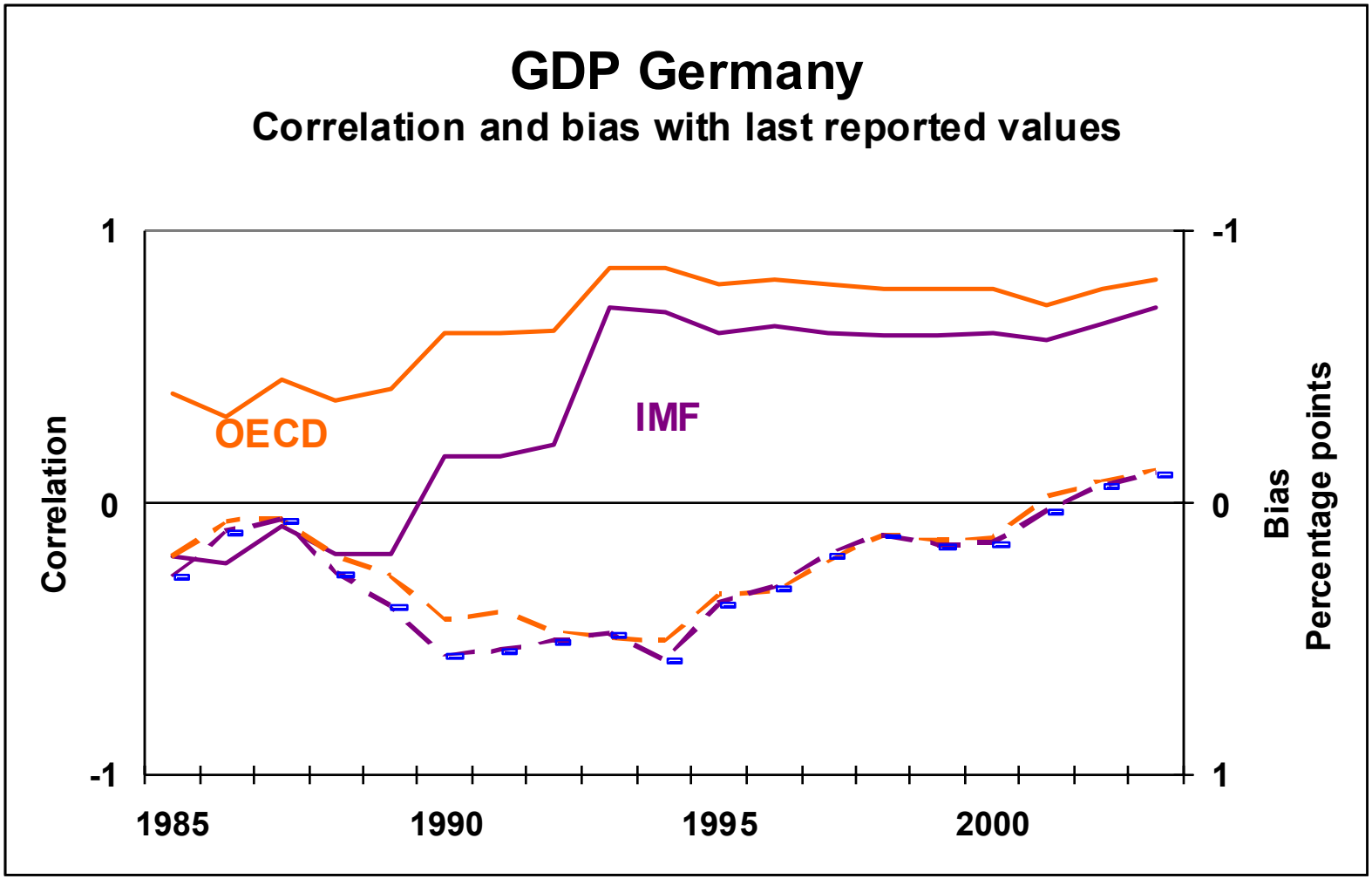


Common biases among OECD/IMF

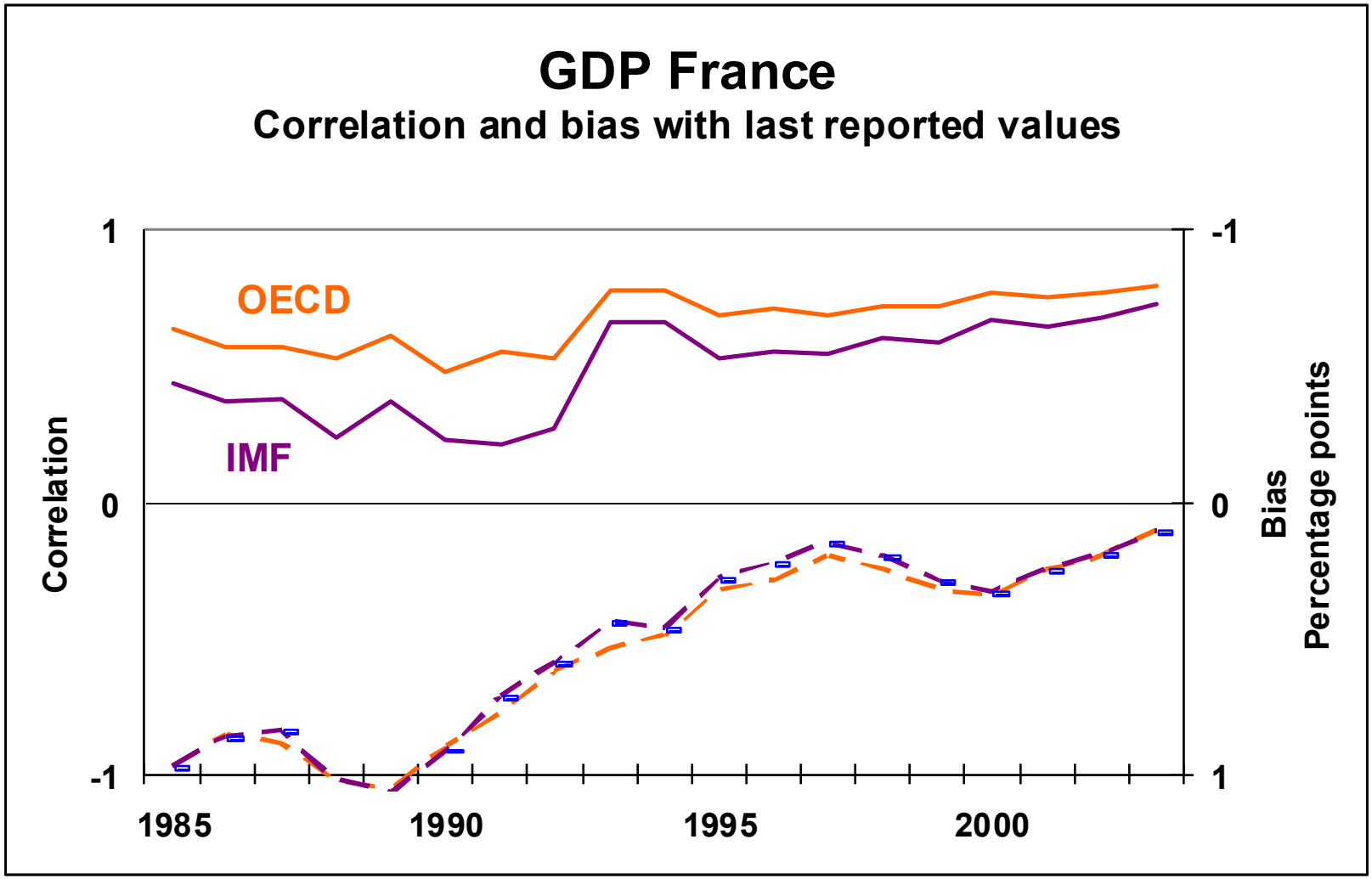
Japan



