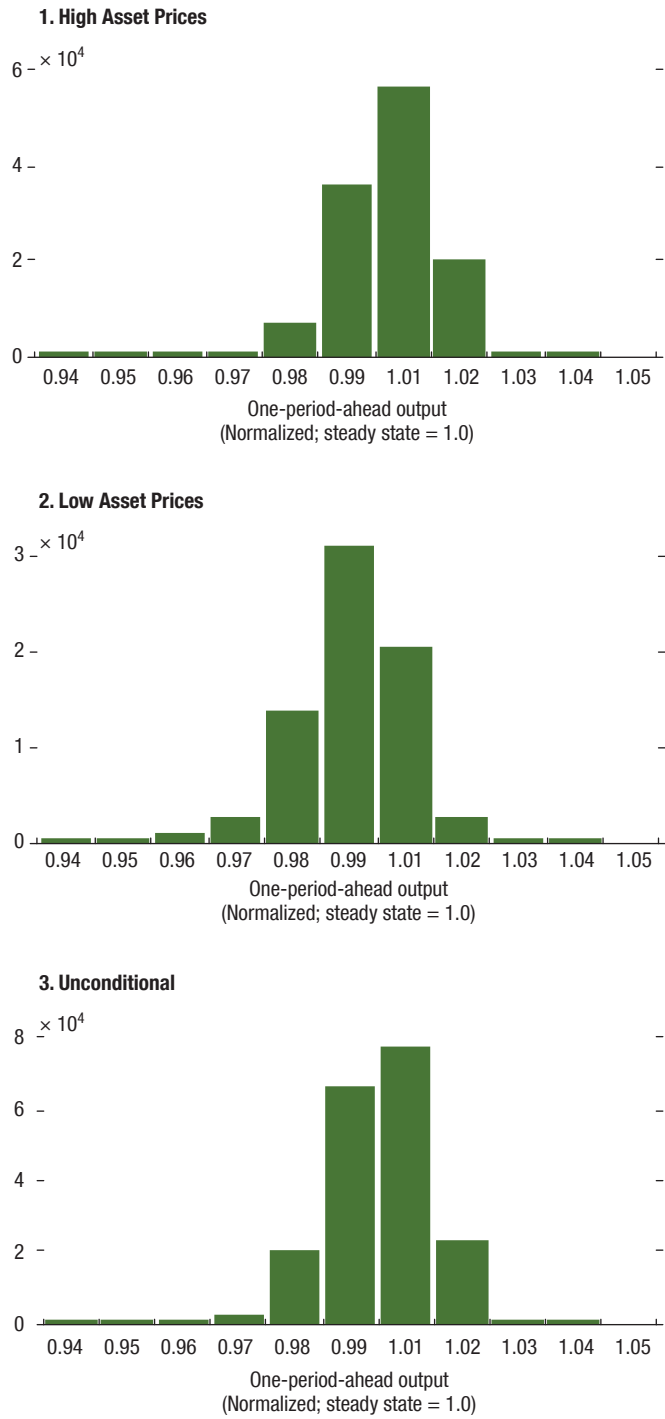


**Annex Figure 3.1.1. Conditional Densities of Growth with High and Low Asset Prices—One-Period-Ahead Forecasts**  
(Frequency)

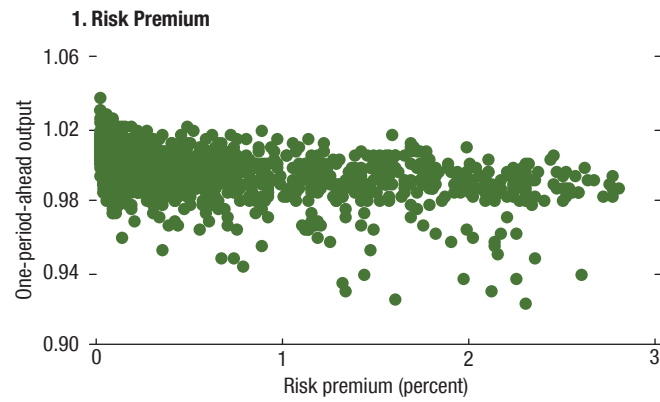


Source: IMF staff estimates.

