

[Home](#) > [Staff Papers](#) > Article

The Yield Curve and Real Activity

| Published: 01 December 1993

| Volume 40, pages 781–806 (1993) [Cite this article](#)[Save article](#)[View saved research](#) >

[Staff Papers](#)

[Aims and scope](#) →[Submit manuscript](#) →[Zuliu Hu](#)[20](#) Accesses [70](#) Citations [3](#) Altmetric [Explore all metrics](#) →

Abstract

This paper attempts to formalize the link between the yield curve and real economic activity. A closed-form formula for the term structure of interest rates is derived. The paper then documents the use of bond market data for predicting GDP growth in the G-7 industrial countries. The results suggest that a simple measure of the slope of the yield curve, namely the yield spread, serves as a good predictor of future economic growth. The out-of-sample forecasting performance of the yield spread compares favorably with that of the alternative stock price-based model and a univariate time series (ARMA) model.

Access this article

Log in via an institution →

Subscribe and save

✓ Springer+

from €37.37 /Month

- Starting from 10 chapters or articles per month
- Access and download chapters and articles from more than 300k books and 2,500 journals
- Cancel anytime

View plans →

Buy Now

Buy article PDF 39,95 €

Price includes VAT (Poland)

Instant access to the full article PDF.

[Institutional subscriptions](#) →

Similar content being viewed by others



The Term Structure of Interest Rates

Chapter | © 2022



Economic downturn and the yield curve: Evidence from Canada and the US

Article | 27 March 2025



Short-term and long-term interest rate spread's dynamics to risk and the yield curve

Article | 30 September 2022

Explore related subjects

Discover the latest articles, books and news in related subjects, suggested using machine learning.

[Economic Growth](#)

[Economics](#)

[Econometrics](#)

[Economic History](#)

[Economy-wide Country Studies](#)

[Quantitative Economics](#)

[Elasticity of Substitution in Economic Growth Models](#)

Rights and permissions

[Reprints and permissions](#)

About this article

Cite this article

Hu, Z. The Yield Curve and Real Activity. *IMF Econ Rev* **40**, 781–806 (1993).

<https://doi.org/10.2307/3867610>

Published

01 December 1993

Issue date

01 December 1993

DOI

<https://doi.org/10.2307/3867610>

JEL Classifications

[E32](#)

[G12](#)

Search

Search by keyword or author



Navigation

[Find a journal](#)

[Publish with us](#)

[Track your research](#)