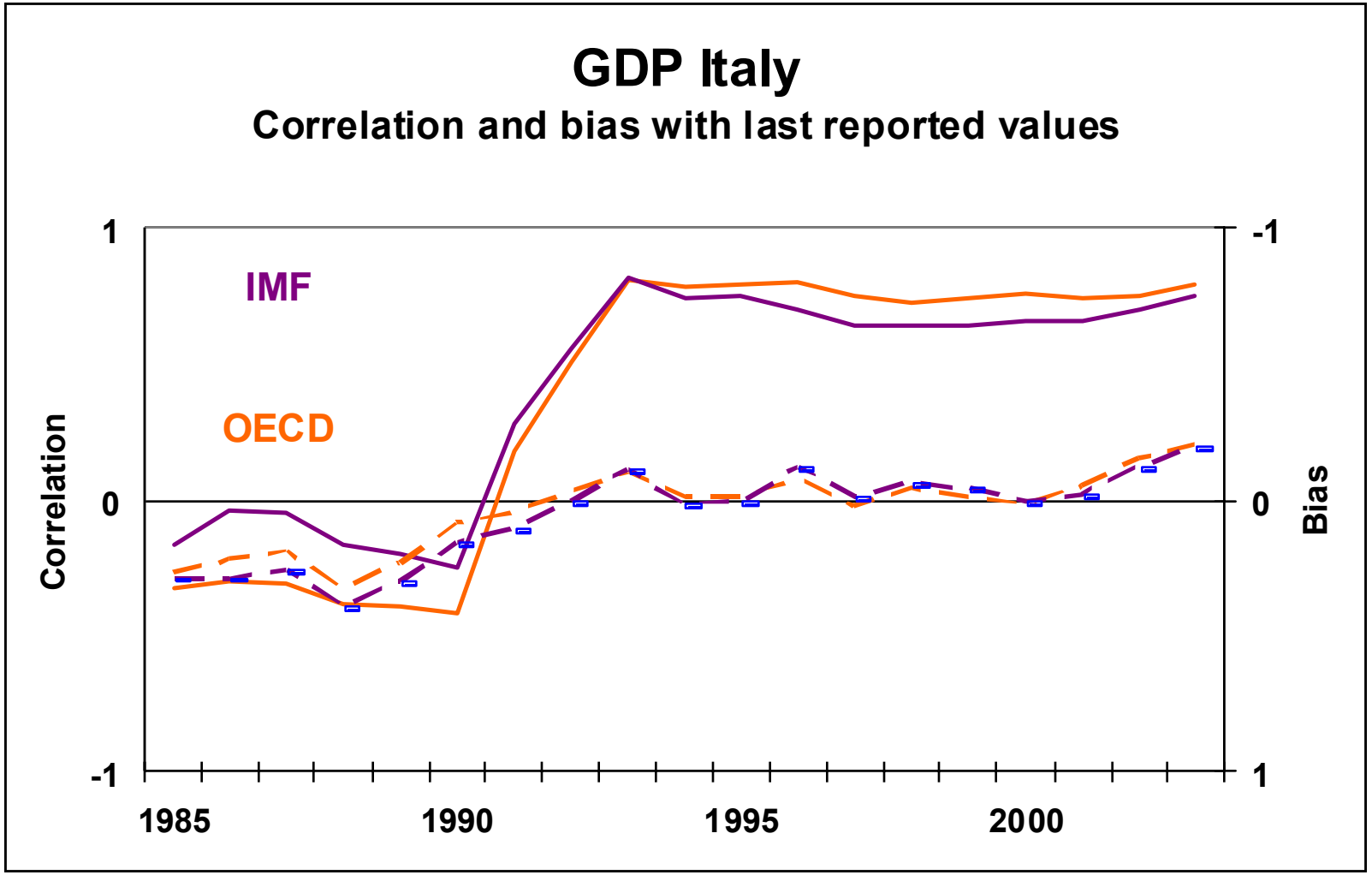
Common biases among OECD/IMF
Germany



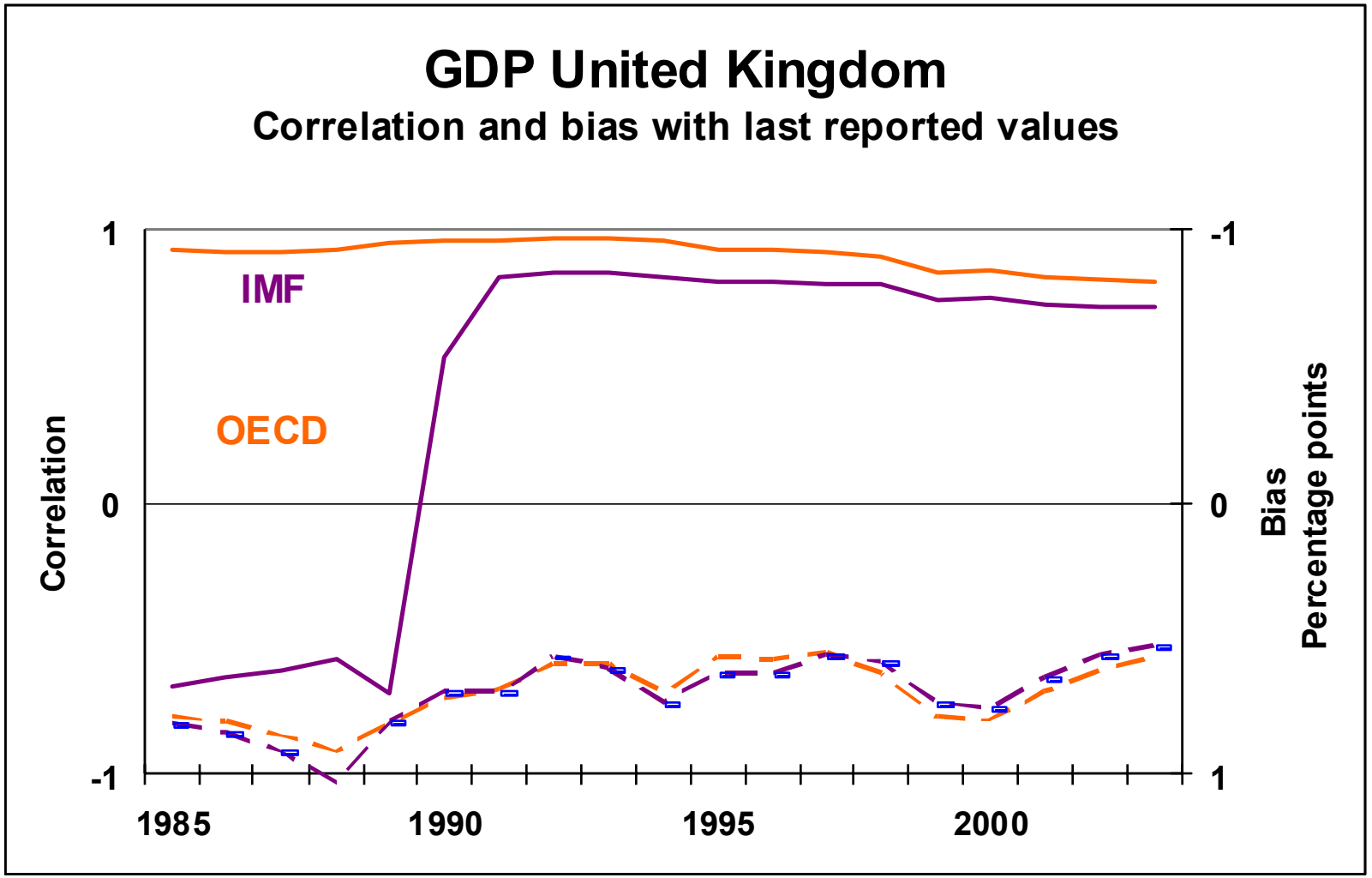
Common biases among OECD/IMF
