

However, there is also the potential for upside surprises to growth in the short term, owing to strong corporate balance sheets in advanced economies and buoyant demand in emerging and developing economies.

United States

Following a burst of strong growth driven by inventory restocking in late 2009 and early 2010, U.S. economic growth slowed but then strengthened again in the second half of 2010. For the year as a whole, real GDP increased 2.9 percent in 2010 after decreasing 2.6 percent in 2009. It was the strongest rate of real expansion in the United States since 2005. The gain primarily reflected upturns in exports, non-residential fixed investment, consumer spending, and inventory investment, and a smaller decrease in residential fixed investment; an increase in imports constituted the main drag on domestic growth.

The 1.7-percent upturn in consumer spending in 2010 added 1.26 percentage points to real GDP growth after subtracting 0.84 percentage point a year earlier and reflected upturns in durables, non-durables, and services. Durables in particular were up strongly—7.7 percent in real terms over 2009 levels—followed by non-durables (2.7 percent) and services (0.5 percent). Personal incomes rose 3.1 percent in nominal terms, while headline inflation was 1.6 percent in 2010.

The rise in non-residential fixed investment added 0.55 percentage point to real GDP growth and reflected a 15.3-percent rise in equipment and software and a smaller decrease (from a 20.4-percent drop in 2009 to a 13.7-percent decline in 2010) in structures.

Residential fixed investment subtracted 0.07 percentage point from real GDP growth in 2010. However, after declining by 24.0 percent in 2008 and 22.9 percent in 2009, the

decline in 2010 was a more modest 3.0 percent. Nonetheless, it subtracted from real GDP growth.

The swing in inventory investment added 1.40 percentage points to real GDP growth after subtracting 0.55 percentage point in 2009.

U.S. real exports of goods and services advanced 11.7 percent in 2010 after posting a 9.5-percent retraction in 2009. The improvement in exports added 1.34 percentage points to real GDP growth, reflecting widespread upturns in exports of goods. Exports of services also turned up. However, real imports of goods and services posted a stronger rebound in 2010, up 12.6 percent after registering a 13.8-percent decline the previous year. At the same time, higher imports subtracted 1.83 percentage points from real GDP growth, mostly reflecting widespread upturns in imports of goods. Thus, net exports became a drag on the U.S. economy in 2010, removing 0.49 percentage point from real economic growth.

Government spending slowed, reflecting a larger decrease in state and local government spending and a slowdown in federal government spending.

Recovery in the labour market remains sluggish. After shedding 8.75 million jobs between January 2008 and February 2010, the labour market has added just under 1.5 million jobs since the trough, barely sufficient to keep up with the growth of the working-age population. The employment-population ratio is thus largely unchanged since the start of the recovery.² About a third of the decline in the unemployment rate since October 2009—to 8.8 percent in March 2011—is attributable to a decline in labour force participation, which now stands at its lowest level in more than a quarter century.³

² IMF *World Economic Outlook*, April 2011, Chapter 2.

³ *Ibid.*