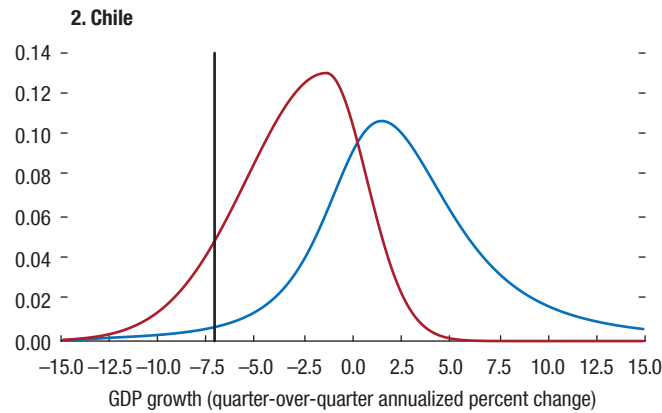
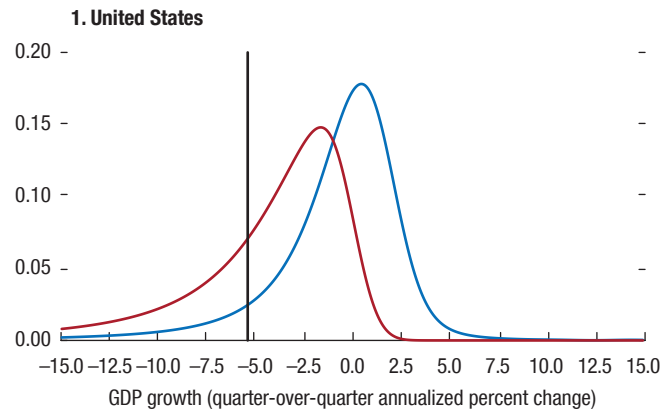


Figure 3.7. Probability Densities of GDP Growth for the Depths of the Global Financial Crisis
(Probability)

Accounting for financial conditions generates a more pessimistic outlook for risks to growth one quarter before 2009:Q1.

- One-quarter-ahead conditional forecast density (at 2008:Q4): without FCI
- One-quarter-ahead conditional forecast density (at 2008:Q4): with FCI
- Realized value



Sources: Bloomberg Finance L.P.; Haver Analytics; IMF, Global Data Source and World Economic Outlook databases; Thomson Reuters Datastream; and IMF staff estimates.

Note: The figure displays conditional probability distributions of one-quarter-ahead GDP growth based on a parametric, T-skew density, fitted over quantile regression estimates as described in Annex 3.3. In particular, it includes two conditional distributions of growth based on two forecasting models that use either growth or growth and financial conditions indices (FCIs) to predict future growth (in 2009:Q1). The figure also includes the realized values of GDP growth (black vertical line). Blue density = model with single regressor (one-quarter-lagged GDP growth); red density = model with two regressors (one-quarter-lagged GDP growth and one-quarter-lagged FCI).