France



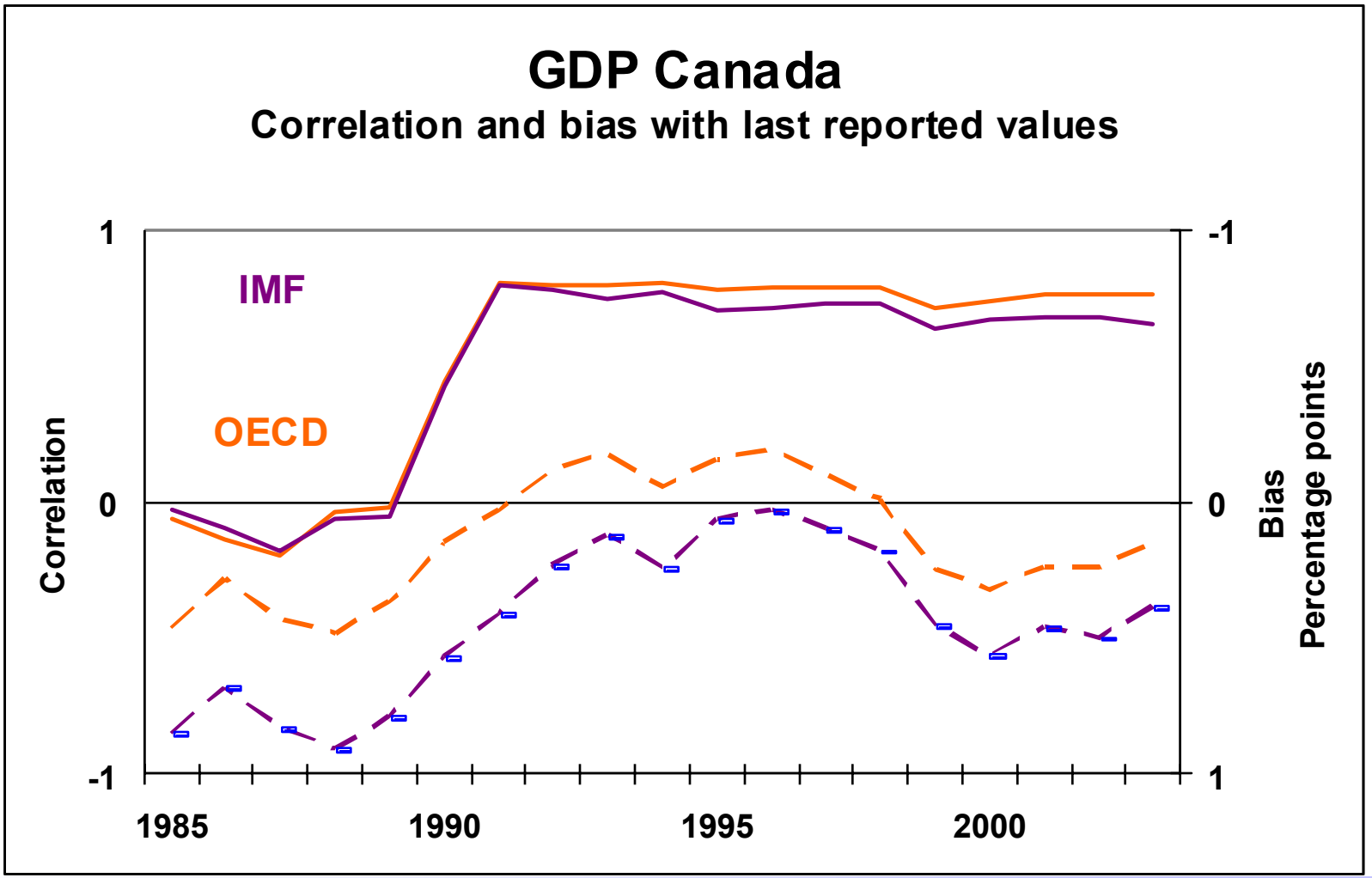
Common biases among OECD/IMF
Italy



Common biases among OECD/IMF
United Kingdom



Common biases among OECD/IMF
Canada



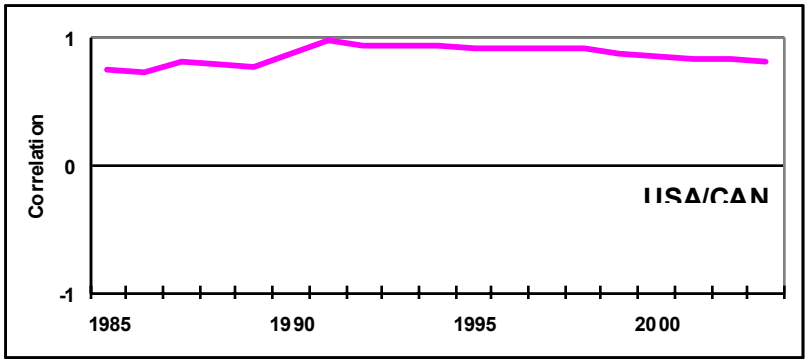
Common biases among OECD/IMF
Conclusions

