1. Prospects for World GDP Growth

The fan chart, which indicates the degree of uncertainty about the global growth outlook, has narrowed vis-à-vis that in the October 2013 WEO. This suggests a slightly more benign balance of risks for the global outlook; however, downside risks remain a concern. Measures of forecast dispersion and implied volatility for equity and oil prices also suggest a decline in perceived uncertainty about key variables for the global outlook.

2. Balance of Risks Associated with Selected Risk Factors

The balance of risks for selected risk factors is shown in Figure 1.13. The bars depict the coefficient of skewness expressed in units of the underlying variables. The values for inflation risks and oil price risks enter with the opposite sign since they represent downside risks to growth. Note that the risks associated with the Standard & Poor’s (S&P) 500 for 2014 and 2015 are based on options contracts for December 2014 and December 2015, respectively.

3. Dispersion of Forecasts and Implied Volatility

GDP measures the purchasing-power-parity-weighted average dispersion of GDP forecasts for the G7 economies (Canada, France, Germany, Italy, Japan, United Kingdom, United States), Brazil, China, India, and Mexico. VIX = Chicago Board Options Exchange S&P 500 Implied Volatility Index. Term spread measures the average dispersion of term spreads implicit in interest rate forecasts for Germany, Japan, United Kingdom, and United States. Forecasts are from Consensus Economics surveys.

Sources: Bloomberg, L.P.; Chicago Board Options Exchange (CBOE); Consensus Economics; and IMF staff estimates.

1The fan chart shows the uncertainty around the WEO central forecast with 50, 70, and 90 percent confidence intervals. As shown, the 70 percent confidence interval includes the 50 percent interval, and the 90 percent confidence interval includes the 50 and 70 percent intervals. See Appendix 1.2 of the April 2009 WEO for details. The 90 percent bands for the current-year and one-year-ahead forecasts from the April 2013 and October 2013 WEO reports are shown relative to the current baseline.

2Bars depict the coefficient of skewness expressed in units of the underlying variables. The values for inflation risks and oil price risks enter with the opposite sign since they represent downside risks to growth. Note that the risks associated with the Standard & Poor’s (S&P) 500 for 2014 and 2015 are based on options contracts for December 2014 and December 2015, respectively.

3GDP measures the purchasing-power-parity-weighted average dispersion of GDP forecasts for the G7 economies (Canada, France, Germany, Italy, Japan, United Kingdom, United States), Brazil, China, India, and Mexico. VIX = Chicago Board Options Exchange S&P 500 Implied Volatility Index. Term spread measures the average dispersion of term spreads implicit in interest rate forecasts for Germany, Japan, United Kingdom, and United States. Forecasts are from Consensus Economics surveys.

4CBOE crude oil volatility index.