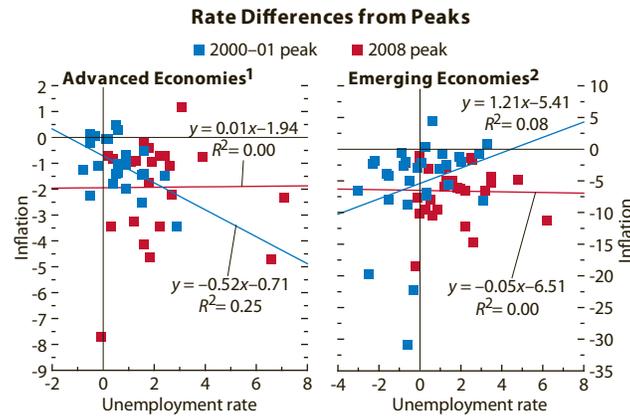
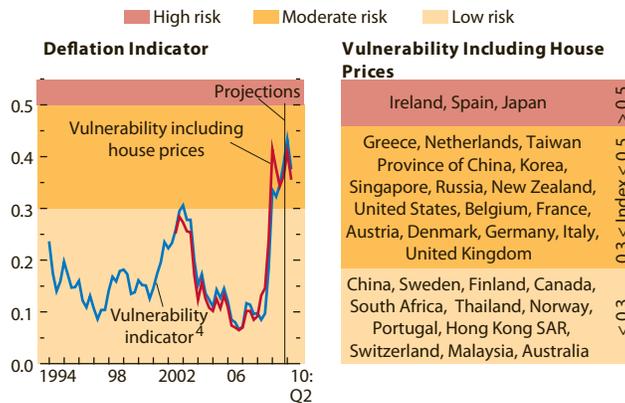


Figure 1.13. Inflation, Deflation Risk, and Unemployment

In advanced economies, the increase in unemployment and decrease in inflation are less correlated than during a similar period following the 2001 recession. In emerging economies, changes in unemployment and changes in inflation are generally poorly correlated. Deflation risks have receded at the global level, according to various indicators, but they remain pertinent in a number of advanced economies.



Deflation Vulnerability Indicator: Key Economies³



Sources: Bloomberg Financial Markets; Haver Analytics; and IMF staff calculations.

¹Excludes Australia (2000-01 peak).

²Excludes three countries: Argentina (2000-01 peak), Estonia, and Latvia (both 2008 peak).

³For details on the construction of this indicator, see Decressin and Laxton (2009). The figure also features an expanded indicator, which includes house prices. Vulnerability is as of 2009:Q4.

⁴Major advanced and emerging economies.