Figure 1.13. Recession and Deflation Risks

Risks for a prolonged recession and for sustained deflation are elevated in the euro area, notably in economies on the periphery. While the risk of a recession is low in Japan, the risk of deflation continues to be a problem. In other areas, the risks are significantly lower.

1. Probability of Recession, 2012:Q1–Q4

2. Probability of Deflation, 2013:Q4

3. Deflation Vulnerability Index

Source: IMF staff estimates.

Emerging Asia: China, Hong Kong SAR, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan Province of China, and Thailand; Latin America: Brazil, Chile, Colombia, Mexico, and Peru; remaining economies: Argentina, Australia, Bulgaria, Canada, Czech Republic, Denmark, Estonia, Israel, New Zealand, Norway, Russia, South Africa, Sweden, Switzerland, Turkey, United Kingdom, and Venezuela.

For details on the construction of this indicator, see Kumar (2003) and Decressin and Laxton (2009). The indicator is expanded to include house prices.