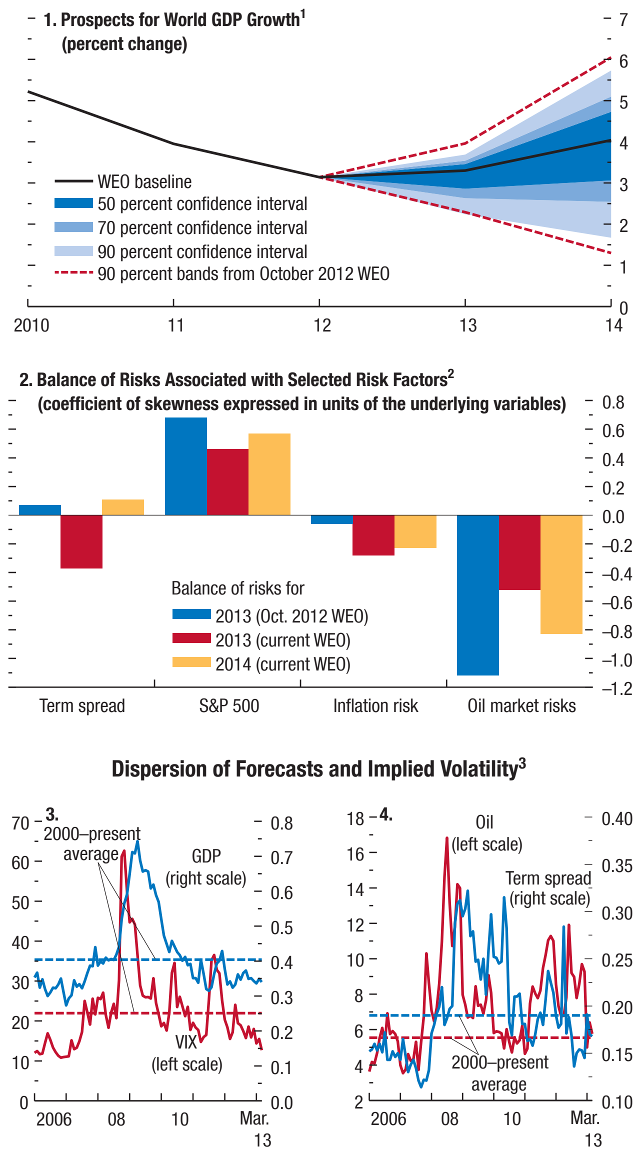
Figure 1.12. Risks to the Global Outlook

Risks around WEO projections have narrowed, according to market metrics. These metrics continue to point to oil prices as the primary source of downside risks to global growth, while S&P 500 option prices point to some upside risks.



Sources: Bloomberg, L.P.; Chicago Board Options Exchange; Consensus Economics; and IMF staff estimates.

[1]The fan chart shows the uncertainty around the WEO central forecast with 50, 70, and 90 percent confidence intervals. As shown, the 70 percent confidence interval includes the 50 percent interval, and the 90 percent confidence interval includes the 50 and 70 percent intervals. See Appendix 1.2 of the April 2009 WEO for details. The 90 percent bands from the October 2012 WEO for the one-year-ahead and two-year-ahead forecasts are shown relative to the current baseline.

[2]Bars depict the coefficient of skewness expressed in units of the underlying variables. The values for inflation risks and oil market risks are entered with the opposite sign since they represent downside risks to growth. Note that the risks associated with the S&P 500 for 2014 are based on options contracts for March 2014.

[3]GDP measures the purchasing-power-parity-weighted average dispersion of GDP forecasts for the G7 economies (Canada, France, Germany, Italy, Japan, United Kingdom, United States), Brazil, China, India, and Mexico. VIX = Chicago Board Options Exchange S&P 500 Implied Volatility Index. Term spread measures the average dispersion of term spreads implicit in interest rate forecasts for Germany, Japan, United Kingdom, and United States. Oil measures the dispersion of one-year-ahead oil price forecasts for West Texas Intermediate crude oil. Forecasts are from Consensus Economics surveys.