Financial conditions improve the ability to predict future economic downturns.

Source: IMF staff estimates.
Note: The figure displays conditional probability distributions of one-year-ahead real GDP growth for a panel of 43 countries based on quantile regressions. In particular, it includes unconditional historical distributions and two conditional distributions (of growth) based on two forecasting models that use either growth or growth and FCIs to predict future growth (in 2007:Q2 or in 2009:Q3). The figure also includes realized values (average actual GDP growth). FCI = financial conditions index.