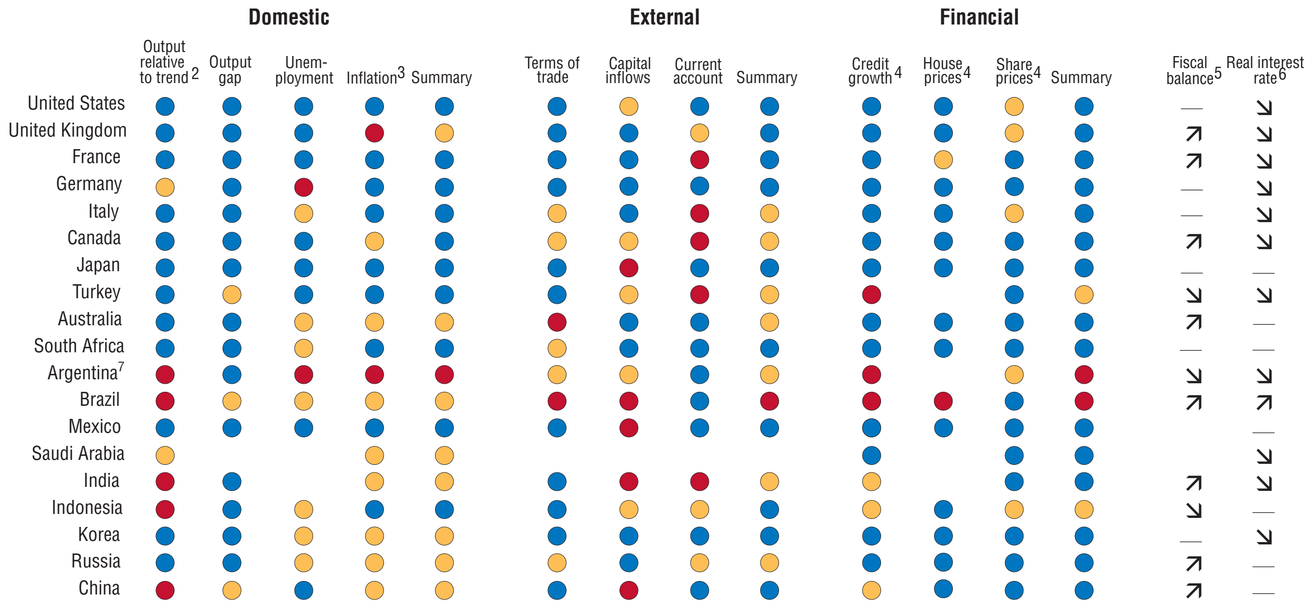
Figure 1.17. Overheating Indicators for the G20 Economies[1]

Among G20 economies, a number of emerging market economies are seeing buoyant activity, low unemployment, and relatively high inflation in comparison with precrisis norms. Output gap estimates of IMF country desks paint a more reassuring picture than the other indicators of internal balance. Indicators of external balance send mixed signals: terms of trade are very favorable for some emerging market economies, limiting the deterioration of current account balances in response to strong domestic demand. In others, domestic demand is not running far ahead of output. In a few, current account deficits have reached historically high levels. Indicators of financial developments raise concerns mainly due to high credit growth.



Sources: Australia Bureau of Statistics; Bank for International Settlements; CEIC China Database; Global Property Guide; Haver Analytics; IMF, *Balance of Payments Statistics;* IMF, *International Financial Statistics;* Organization for Economic Cooperation and Development; and IMF staff calculations.

[1]For each indicator, except as noted below, economies are assigned colors based on current predicted 2011 values relative to their precrisis (1997–2006) average. Blue indicates less than 0.5 standard deviation above the 1997–2006 average; yellow indicates greater than or equal to 0.5 but less than 1.5 standard deviations above the 1997–2006 average; red indicates greater than or equal to 1.5 standard deviations above the 1997–2006 average. Each indicator is scored as red = 2, yellow = 1, and blue = 0; summary scores are calculated as the sum of selected component scores divided by the maximum possible sum of those scores. Summary colors are assigned red if the summary score is greater than or equal to 0.66, yellow if greater than or equal to 0.33 but less than 0.66, and blue if less than 0.33.

[2]Output more than 2.5 percent above the precrisis trend is indicated by red. Output less than 2.5 percent below the trend is indicated by blue.

[3]For the following inflation-targeting countries, the target inflation rate was used instead of the 1997–2006 average in the calculation of the inflation indicator: Australia, Brazil, Canada, Indonesia, Korea, Mexico, South Africa, Turkey, United Kingdom. For the non-inflation-targeting countries, red is assigned if inflation is approximately 10 percent or higher, yellow if inflation is approximately 5 to 9 percent, and blue if inflation is less than 5 percent.

[4]The indicators for credit growth, house price growth, and share price growth are calculated relative to the 1997–2006 average of output growth.

[5]Arrows in the fiscal balance column represent the forecast change in the structural balance as a percent of GDP over the period 2010–11. An increase of more than 0.5 percent of GDP is indicated by an up arrow; a decrease of more than 0.5 percent of GDP is indicated by a down arrow.

[6]Real policy interest rates below zero are identified by a down arrow; real interest rates above 3 percent are identified by an up arrow.

[7]Figures are based on official GDP and CPI data.