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Forecast Errors in Prices and Wages: The Experience with Three Programme Countries

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ABSTRACT
This paper evaluates the accuracy of price and wage forecasts made under the scope of the Greek, Portuguese and Irish Economic Adjustment Programmes (EAPs). Besides comparing the quality of forecasts for the three EAPs, it checks if they were less accurate than forecasts for other euro area countries, and compares the European Commission’s forecasts with those of the IMF and OECD. Programme forecasts for Greece were, overall, the least accurate, but those made under the second Greek EAP seem to have gotten closer to actual values. The results also suggest that EC forecasts were not less accurate than those produced by the IMF or the OECD.

Keywords: Forecast errors; Prices and wages; Economic Adjustment Programmes; Greece; Portugal; Ireland.

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