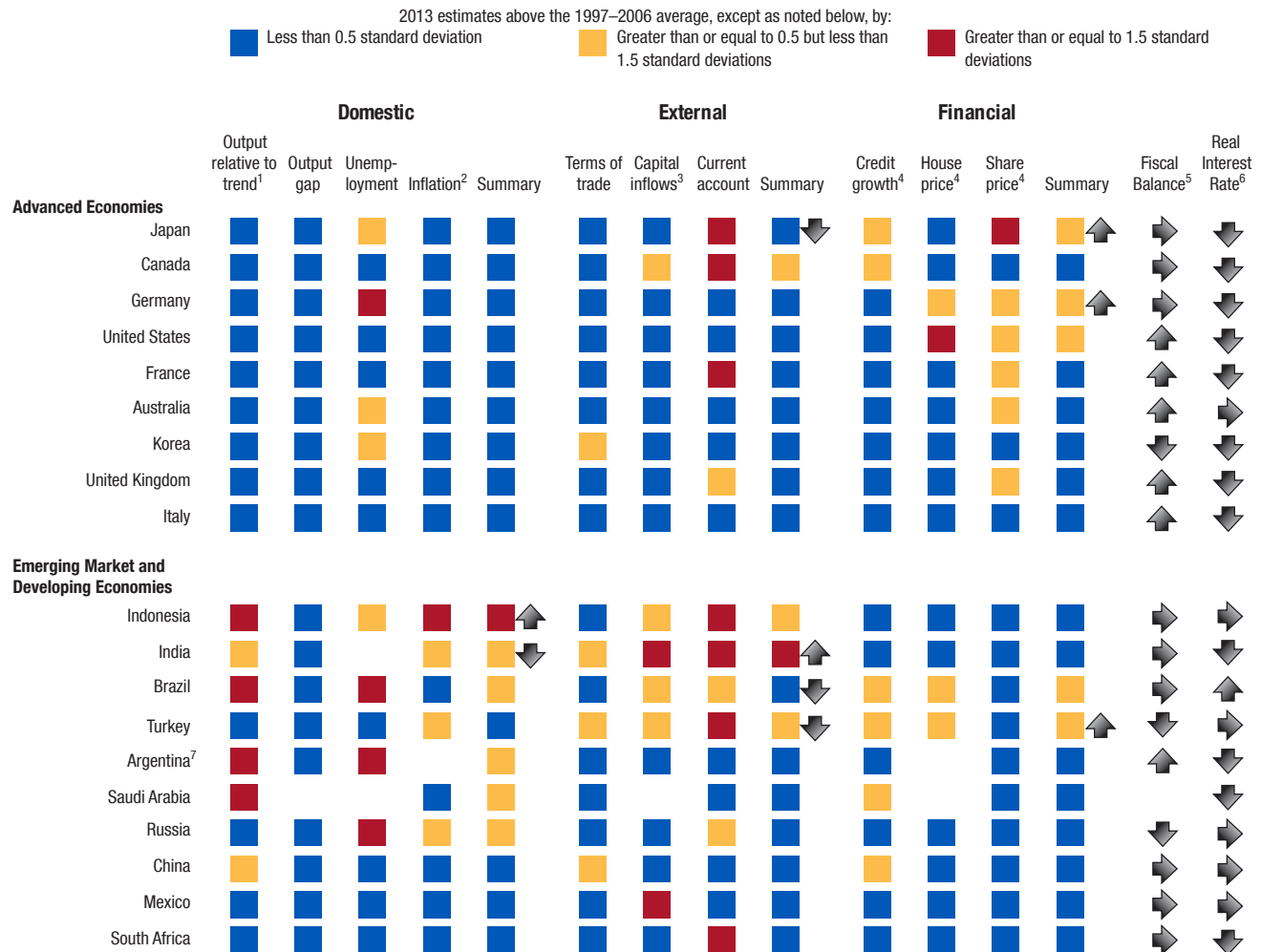


Figure 1.7. Overheating Indicators for the G20 Economies

Most indicators point to ample cyclical slack in the advanced economies but capacity constraints in emerging economies. The red and yellow external indicators for Japan point to a healthy demand-rebalancing process, which has not yet made much progress in Germany. In Indonesia, India, Turkey, and, to a lesser extent, Brazil, the red and yellow external indicators point to external vulnerabilities.

Regarding financial developments, equity prices are flagged as high in the advanced economies but other valuation indicators are within historical bounds. Credit continues to expand rapidly in several emerging market economies.



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

Note: For each indicator, except as noted below, economies are assigned colors based on projected 2013 values relative to their precrisis (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 blocks 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. When data are missing, no color is assigned.

Arrows up (down) indicate hotter (colder) conditions compared with the April 2013 WEO.

¹Output 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. Output within ± 2.5 percent of the precrisis trend is indicated by yellow.

²The following scoring methodology is used for the following inflation-targeting economies: Australia, Brazil, Canada, Indonesia, Korea, Mexico, South Africa, Turkey, and United Kingdom.

End-of-period inflation above the country's target inflation band from the midpoint is assigned yellow; end-of-period inflation more than two times the inflation band from the midpoint is assigned red. For all other economies in the chart, red is assigned if end-of-period inflation is approximately 10 percent or higher, yellow if it is approximately 5 to 9 percent, and blue if it is less than 5 percent.

³Capital inflows refer to the latest available value relative to the 1997–2006 average of capital inflows as a percent of GDP.

⁴The indicators for credit growth, house price growth, and share price growth refer to the annual percentage change relative to output growth.

⁵Arrows in the fiscal balance column represent the forecast change in the structural balance as a percent of GDP over the period 2012–13. An improvement of more than 0.5 percent of GDP is indicated by an up arrow; a deterioration of more than 0.5 percent of GDP is indicated by a down arrow. A change in fiscal balance between -0.5 percent of GDP and 0.5 percent of GDP is indicated by a sideways arrow.

⁶Real policy interest rates below zero are identified by a down arrow; real interest rates above 3 percent are identified by an up arrow; real interest rates between zero and 3 percent are identified by a sideways arrow. Real policy interest rates are deflated by two-year-ahead inflation projections.

⁷The data for Argentina are officially reported data. The IMF has, however, issued a declaration of censure and called on Argentina to adopt remedial measures to address the quality of the official GDP and CPI-GBA data. Alternative data sources have shown significantly lower real growth than the official data since 2008 and considerably higher inflation rates than the official data since 2007. In this context, the IMF is also using alternative estimates of GDP growth and CPI inflation for the surveillance of macroeconomic developments in Argentina.