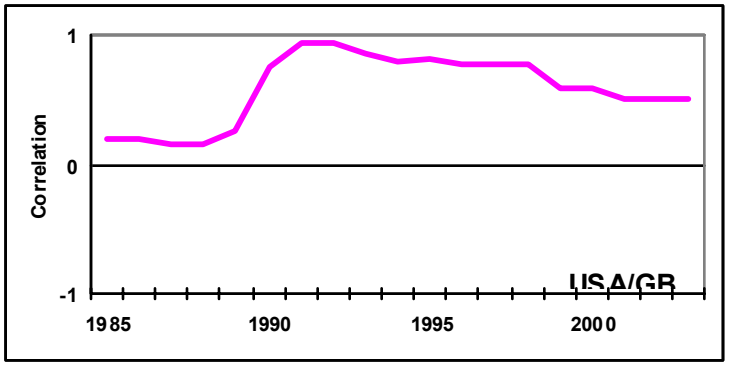
- Very strong common biases between OECD and IMF estimates
  - OECD estimate is a good predictor for IMF estimate and vice versa
- Accuracy of estimates varies over time
  - Estimates improve since 1990 (except USA)
  - Biases always positive (underestimation) but become lower
- OECD and IMF don't dare to be different

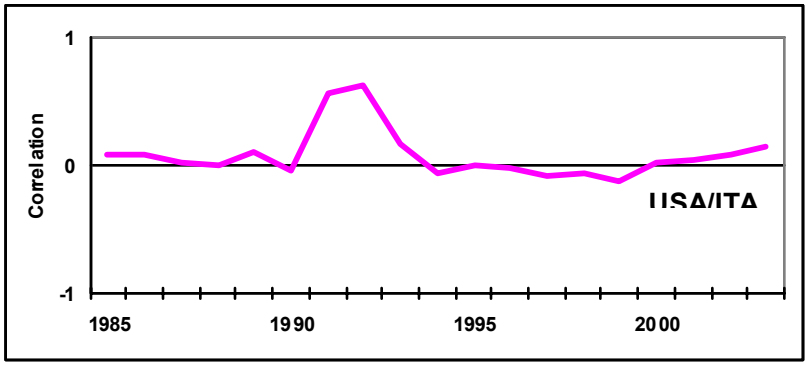
Step 2:
Common biases among countries

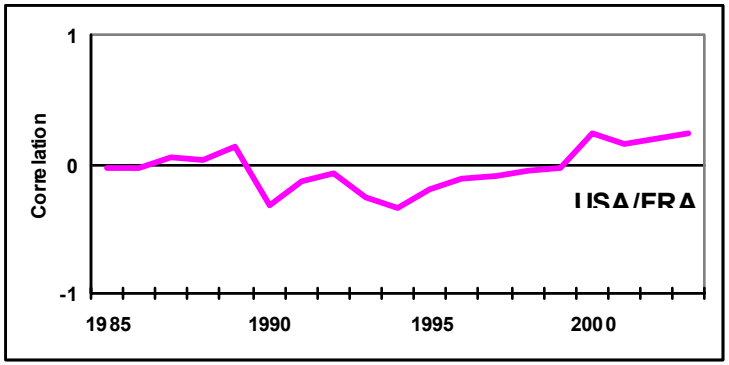
- We investigate common biases among G7 countries within the set of IMF estimates
- Methodology:
  Sequentially estimated covariances with fading memory

