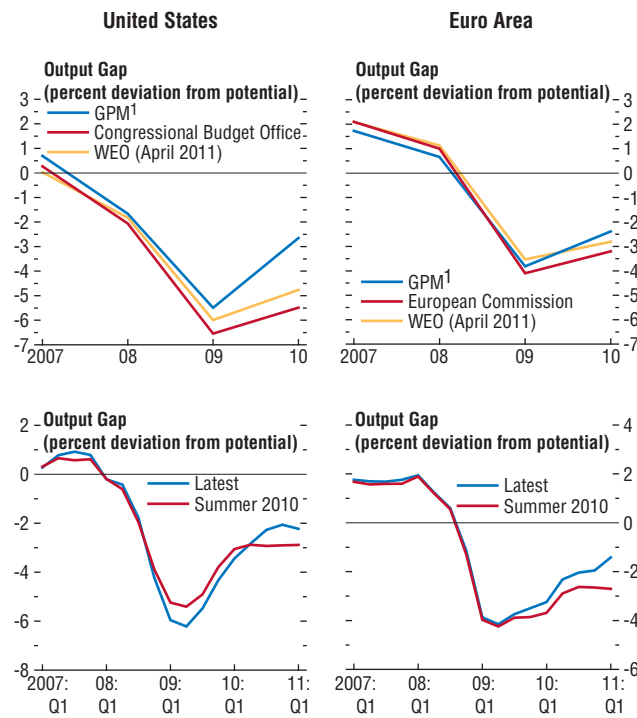


**Figure 1.13. Global Projection Model Estimates of the Output Gap**

The recent financial crisis had a significant impact on the productive capacity of the economies at the epicenter: the United States and the euro area. Estimates of this unobservable variable are critical for policymakers, indicating the degree of economic slack and hence the appropriate policy stance. The top panels show the latest estimates of the output gap from the GPM<sup>1</sup> multivariate technique relative to those of the Congressional Budget Office, the European Commission, and the April 2011 *World Economic Outlook* (WEO), which also considers judgmental factors. New data and revisions to historical data have contributed to revisions in our estimate of the U.S. output gap. Revisions to historical GDP data have led to an increase in the estimate of excess supply at the trough of the recession. New data on inflation and capacity utilization have led to a reduction in the estimate of excess supply at the end of 2011:Q2 compared with our forecast of a year ago. For the euro area, faster than previously forecast growth is the primary source of the revision to our estimate of the amount of excess supply at the end of 2011:Q2.



Source: IMF staff calculations.  
<sup>1</sup>GPM = Global Projection Model.