

Between 1991 and 2010, both Canada and the U.S. saw similar growth in real GDP per capita; in Canada, real GDP per capita grew by 34.6 percent to reach US\$35,318 in 2010, whereas in the U.S., real GDP per capita experienced an increase of 35.0 percent, reaching US\$42,623. However, in Canada growth in labour productivity was only 23.5 percent over this period, but combined with growth in both the labour force participation rate and the employment rate helped drive the growth in per-capita GDP. By contrast, labour productivity grew 40.0 percent in the United States, but this effect

was partially offset by declines in the labour force participation rate and the employment rate.

The lesson to draw from this is that expanding employment or the labour force can be important for improving standards of living. But, many countries with ageing populations are increasingly becoming aware that the most sustainable and effective means by which to achieve continued and long-lasting growth in standards of living is productivity, as evidenced by the massive productivity gains driving growth in China, India and developing Asia-Pacific.

## Emerging Economies

### *Emerging Asia*

Growth in emerging Asia outpaced all other regions in 2010, led by China and India at 10.3 percent and 10.4 percent, respectively. Growth was supported by strong export performance, buoyant private domestic demand, and, in some cases, rapid credit growth. For the region as a whole, emerging Asia grew by 9.5 percent.

However, signs of overheating are starting to materialize in a number of economies. Continued high growth has meant that some economies in the region are now operating at or above potential. Output gaps in much of the region have closed or are quickly closing. Inflation is also on the rise. Most of the increase in headline inflation in recent months has been due to energy prices along with a spike in food prices, but core inflation has also been increasing in a number of economies, most notably India. Furthermore, real estate prices have been rising at double-digit rates in a number of economies. At the

same time, credit growth is accelerating in some economies (e.g., India and Indonesia), and it remains high in China.

Against this backdrop, growth in emerging Asia is expected to moderate somewhat, although it will continue to expand rapidly this year and next, at a projected 8.4 percent for both years. Export growth is expected to moderate from last year's very rapid pace but will remain robust as gains in market share and increased intraregional trade partially offset the weakness in final demand from advanced economies. Capital flows to Asia are likely to continue, driven by both cyclical and structural factors. Autonomous private consumption growth should remain strong, supported by still-rich asset valuations and improved labour market conditions.

China's growth is expected to lead the region, remaining at a robust 9.6 percent this year and 9.5 percent next year. The drivers of growth are expected to shift increasingly from public to private demand as stimulus is withdrawn. Consumption will be bolstered by rapid credit growth, supportive labour