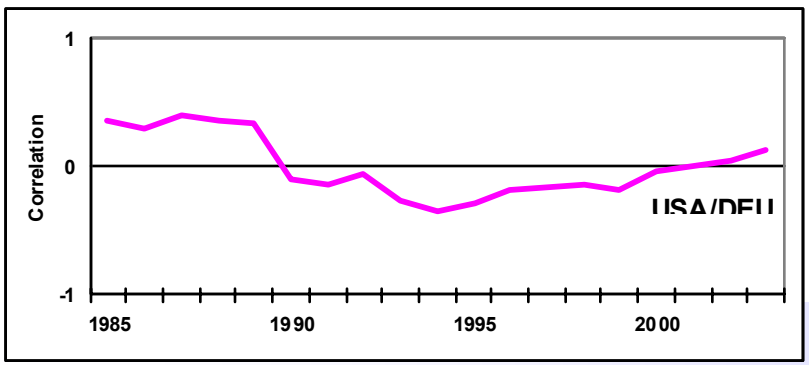
Common biases among countries
USA / *

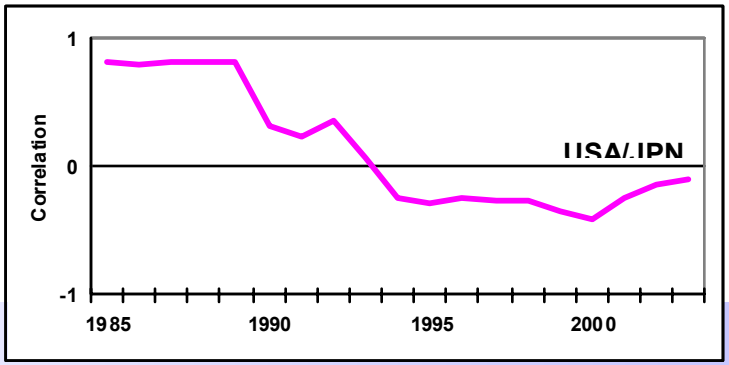






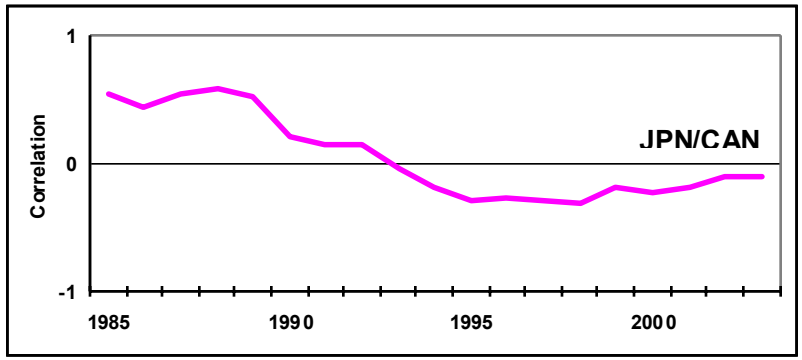


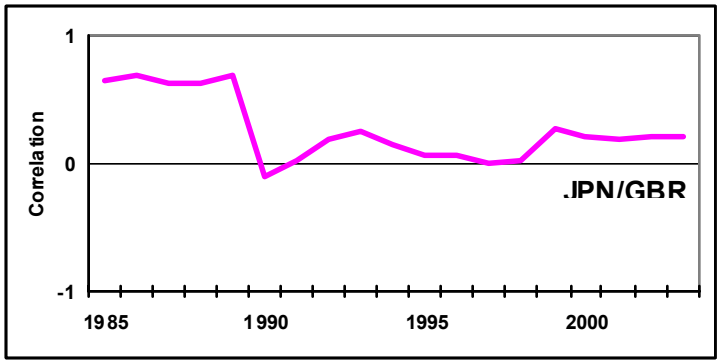


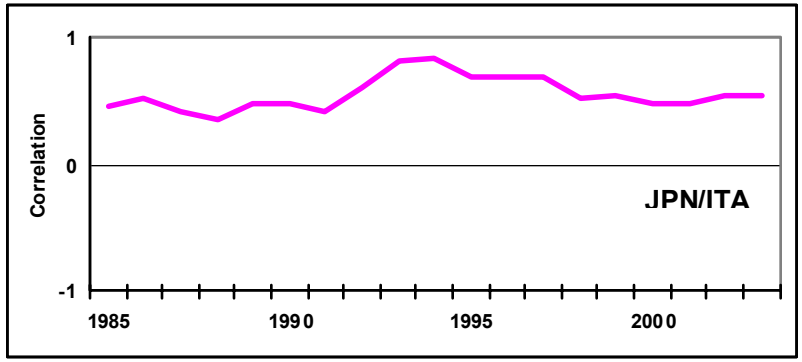


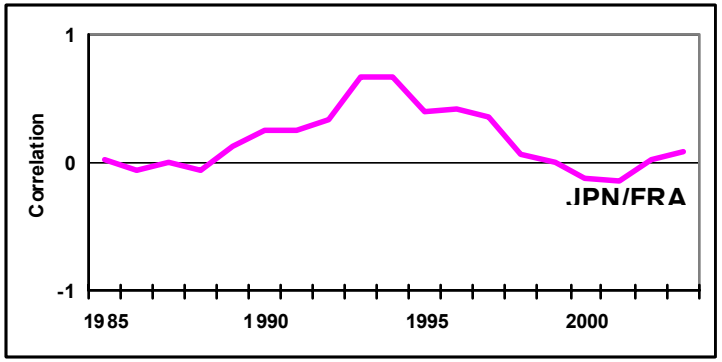
Common biases among countries

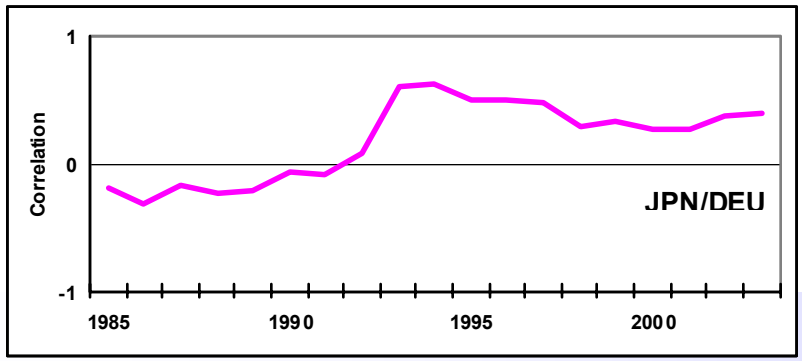
Japan / *



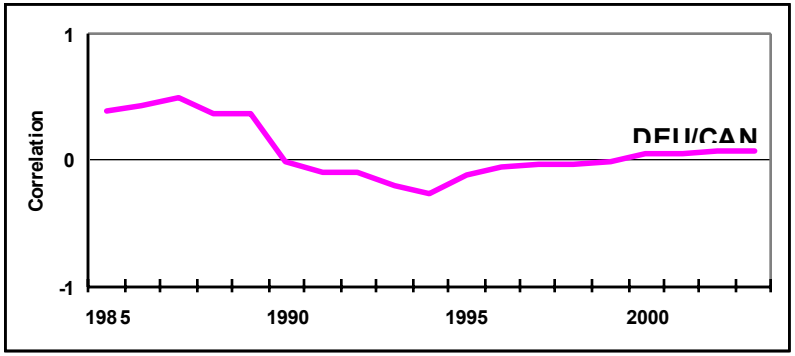


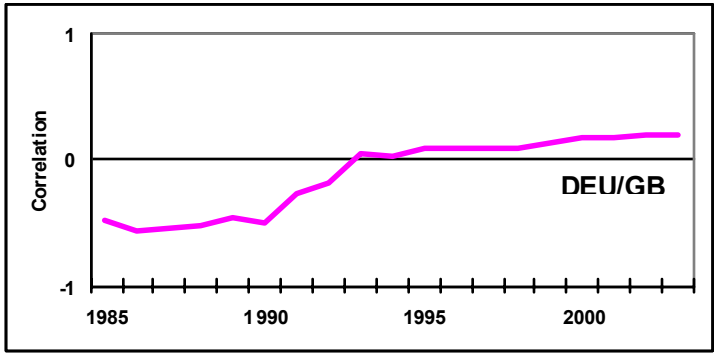


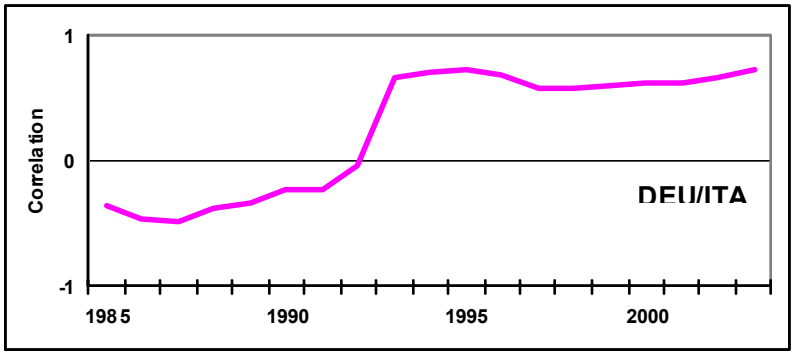


