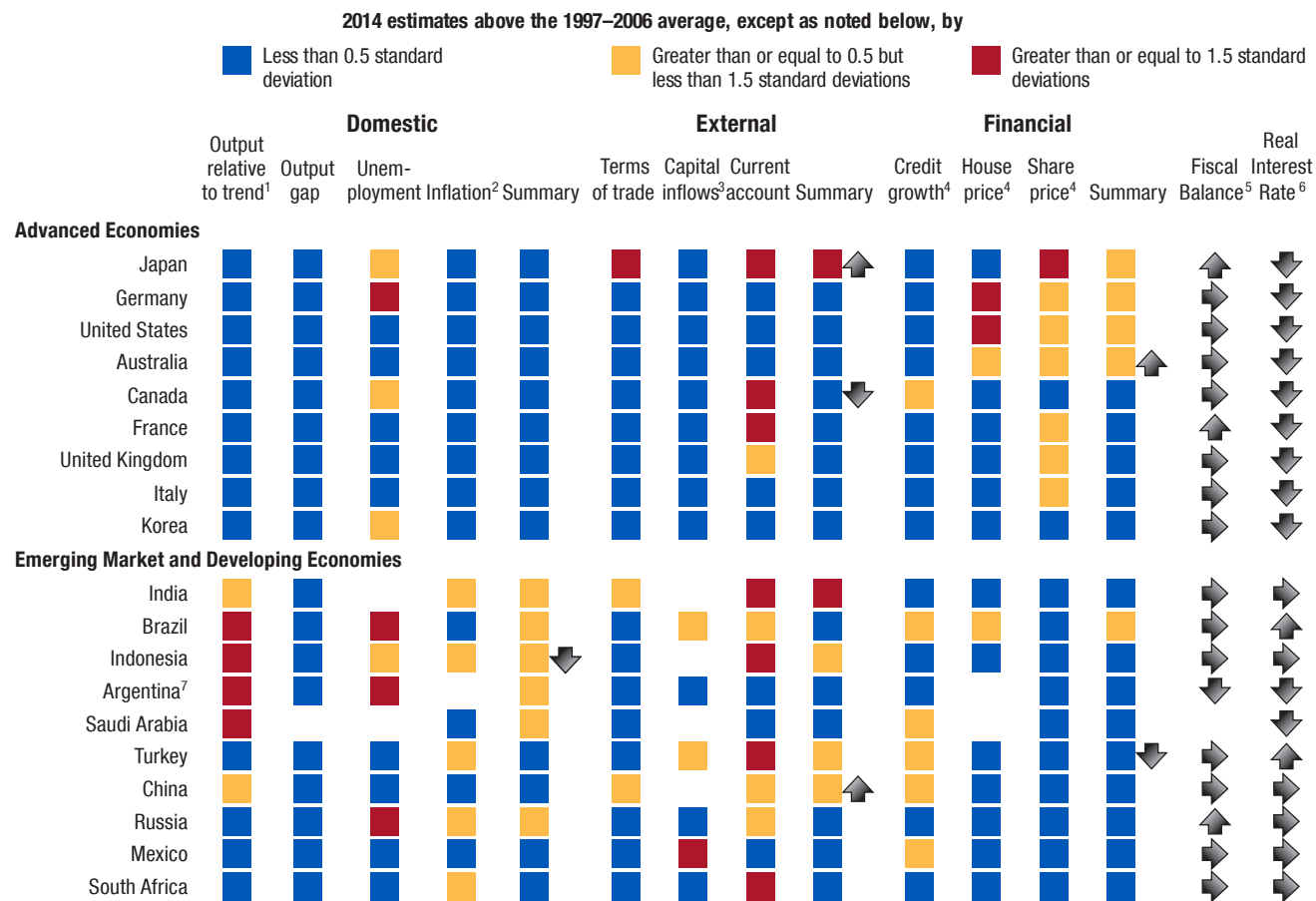


Figure 1.7. Overheating Indicators for the Group of Twenty Economies

Most indicators point to continued excessive cyclical slack in advanced economies. In major emerging market economies, some indicators suggest that capacity constraints are still present, notwithstanding the recent slowdown in growth. For a number of emerging market economies, indicators point to continued external vulnerabilities. Financial indicators flag high equity

prices in many advanced economies and rising house prices in Germany and the United States. In emerging market economies, the indicators reflect continued vulnerabilities from rapid credit growth; developments in other markets are broadly within historical bounds.



Sources: Australian Bureau of Statistics; Bank for International Settlements; CEIC China Database; *Global Property Guide*; Haver Analytics; IMF, Balance of Payments Statistics database; IMF, International Financial Statistics database; National Bureau of Statistics of China; Organization for Economic Cooperation and Development; and IMF staff estimates.

Note: For each indicator, except as noted below, economies are assigned colors based on projected 2014 values relative to their precrisis (1997–2006) average. Each indicator is scored as red = 2, yellow = 1, and blue = 0; summary scores are calculated as the sum of selected component scores divided by the maximum possible sum of those scores. Summary blocks are assigned red if the summary score is greater than or equal to 0.66, yellow if greater than or equal to 0.33 but less than 0.66, and blue if less than 0.33. When data are missing, no color is assigned. Arrows up (down) indicate hotter (colder) conditions compared with the October 2013 WEO.

¹Output more than 2.5 percent above the precrisis trend is indicated by red. Output more than 2.5 percent below the trend is indicated by blue. Output within ±2.5 percent of the precrisis trend is indicated by yellow.

²The following scoring methodology is used for the following inflation-targeting economies: Australia, Brazil, Canada, Indonesia, Korea, Mexico, South Africa, Turkey, and United Kingdom. End-of-period inflation above the country's target inflation band from the midpoint is assigned red; end-of-period inflation more than two times the inflation band from the midpoint is assigned red. For all other economies in the chart, red is assigned if end-of-period inflation is approximately 10 percent or higher, yellow if it is approximately 5 to 9 percent, and blue if it is less than approximately 5 percent.

³Capital inflows refer to the latest available value relative to the 1997–2006 average of capital inflows as a percent of GDP.

⁴The indicators for credit growth, house price growth, and share price growth refer to the annual percent change relative to output growth.

⁵Arrows in the fiscal balance column represent the forecast change in the structural balance as a percent of GDP over the period 2013–14. An improvement of more than 0.5 percent of GDP is indicated by an up arrow; a deterioration of more than 0.5 percent of GDP is indicated by a down arrow. A change in fiscal balance between –0.5 percent of GDP and 0.5 percent of GDP is indicated by a sideways arrow.

⁶Real policy interest rates below 0 percent are identified by a down arrow; real interest rates above 3 percent are identified by an up arrow; real interest rates between 0 and 3 percent are identified by a sideways arrow. Real policy interest rates are deflated by two-year-ahead inflation projections.

⁷Calculations are based on Argentina's official GDP and consumer price index data. See note 5 to Statistical Appendix Table A4 and note 6 to Table A7.