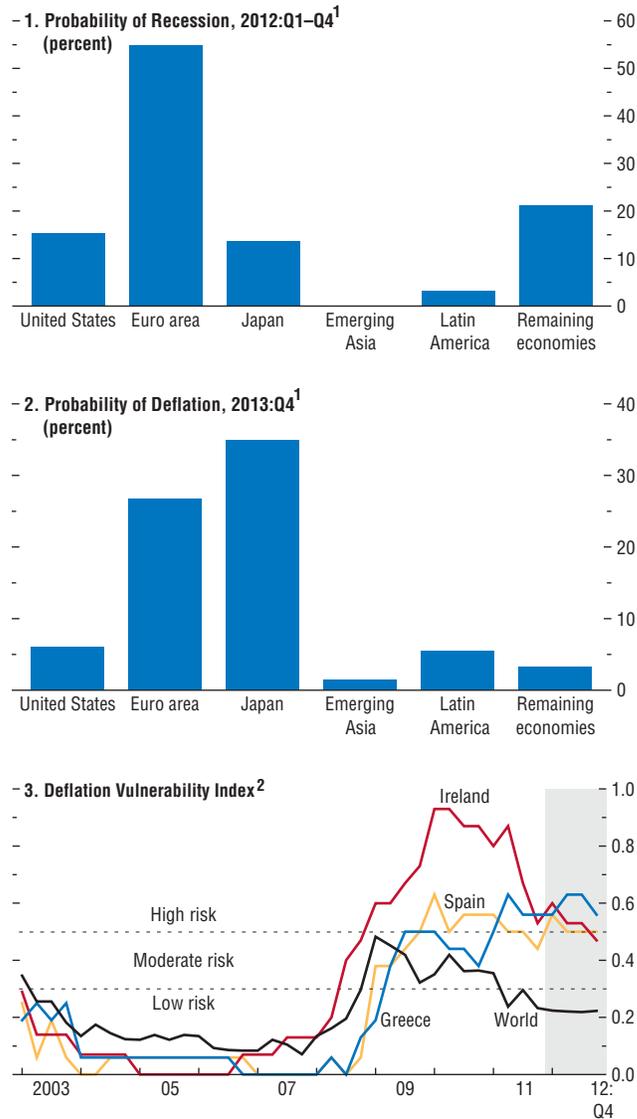


**Figure 1.13. Recession and Deflation Risks**

Risks for a prolonged recession and for sustained deflation are elevated in the euro area, notably in economies on the periphery. While the risk of a recession is low in Japan, the risk of deflation continues to be a problem. In other areas, the risks are significantly lower.



Source: IMF staff estimates.

<sup>1</sup>Emerging Asia: China, Hong Kong SAR, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan Province of China, and Thailand; Latin America: Brazil, Chile, Colombia, Mexico, and Peru; remaining economies: Argentina, Australia, Bulgaria, Canada, Czech Republic, Denmark, Estonia, Israel, New Zealand, Norway, Russia, South Africa, Sweden, Switzerland, Turkey, United Kingdom, and Venezuela.

<sup>2</sup>For details on the construction of this indicator, see Kumar (2003) and Decressin and Laxton (2009). The indicator is expanded to include house prices.