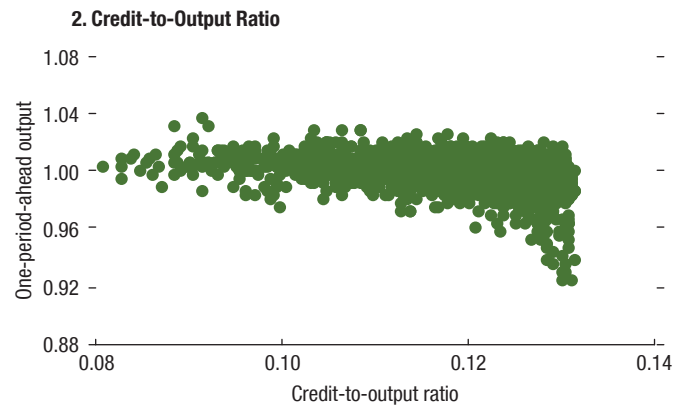
### Annex Figure 3.1.2. One-Period-Ahead GDP and Financial Conditions

(Normalized; steady state = 1.0)

Increasing risk premiums signal a more pessimistic growth outlook ...



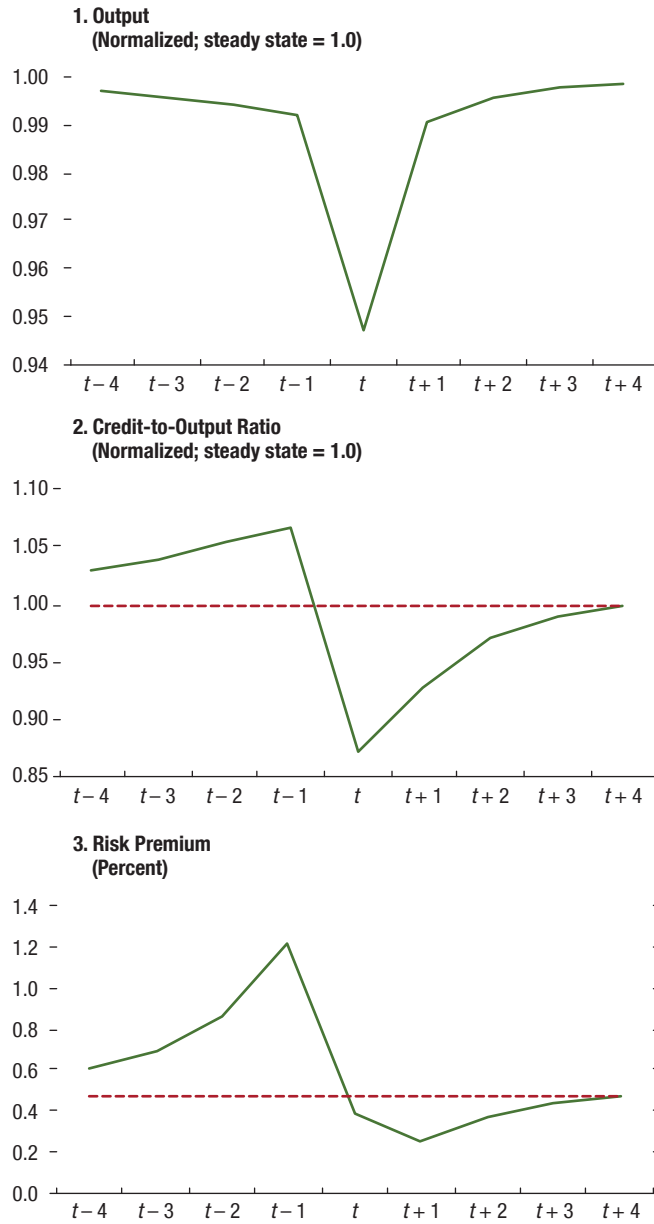
... as does elevated leverage.



Source: IMF staff estimates.

