

Figure 3.2. Risk of Severe Recessions Is Especially Sensitive to a Tightening of Financial Conditions in Major Advanced and Emerging Market Economies

(One-year-ahead density forecasts; left scale = percent; right scale = standard deviations)



Sources: Bloomberg Finance L.P.; Haver Analytics; IMF, Global Data Source and World Economic Outlook databases; Thomson Reuters Datastream; and IMF staff estimates.

Note: The country-specific financial conditions indices (FCIs) are constructed using the methodology described in Annex 3.2. The median (red) line at each point in time denotes the forecast of the 50th quantile of GDP growth made four quarters earlier using the methodology described in Annex 3.3. The shaded area is bound at the top and bottom by, respectively, the forecasts of the 95th and 5th quantiles of GDP growth made four quarters earlier.