

Moreover, long-term unemployment and broader measures of underemployment—including the share of workers involuntarily working part-time or only marginally attached to the labour force—remain well above historic highs according to the IMF. The agency argues that the crisis may also have increased structural unemployment in the United States because severe sectoral and regional shocks have created mismatches between labour skill supply and demand.

The U.S. economy is projected to grow by 2.8 percent this year, edging up to 2.9 percent in 2012, with gradually firming private final demand offsetting the waning support from federal fiscal policy. The mid-December fiscal package implies slightly more than a half percentage point addition to growth this year, although recent proposals to curb federal spending would reduce the overall impact of the spending. The IMF expects that the drag on 2011 growth from oil price increases will largely offset the boost from the Federal Reserve's policies of quantitative easing and from stronger net exports. Unemployment is projected to remain high, declining only moderately to about 7.8 percent in 2012.

Japan

Japan's growth in 2010 was the fastest among the major advanced economies, driven by sizable fiscal stimulus and a rebound in exports. After two consecutive years of contraction, the Japanese economy rebounded in 2010, registering a 3.9-percent rate of growth for real GDP. The pick up reflected strong expansion of exports, a boost in inventory investment, and rising government and household consumption that was partly offset by increased imports.

A 24.0-percent increase in real exports led the advances. The gain effectively reversed the 23.9-percent decline in exports in 2009. At the same time, real imports

expanded by 9.8 percent after declining by 15.3 percent a year earlier. For the year as a whole, exports contributed 3.0 percentage points to real GDP growth while imports subtracted 1.2 percentage points from growth.

The replenishment of inventories added 0.6 percentage point to real GDP growth after subtracting 1.5 percentage points in 2009 and 0.2 percentage point the year before.

Similarly, Japanese private consumption reversed two years of contraction by expanding 1.8 percent last year. Households led the advance as household consumption grew by 1.9 percent. Overall, growth in private consumption added 1.1 percentage points to GDP growth in 2010.

Weaknesses in the Japanese housing sector persist. The decline in residential fixed investment removed 0.2 percentage point to real GDP growth in 2010, reflecting a 6.3-percent decline in residential investment. Japanese residential fixed investment had fallen by 14.0 percent, 8.0 percent, and 9.6 percent in 2009, 2008, and 2007, respectively.

Non-residential fixed investment expanded by 2.1 percent in 2010, adding 0.3 percentage point to real GDP growth. In comparison, non-residential investment had declined by 16.7 percent in 2009 and by 1.4 percent in 2008.

Finally, government consumption expanded by 2.3 percent last year while public investment was down by 3.2 percent. Overall, public demand added 0.3 percentage point to real GDP growth in 2010.

Looking forward, there are large uncertainties for Japan associated with the Tohoku earthquake. Official estimates of the damage to the capital stock are about 3 to 5 percent of GDP, roughly twice that of the 1995 Kobe earthquake. This, however, does not account for the effects of possible power shortages and ongoing risks associated with the crisis at the Fukushima Daiichi nuclear power