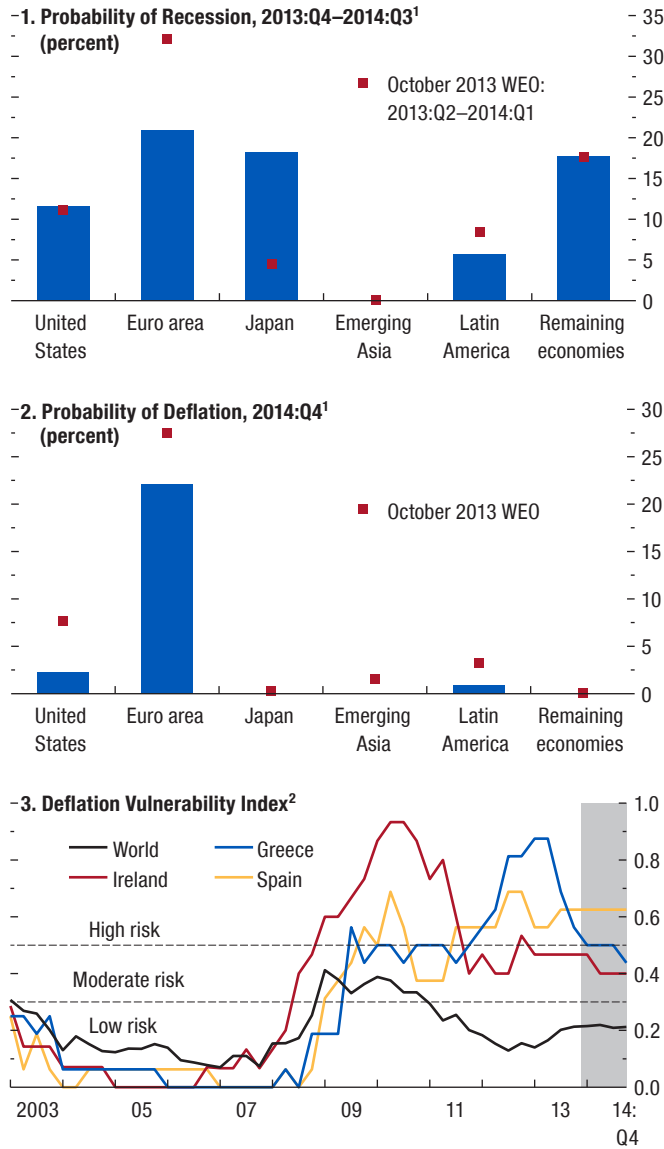


**Figure 1.14. Recession and Deflation Risks**

The IMF staff's Global Projection Model suggests that recession risks have decreased slightly for the major economies and have remained broadly unchanged for other economies. The probability of a recession for the euro area remains high, highlighting the fragility of the weak recovery. The risk of deflation also remains relatively high in the euro area, where it is still about 20 percent, whereas it is virtually negligible for other economies.



Source: IMF staff estimates.

<sup>1</sup>Emerging Asia = China, Hong Kong SAR, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan Province of China, Thailand; Latin America = Brazil, Chile, Colombia, Mexico, Peru; Remaining economies = Argentina, Australia, Bulgaria, Canada, Czech Republic, Denmark, Estonia, Israel, New Zealand, Norway, Russia, South Africa, Sweden, Switzerland, Turkey, United Kingdom, Venezuela.

<sup>2</sup>For details on the construction of this indicator, see Kumar (2003) and Decressin and Laxton (2009). The indicator is expanded to include house prices.