### Annex Figure 3.1.3. Asset Prices and Credit Aggregates before and after a Financial Crisis

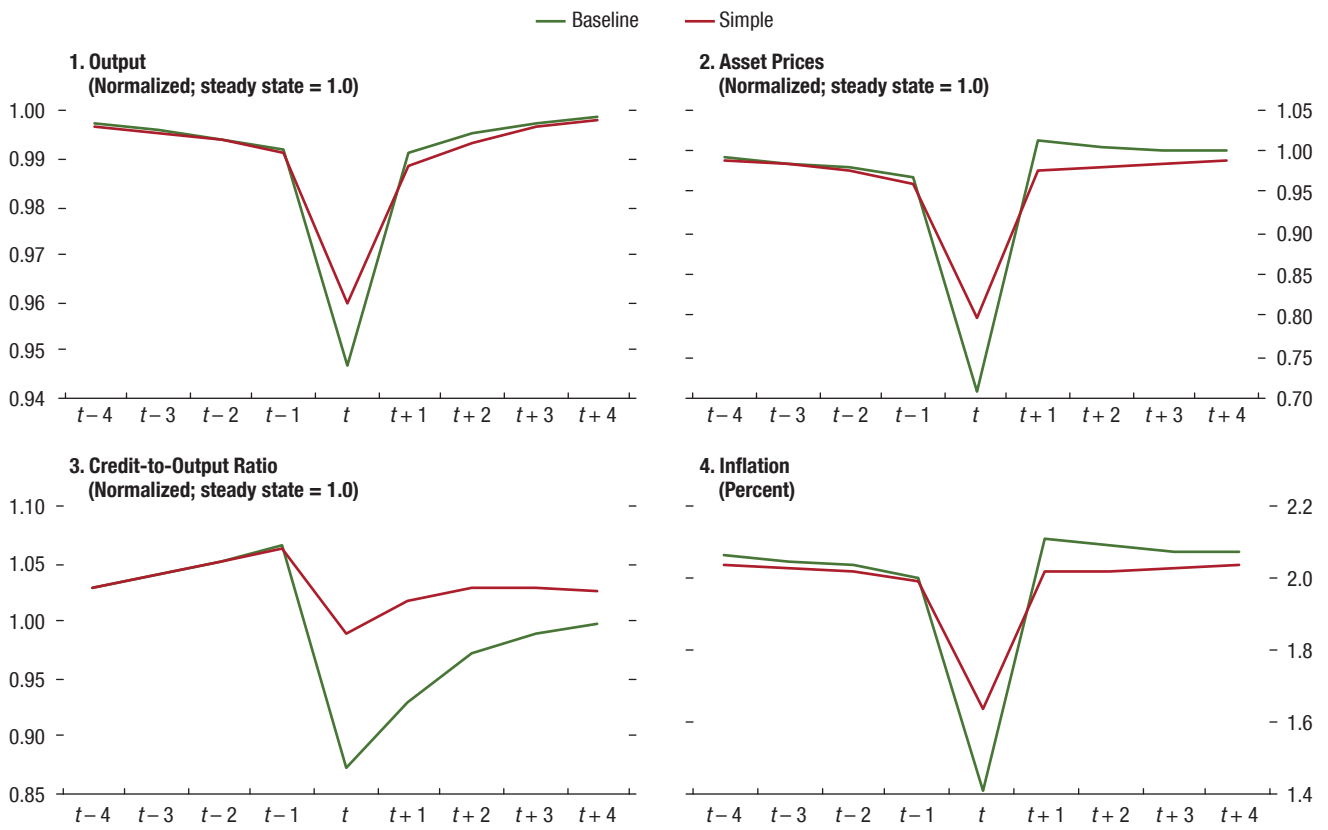
Severe economic contractions are preceded by several periods of excessive leverage and, shortly before the crisis, by sharply rising risk premiums.



Source: IMF staff estimates.

Note: The crisis happens in period 5 ( $t$ ) in the figures. The crisis is defined as a period in which output declines by more than 3 percent. The red dashed lines denote steady-state values.

**Annex Figure 3.1.4. Simple Debt Tax Ameliorates Risk of Leverage-Induced Recessions**



Source: IMF staff estimates.