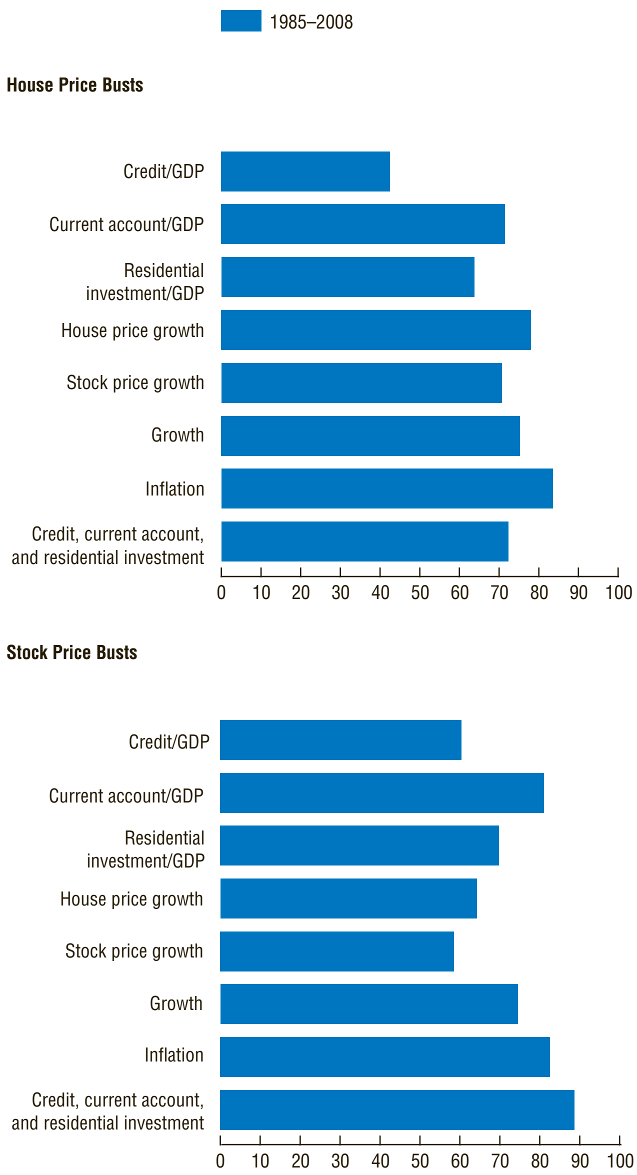
Figure 3.6. The Failure of the Indicators to Predict an Asset Price Bust

(Percent of quarters the variables failed to raise an alarm 1–3 years before a bust)

Even though large deviations in credit, the current account, and investment to GDP are good predictors of asset price busts, they raised alarms only about one-quarter to one-half of the time prior to a bust in the post-1985 period.



Source: IMF staff calculations.