The United States

Near-term prospects for the U.S. economy are favorable, but the fiscal deficit poses long-term challenges.

The U.S. recovery has been led by household consumption . . .

(growth of labor productivity has surged, which should help support real wage growth.

The current account deficit has widened, net foreign liabilities have risen sharply . . .

The federal budget balance has worsened since early 2001 owing to both cyclical factors and policy action.

Balancing the budget before the baby boomers retire would lower the debt ratio and thus help in coping with impending demographic pressures.

Sources: Haver Analytics; Congressional Budget Office; Office of Management and Budget; and IMF staff estimates.

1OASDI = Old-Age and Survivors Disability Insurance (Social Security).
2SMI = Supplemental Medical Insurance.
3HI = Hospital Insurance.