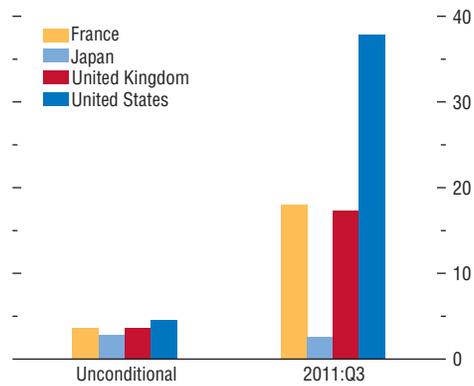


**Figure 1.3.1. Predicted Probability of a New Recession in a Quarter**



Sources: Claessens, Kose, and Terrones (2011c); Haver Analytics; and IMF Staff Calculations.

Note: The equity price indices used in the estimation are: S&P 500 for the United States, FTSE All Shares for the United Kingdom, CAC All-Tradable for France, and the Nikkei 225 for Japan. The Claessens, Kose, and Terrones (2011c) recession indicator is used for the starts of recessions. Probability estimates are derived from a simple logit model for the recession indicator over the period 1970:Q1 to 2011:Q2, excluding periods during which the economy is already in recession and the quarter just after a recession concludes. The logit model takes as arguments the real equity price change, a dummy for large drops (> 5%) and their interaction. To calculate the average for 2011:Q3, we assume that the last, daily equity price index extends to the end of the quarter. We then calculate the quarterly average level for 2011:Q3 over these daily observations. Latest data are for August 24, 2011.