the year as a whole, down from 3.0 percent in 2010. The gain was based primarily on stronger consumer spending. A sharp reduction in import growth eliminated the drag on the economy from the net export side, but lower government spending at all levels held back economic growth.

Consumer spending increased 2.2 percent in 2011 (4.7 percent in nominal terms), adding 1.53 percentage points to real GDP growth. This represented a slight increase over 2010, when it contributed 1.44 percentage points. In 2011, the biggest increase in consumer spending was in services, which added 0.66 percentage point to real GDP and grew 1.4 percent, while spending on durables was close behind with a 0.60-percentage point contribution and 8.1-percent growth. Increased spending in these areas was, however, tempered by slower growth in consumer spending on non-durables, which added only 0.28 percentage point to real GDP growth and grew 1.7 percent.

Non-residential fixed investment picked up in 2011, adding 0.82 percentage point to GDP growth, almost double its contribution in the previous year. This was due to a reversal of the drag on the economy that the lagging investment in structures was contributing until 2010. Growth in investment in equipment and software slowed down, but still added 0.71 percentage point to real GDP growth and increased 10.3 percent on the year.

Residential fixed investment contracted 1.4 percent in real terms in 2011, but less than in the previous years, shaving only 0.03 percentage point off growth as opposed to 0.11 percentage point in 2010. Construction of single-family structures continued to turn down, while construction of multi-family structures decreased less and "other" structures increased.

Inventory investment went from being one of the biggest contributors to economic recovery at 1.64 percentage points in 2010 to being a drag on real GDP in 2011, subtracting 0.20 percentage point from growth. Net exports added 0.05 percentage point to GDP growth in 2011 after subtracting 0.51 percentage point the previous year. A sharp decrease in the growth of imports drove this change and offset a slowdown in export growth.

Government spending fell 2.1 percent in real terms, the largest such contraction in 40 years. A broad-based decline at federal, state and local levels that affected both defence and non-defence spending led to a drag of 0.45 percentage point on real GDP growth. The 2.1-percent decrease in state and local government spending was the largest on record since World War II.

The labor market situation in the United States showed signs of improvement last year, but the rate of job creation remained too slow to recoup the losses sustained during the recession within a reasonable timeframe. The unemployment rate hit a 10.0-percent high in October 2009 and was still at 9.1 percent in January 2011. The unemployment rate languished at that level for most of the year, with no sustained improvement until the fourth quarter, when several good months of job creation drove the unemployment rate down to 8.5 percent by December 2011. The participation rate remained firmly around 64 percent, about 2 percentage points below the long-run historic trend, bearing witness to the large number of discouraged workers who have given up looking for work.[2] From the peak

2 The unemployment rate was driven down to 8.2 percent by March 2012, but this was partially due to another decrease in the participation rate, which reached 63.8 percent that month, a level last seen in 1983.