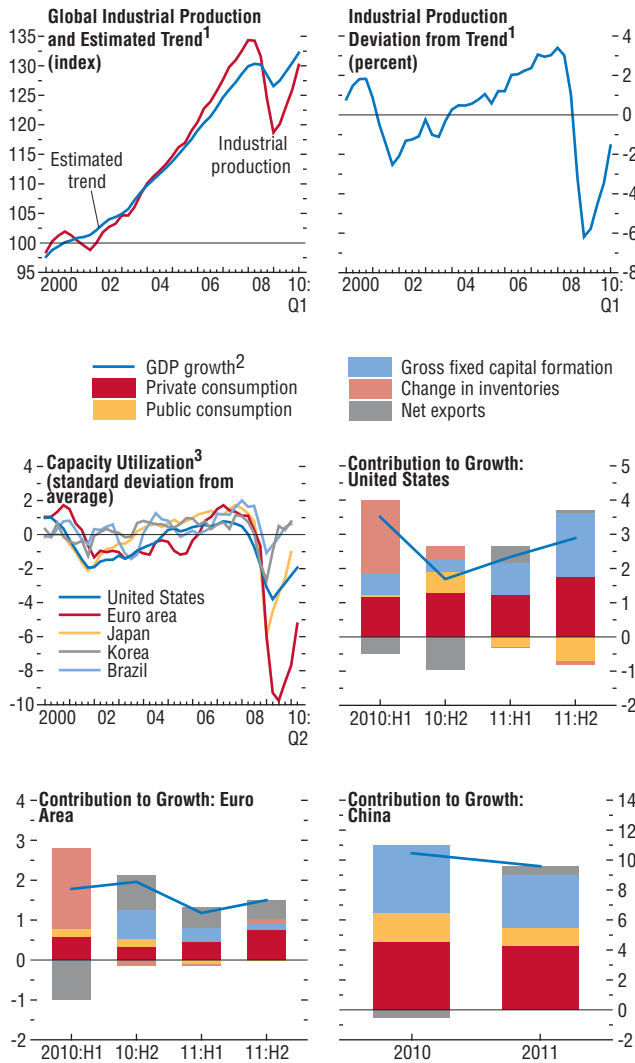


Figure 1.9. Recovery Dynamics

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.