During the crisis, industrial production fell much more sharply than suggested by the trend relationship between output and GDP. This reflects a sharp drop in purchases of "postponable" items. Industrial production will continue to catch up with GDP, but at a diminishing rate. The inventory-driven rebound is largely over; as capacity utilization rates climb, investment should expand further, making a growing contribution to output growth.

Sources: Haver Analytics; and IMF staff estimates.

1Trend estimated using a cointegrating relationship with global GDP.
2Annualized percent change over previous half year for the United States and Euro area, and percent change for China.
3Data standardized using averages and standard deviations taken from the 10 years before the crisis.