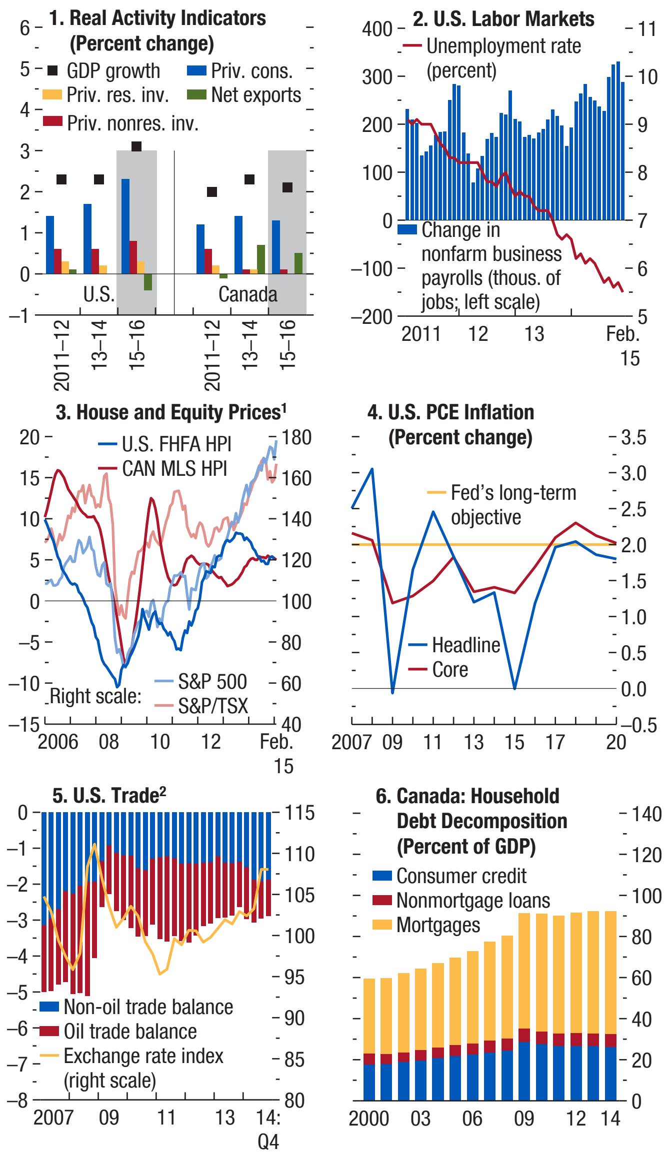
Figure 2.2. United States and Canada: A Solid Recovery

In the United States, underlying growth is solid. Consumption is growing at a healthy pace, as improvements in labor markets have been strong, but investment still has much room to recover. Wage and price pressures remain subdued, partly because of lower energy prices. Canada's growth slowed in the first quarter of 2014 but rebounded strongly in the next two quarters, with exports benefiting from the U.S. recovery and a weaker currency. Housing market risks and the unfolding effects of the oil shock call for continued vigilance in Canada.



Sources: Canadian Real Estate Association; Central Bank of Canada (BoC); Duke/*CFO Magazine* Global Business Outlook Survey; Haver Analytics; Statistics Canada; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; and IMF staff estimates.

Note: Cons. = consumption; Fed = U.S. Federal Reserve; inv. = investment; FHFA = Federal Housing Finance Agency; HPI = Housing Price Index; MLS = Multiple Listing Service; nonres. = nonresidential; priv. = private; PCE = personal consumption expenditure; res. = residential; S&P = Standard & Poor's; thous. = thousands; TSX = Toronto Stock Exchange.

[1]Year-over-year percent change for house prices; index, January 2005 = 100 for S&P and TSX.

[2]Percent of GDP for the non-oil and oil trade balances; trade-weighted index, January 1997 = 100, for the exchange rate.