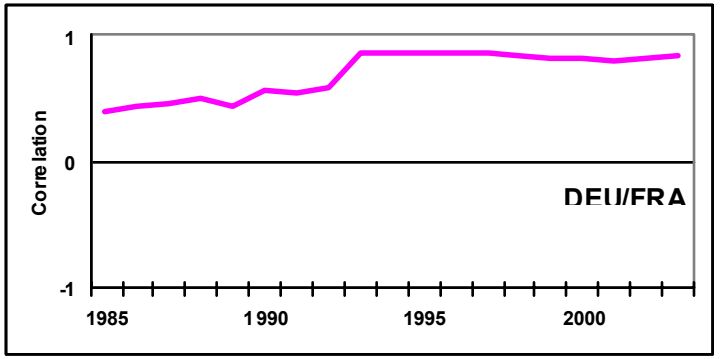


Common biases among countries
Germany / *

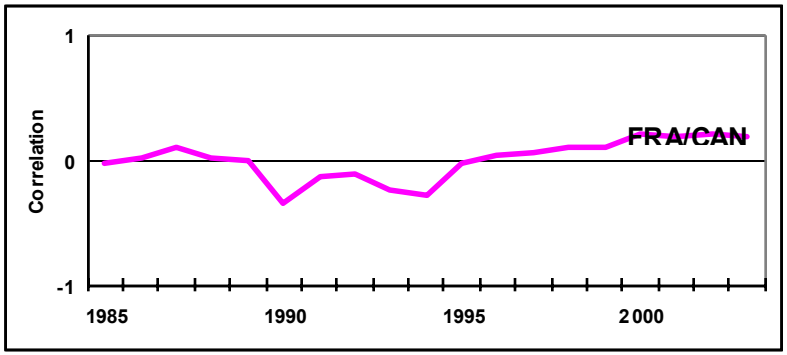


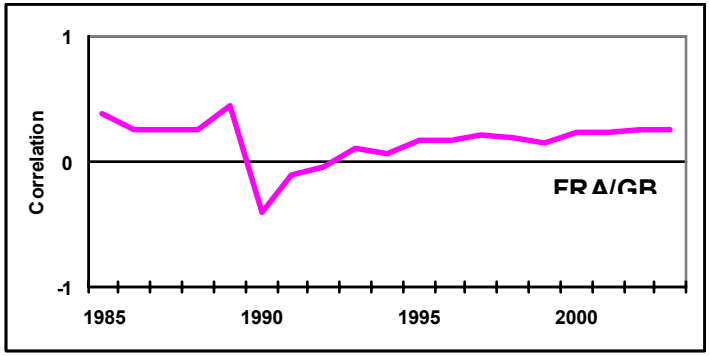


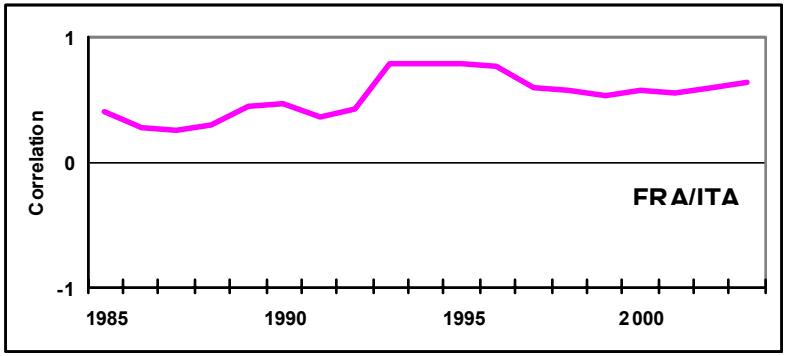




Common biases among countries
France / *

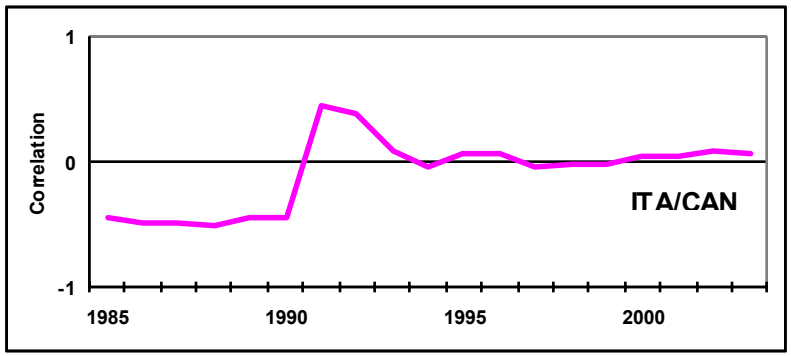


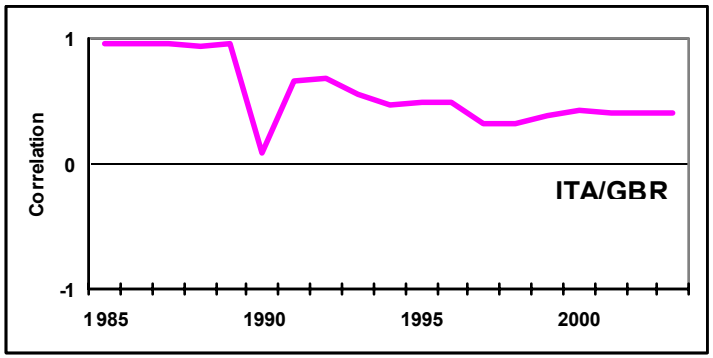




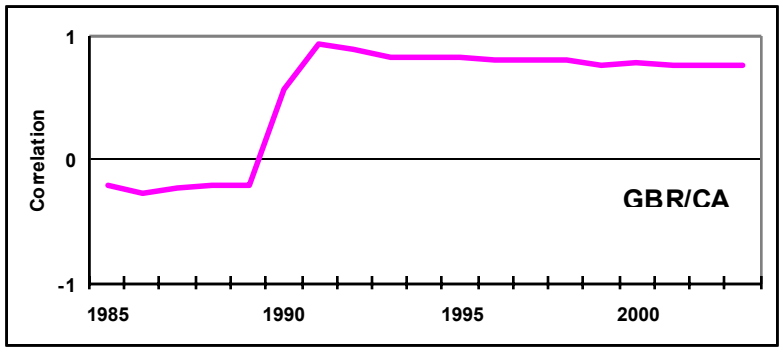
Common biases among countries

Italy / *





Common biases among countries
United Kingdom / *



Common biases among countries
Conclusions

- Only among a very few country groups we can observe common biases
  - USA – Canada
  - Germany – France – Italy
  - United Kingdom – Canada
- Japan is “isolated”
  - Decoupled from USA after 1990
- This is a puzzling result
  - Despite significant biases in all OECD / IMF estimates only a few show common features

Final remarks

- We only reported the results for the first forecast for the target year.
- The estimates show systematic and significant biases
- The estimates can be improved for policy analysis by correcting for these biases