Figure 1.13. Inflation, Deflation Risk, and Unemployment

In advanced economies, the increase in unemployment and decrease in inflation are less correlated than during a similar period following the 2001 recession. In emerging economies, changes in unemployment and changes in inflation are generally poorly correlated. Deflation risks have receded at the global level, according to various indicators, but they remain pertinent in a number of advanced economies.

Rate Differences from Peaks

Deflation Vulnerability Indicator: Key Economies

Sources: Bloomberg Financial Markets; Haver Analytics; and IMF staff calculations.

1Excludes Australia (2000–01 peak).
3For details on the construction of this indicator, see Decressin and Laxton (2009).
The figure also features an expanded indicator, which includes house prices.
Vulnerability is as of 2009Q4.
4Major advanced and emerging economies.