Figure 4.1. Financial Stress and Output Loss

Only about half the episodes of financial stress identified in Chapter 4 for advanced economies over the past three decades were followed by economic downturns. Slowdowns and recessions preceded by financial stress tend to be longer and more severe.

Cumulative Output Loss during Slowdowns and Recessions\(^1\) (median; percent of GDP)

Sources: Haver Analytics; OECD, Analytic Database; OECD, Economic Outlook (2008); and IMF staff calculations.

\(^1\) Measured as the cumulative output loss when output was below the Hodrick-Prescott trend for slowdowns and cumulative output loss until recovery for recessions.