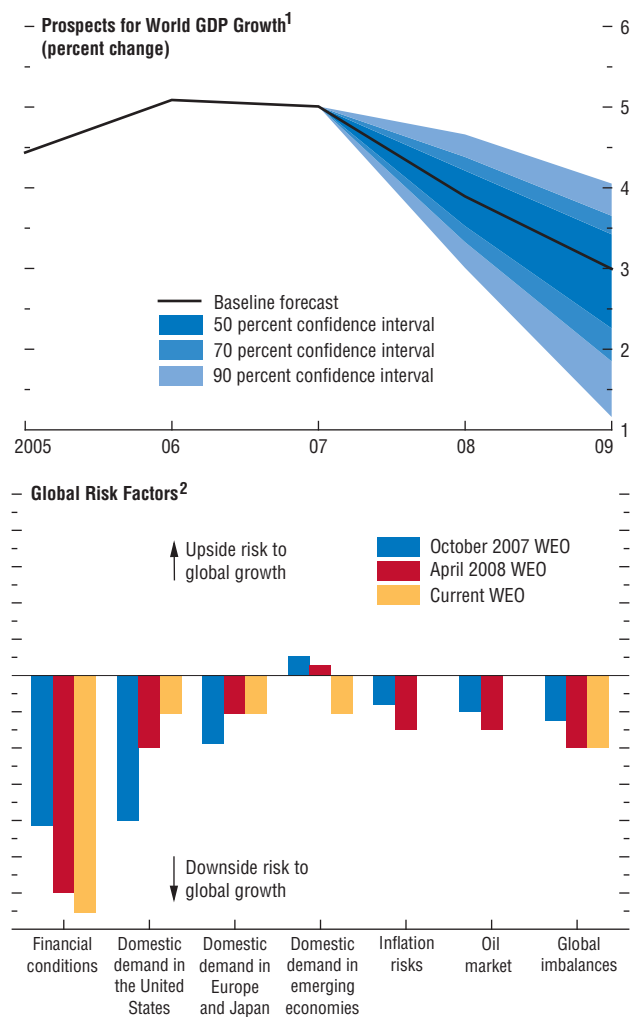


Figure 1.12. Risks to the Global Outlook

There are substantial downside risks to the growth outlook. The greatest concern relates to the risk that financial strains will be more intense and more protracted than already envisaged in the baseline projections. Negative risks also relate to concerns about domestic demand and global imbalances, while risks related to inflation and the oil market are now seen as balanced.



Source: IMF staff estimates.

¹The fan chart shows the uncertainty around the *World Economic Outlook* (WEO) central forecast with 50, 70, and 90 percent probability 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 Box 1.3 in the April 2006 WEO for details.

²The chart shows the contributions of each risk factor to the overall balance of risks to global growth, as reflected by the extent of asymmetry in the probability density for global GDP growth shown in the fan chart. The balance of risks is tilted to the downside if the expected probability of outcomes below the central or modal forecast (the total "downside probability") exceeds 50 percent (Box 1.3 in the April 2006 WEO). The extent of asymmetry in the probability density in the fan chart depends on the various sources of risk and their potential impact as well as the standard deviation of past forecast errors—which, among other factors, varies with the length of the forecasting horizon. To make the risk factors comparable across forecast vintages, their contributions are rescaled to correct for differences in the standard deviations.