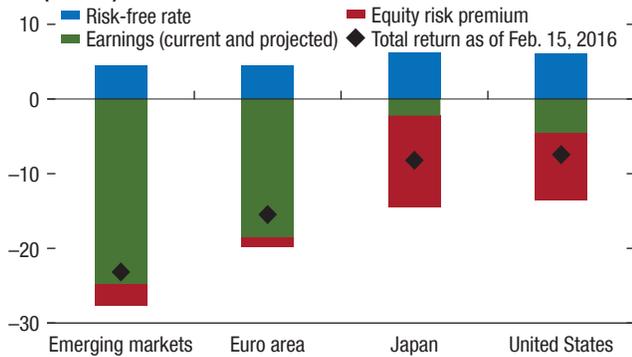


Figure 1.4. Equity Risk Premiums and Earnings Decompositions

The corporate earnings outlook deteriorated into 2016 ...

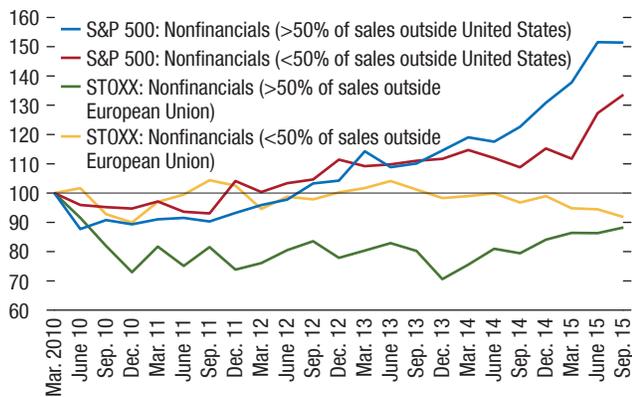
1. Decomposition of Equity Price Changes, since January 2, 2015 (Percent)



Sources: European Central Bank; Haver Analytics; Thomson Reuters I/B/E/S; and IMF staff estimates.
Note: Based on the five-year-ahead market consensus earnings per share.

... amid a bigger increase in leverage.

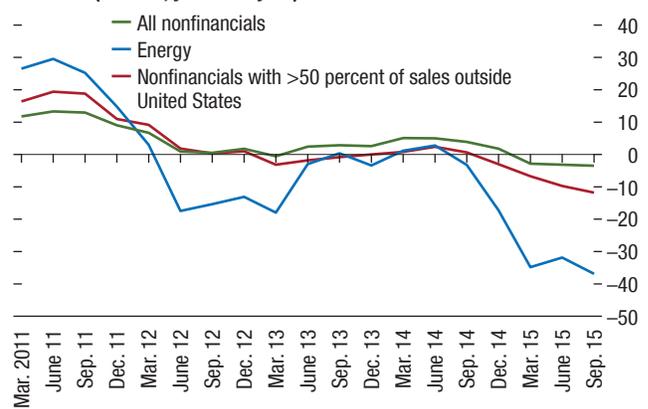
3. Corporate Debt to EBITDA (Median; March 31, 2010 = 100)



Sources: Factset; and IMF staff estimates.
Note: EBITDA = earnings before interest, taxes, depreciation, and amortization; S&P = Standard & Poor's.

... especially for exporters and energy companies ...

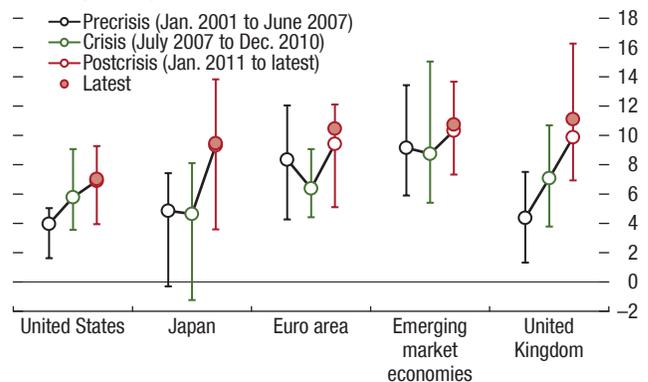
2. Standard & Poor's 500 Nonfinancial Corporations: Earnings Growth (Percent, year over year)



Sources: Factset; and IMF staff estimates.

As equities come under pressure, risk premiums are reverting toward their historical means.

4. Equity Risk Premiums—Historical Perspective (Percent)



Sources: European Central Bank; Haver Analytics; Thomson Reuters I/B/E/S; and IMF staff estimates.
Note: Based on five-year-ahead market consensus earnings per share.