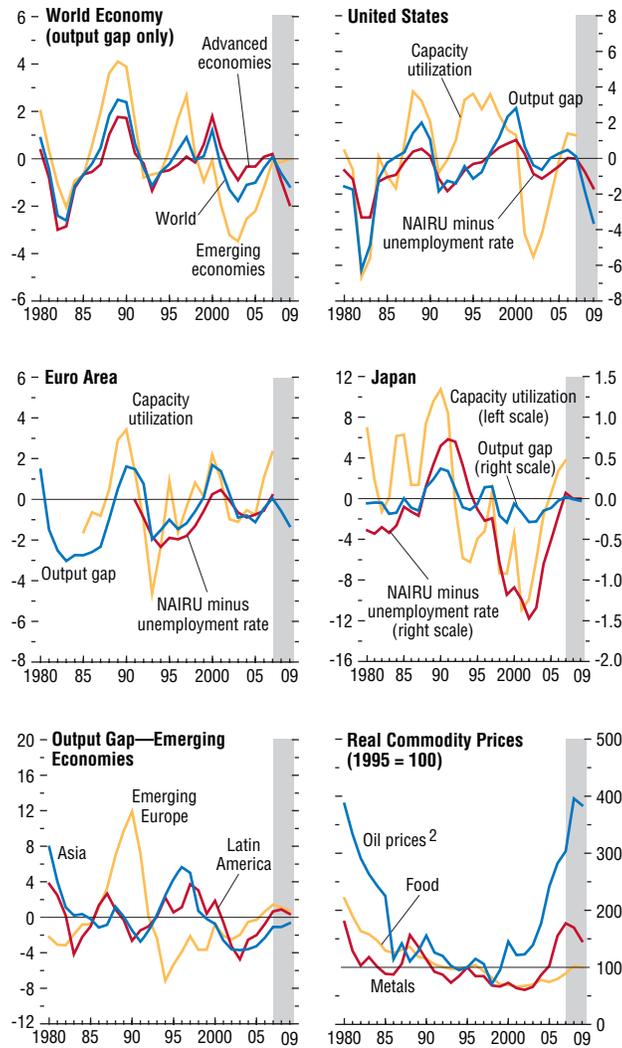


Figure 1.13. Measures of the Output Gap and Capacity Pressures¹

Various measures of the output gap suggest that gaps largely closed during 2007, in both advanced and emerging economies. However, the projected slowdown in the United States and other advanced economies would lead to rising slack in 2008, helping to counter price pressures. Elsewhere, resource constraints are projected to remain more binding, although moderating commodity prices should take the edge off inflation pressures.



Sources: OECD, *Economic Outlook*; and IMF staff estimates.

¹Estimates of the nonaccelerating inflation rate of unemployment (NAIRU) come from the OECD. Estimates of the output gap, in percent of potential GDP, are based on IMF staff calculations. Capacity utilization measured as deviations from 1980–2007 averages for the United States (percent of total capacity) and Japan (operation rate index for manufacturing sector), and deviations during 1985–2007 for the euro area (percent of industry capacity).

²Simple average of spot prices of U.K. Brent, Dubai Fateh, and West Texas Intermediate crude oil.