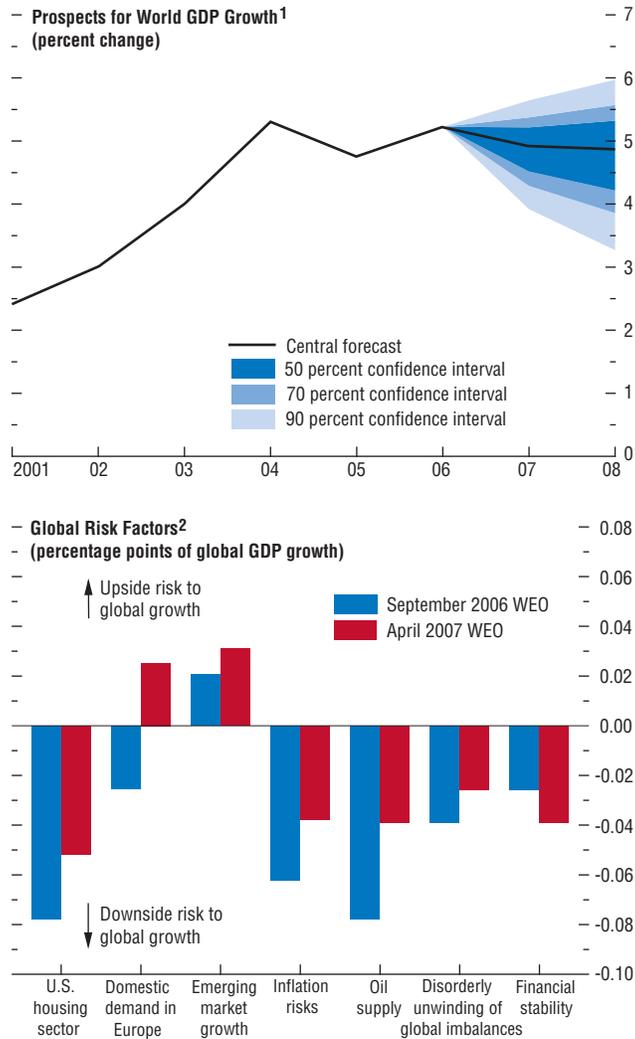


**Figure 1.10. Risks to the Global Outlook**

Risks to global growth now seem more balanced than six months ago, as downside risks related to the U.S. housing sector, inflationary pressures, and oil supply seem less threatening.



Source: IMF staff estimates.

<sup>1</sup>The fan chart shows the uncertainty around the *World Economic Outlook* (WEO) central forecast with 50, 70, and 90 percent probability 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 Box 1.3 in the April 2006 *World Economic Outlook* for details.

<sup>2</sup>The chart shows the contributions of each risk factor to the overall balance of risks to global growth, as reflected by the extent of asymmetry in the probability density for global GDP growth shown in the fan chart. The balance of risks is tilted to the downside if the expected probability of outcomes below the central or modal forecast (the total "downside probability") exceeds 50 percent (Box 1.3 in the April 2006 *World Economic Outlook*). The bars for each forecast vintage sum up to the difference between the expected value of world growth implied by the distribution of outcomes (the probability density) shown in the fan chart and the central forecast for global GDP growth. This difference and the extent of asymmetry in the probability density in the fan chart also depend on the standard deviation of past forecast errors—which, among other factors, varies with the length of the forecasting horizon. To make the risk factors comparable across forecast vintages, their contributions are rescaled to correct for differences in the standard deviations.