by a substantial worldwide macroeconomic stimulus. But the strong GDP growth hides the story of a very uneven recovery for the developed and the developing worlds.

Growth in major advanced economies slowed from 3.2 percent in 2010 to 1.6 percent in 2011. The slowdown was caused in large part by developments in the eurozone. Growing fiscal stress and increasing uncertainty over the future of the European Monetary Union caused output in the eurozone to contract in the fourth quarter. However, deeper reasons are at the heart of the weak recovery both in the EU and across the developed world.

It is well-documented that recoveries are weaker and more prolonged in the aftermath of financial crises. The process of deleveraging in both financial and household sectors lengthens the recovery period, and the climate of stagnant credit and housing markets adds to the problem. Until that process is complete, the growth of domestic consumption and investment will continue to be slow, and unemployment will remain persistently high in the developed countries. The protracted downturn in European growth associated with trimming fiscal deficits slowed recovery while the climate of fiscal austerity that prevailed in the developed world in 2011 prevented additional government stimulus and limited the options for reducing unemployment.

Growth was much more robust in the developing world, which brought up the world average, and made the overall output recovery as robust as any in recent memory. Emerging and developing economies grew 6.2 percent in 2011, boosted by strong macroeconomic fundamentals, structural reforms and growing domestic demand. Asian developing economies were driving the growth, with China and India in the lead; they were followed by emerging Europe and Latin America and Caribbean countries. Nevertheless, on the whole, growth in the developing world slowed down somewhat from the 2010 pace of 7.5 percent. This slowdown was ongoing throughout the year, with each quarter bringing weaker results. The cooling of the Chinese and several Asian economies was the outcome of deliberate tightening policies, while floods in Thailand disrupted the economies in the region in the fourth quarter, and the Middle East and North Africa experienced considerable unrest throughout last year.

The short-term forecast calls for weaker growth in real output of 3.5 percent in 2012, with developed economies growing 1.4 percent and developing economies 5.7 percent. Assuming improving financial conditions, continued monetary stimulus and the successful resolution of fiscal dilemmas, growth should pick up in 2013 to 4.1 percent. There are downside risks associated with these factors, as well as with the potential aggravation of the European situation, further geopolitical uncertainty and sudden movements in commodity prices; all of these factors keep the global situation more fragile than usual. Successful resolution of the European crisis in a way consistent with economic prosperity of the affected countries remains one of the key potential upsides for the global economic recovery. Others include preserving social and political stability in developing Asian economies undergoing controlled deceleration, and a sustained pickup in growth, employment and consumer confidence in the United States.

United States

After a strong performance in early 2010, partly based on inventory restocking, growth sputtered almost to a halt in the United States in the first quarter of 2011. After that weak start, the economy gained speed throughout the year and posted 1.7-percent growth for