Figure 1.12. Recessions and Deflation Risks

Risks for a prolonged recession and for sustained deflation are elevated in the euro area, notably in periphery economies. The risk of deflation continues to be a problem in Japan. In other areas, the risks are minimal.

1. Probability of Recession, 2012:Q2–2013:Q1

2. Probability of Deflation, 2013:Q4

3. Deflation Vulnerability Index2

Source: IMF staff estimates.

1Emerging 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.

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