Supportive financial conditions tend to dampen the near-term risks, with growth-at-risk forecasting the severely adverse outcome (for example, with 5 percent probability) for global growth at about 3 percent or less one year ahead.

But easy financial conditions also raise the odds of adverse growth outcomes in the medium term—the three-year-ahead growth distribution has a much fatter left tail than the one-year-ahead growth distribution.

Medium-term risks to growth have increased in recent years...

... and are well above historical norms, given the current financial conditions.

4. GaR Forecasts of Severely Adverse Growth Outcomes: Percentile Ranks

Sources: Bloomberg Finance L.P.; IMF, World Economic Outlook database; and IMF staff estimates.

Note: Growth-at-risk (GaR) refers to the set of outcomes that fall into the 5th percentile of (conditional) forecast densities of global growth. Panel 2 presents forecast densities for growth, one and three years ahead. In panel 4, the color shading depicts the percentile rank for the 5th percentile threshold of densities for one-year- and three-year-ahead growth. Red denotes lower growth outcomes.