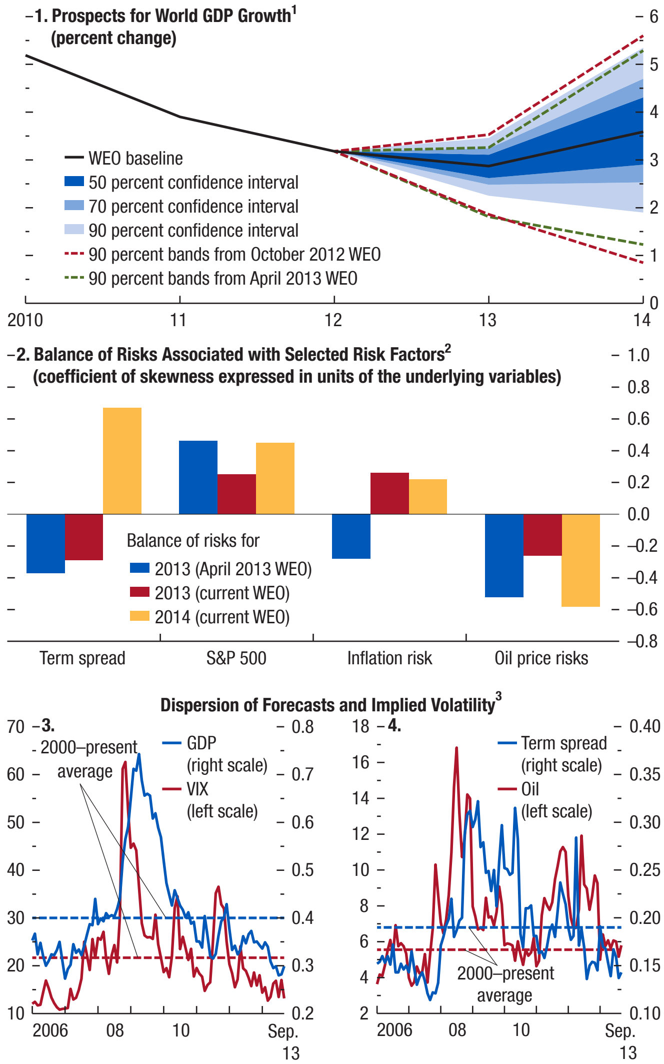
Figure 1.15. Risks to the Global Outlook

The recent bout of financial volatility has not come with an appreciable widening of the fan chart, which indicates the degree of uncertainty about the global outlook. The chart remains noticeably narrower than in October 2012. For 2013, oil markets and analysts' forecasts of the term spread indicate downside risks. For 2014, the skew of analysts' forecasts for the term spread switches and signals an upside risk, while the downside risk from oil markets increases. Equity markets, as captured by options prices on the S&P 500, and the skew of analysts' forecasts for inflation suggest upside risks across both years.



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

[1]The 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 from the October 2012 and April 2013 WEOs for the current-year and one-year-ahead forecasts are shown relative to the current baseline.

[2]Bars depict the coefficient of skewness expressed in units of the underlying variables. The values for inflation risks and oil price risks are entered with the opposite sign since they represent downside risks to growth. Note that the risks associated with the S&P 500 for 2014 are based on options contracts for June 2014.

[3]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. Oil measures the dispersion of one-year-ahead oil price forecasts for West Texas Intermediate crude oil. Forecasts are from Consensus Economics surveys.