Differences between actual growth and forecast growth conditional on external conditions are not that large for most sample economies.

Sources: Haver Analytics; Thomson Reuters Datastream; and IMF staff calculations.

Note: For all economies except China, the modified baseline vector autoregression model includes U.S. real GDP growth, U.S. inflation, 10-year U.S. Treasury bond rate, China real GDP growth, J.P. Morgan Emerging Markets Bond Index (EMBI) yield, and terms-of-trade growth in the external block; the alternative specification includes U.S. real GDP growth, euro area real GDP growth, U.S. inflation, 10-year U.S. Treasury bond rate, China real GDP growth, EMBI yield, and terms-of-trade growth in the external block. For China, the modified baseline vector autoregression model includes U.S. real GDP growth, U.S. inflation, 10-year U.S. Treasury bond rate, EMBI yield, and terms-of-trade growth in the external block; the alternative specification includes U.S. real GDP growth, euro area real GDP growth, U.S. inflation, 10-year U.S. Treasury bond rate, EMBI yield, and terms-of-trade growth in the external block. All values have been normalized using the standard deviation of country-specific real GDP growth between the first quarter of 1998 and the fourth quarter of 2007.