

Global Economic Performance¹

Overview and Global Prospects

In 2011, three years after the onset of the Great Recession—the first truly global one—sustained recovery of lost ground still proved elusive. Growth had returned in 2009, with the inventory restocking in early 2010 adding additional momentum. But the adverse events of the past few years consistently delayed and dampened the progress of the economic recovery in both the developed and developing worlds. Some of these events were unpredictable natural disasters, others stemmed from pre-recession patterns of activity that could not be sustained presently, but some were caused by the same forces that brought on the recession and have yet to be properly addressed. The Great Recession of 2008-2009, although technically over, continues to manifest itself in high unemployment, an uncertain business investment climate, fragile consumer confidence and further fiscal retrenchment.

After a strong cyclical rebound in global industrial production and trade in 2010, economic activity was already expected to moderate in 2011. However, as government stimulus expired across the developed world and political conditions for further stimulus did not materialize, private demand did not pick up the slack as expected. Throughout 2011, issues related to eurozone sovereign

debts have repeatedly proved resistant to half-measures. The political gridlock in the United States manifested in the debt ceiling crisis worried investors to the point that the United States' triple-A credit rating was downgraded. Meanwhile, civil disorder in many North African countries increased global uncertainty, and the civil war in Libya disrupted oil prices. Finally, the natural disasters in Japan, and their aftermath, disrupted the global value chain networks in Southeast Asia and, to some degree, across the world. The main impact of these events was concentrated in the second and fourth quarters, with the global growth consequently moving in a see-saw pattern throughout the year. The brunt of the Japanese disasters and the Libyan civil war hit the second quarter output hard, while the prospects for the eurozone were the darkest toward the end of the year, reducing economic growth in the fourth quarter. Thailand suffered devastating floods in that final quarter as well.

The world's real GDP growth moderated from 5.3 percent in 2010 to 3.9 percent in 2011, and further moderation to 3.5 percent is expected in 2012. This rebound was stronger than the rebounds following many previous recessions; the same is true for the patterns of consumption and investment. On the negative side, the recovering economies exhibited much higher levels of unemployment than usual, and part of the recovery was enabled

¹ Statistics, estimations and projections in this chapter come from the International Monetary Fund's *World Economic Outlook*, April 2012, supplemented by statistics from the U.S. Bureau of Economic Analysis, Statistics Canada, the Japan Cabinet Office, the European Central Bank, the U.K. Office for National Statistics, and the World Economic Outlook April 2012 database.