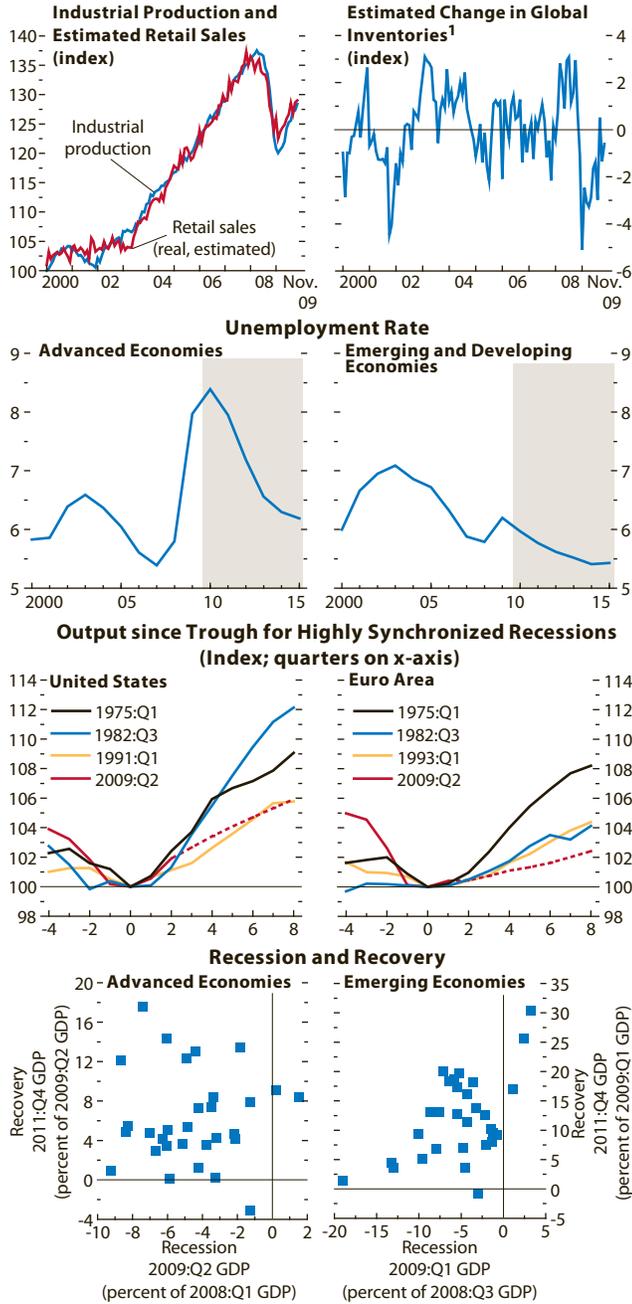


Figure 1.9. Prospects for Near-Term Activity

Based on the historical relationship between global industrial production and retail sales, the global slowdown during 2008:Q4–2009:Q1 was significantly driven by inventory drawdowns. This process has now reversed and will help support growth during 2010. However, high unemployment in the advanced economies will limit demand, as will impaired financial systems. Output recovery will be sluggish by past standards. More generally, countries that suffered large slowdowns or contractions in activity during the crisis will not necessarily rebound quickly, because they are dealing with long-lasting shocks.



Source: IMF staff calculations.
¹Based on deviations from an estimated (cointegration) relationship between global industrial production and retail sales.