

INTERNATIONAL ECONOMIC COMPARISON

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U.S. Economic Performance Relative to Other Group of Seven (G-7) Members

Economic Growth

U.S. real GDP—the output of goods and services produced in the United States measured in 1996 prices—grew at a revised annual rate of 1.2 percent in the first quarter of 2001 following a 1.0-percent growth rate in the fourth quarter of 2000, according to advance estimates by the U.S. Bureau of Economic Analysis (*BEA News Release*, BEA 01-20).² For the year 2000 real GDP grew by 5.0 percent.

The annualized rate of real GDP growth in the first quarter of 2001 was 1.7 percent in the United Kingdom, 2.5 percent in Canada, 2.0 percent in France, 1.5 percent in Germany, 2.8 percent in Italy and -0.8 percent in Japan. The annualized rate of real GDP growth in the first quarter was 2.0 percent for EU members linked by the Euro currency, the Euro area (EU-11).

Industrial Production

The Federal Reserve Board (*Federal Reserve Statistical Release*, G.17) reported that U.S. industrial production fell 0.7 percent in June following a decline of 0.8 percent in May 2001. After nine consecutive

months of decline, industrial production in June was nearly 3-1/2 percent below its level in June 2000. Manufacturing output, which also posted its ninth consecutive monthly decline, contracted 0.8 percent in June, to more than 4.0 percent below its year-earlier level. Mining output weakened 0.4 percent and utilities production increased 0.9 percent. The output of consumer goods dipped 0.2 percent in June, despite a gain in the production of consumer energy goods. The production of automotive products, which jumped in May, fell back 1.3 percent in June; the level of production was nearly 7.0 percent below that of June 2000. Elsewhere among consumer durables, the production of home audio and video equipment, appliances, and household furniture weakened noticeably. The output of non-durable consumer goods was flat. The output of business equipment fell 1.4 percent in June. The output of production and information processing equipment declined 1.2 percent, reflecting, in part, continued losses in the communication equipment industry; the output of computer and office equipment was flat in June. Output of utilities increased 0.9 percent, and production of mining weakened 0.4 percent in June. Total capacity utilization in June 2001 was 3.6 percent higher than in June 2000.

Other G-7 member countries reported the following growth rates of industrial production. For the year that ended in April 2001, Japan reported a decline of 4.9 percent and the United Kingdom reported a decline of -0.8 percent, Germany reported an increase of 1.0 percent. For the year ended March 2001, Italy reported a decline of 0.3 percent, France reported an increase of 1.9 percent, and Canada reported an increase of 0.7 percent. The Euro area reported an increase of 3.0 percent for the year that ended in March 2001.

¹ The views and conclusions expressed in this article are those of the author. They are not necessarily the views of the U.S. International Trade Commission as a whole or of any individual commissioner.

² Data for this article was taken largely from the following sources: U.S. Department of Commerce, Bureau of Economic Analysis, "Gross Domestic Product: First Quarter 2001 (Final)," *BEA News Release*, BEA 01-20, June 29, 2001, found at Internet address <http://www.bea.doc.gov/bea/newsrel/gdp101f.htm>, retrieved July 25, 2001; Federal Reserve Board, "Industrial Production and Capacity Utilization," G.17 Release, July 17, 2001, found at Internet address <http://www.federalreserve.gov/releases/G17/Current/>, retrieved July 25, 2001; U.S. Department of Labor, Bureau of Labor Statistics, "Consumer Price Index: June 2001,"

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USDL-01-226, July 18, 2001, found at Internet address <http://www.bls.gov/news.release/cpi.nr0.htm>, retrieved July 25, 2001; U.S. Department of Labor, Bureau of Labor Statistics, "The Employment Situation: June 2001," *USDL 01-206*, July 6, 2001, found at Internet address <http://www.bls.gov/news.release/empsit.nr0.htm>, retrieved July 25, 2001; and the Conference Board, Consumer Research Center, "Forecasters' Forecasts: June 2001," facsimile transmission, July 12, 2001, used with permission.

Prices

The seasonally adjusted U.S. Consumer Price Index (CPI) increased by 0.4 percent in May 2001, following a 0.3 percent rise in April, according to the U.S. Department of Labor (*Consumer Price Index: June 2001*, USDL-01-226). For the 12-month period that ended in May 2001, the more specific urban CPI (CPI-U) increased by 3.6 percent.

During the 1-year period that ended in May 2001, prices increased by 3.5 percent in Germany, 2.1 percent in the United Kingdom, 2.3 percent in France, and 3.0 percent in Italy. During the 1-year that ended in April 2001, prices increased by 3.6 percent in Canada, and in Japan prices fell by 0.4 percent. Prices increased by 2.9 percent in the Euro area in the year that ended in April 2001.

Employment

The Bureau of Labor Statistics (*Employment Situation Summary*, USDL 01-206) reported that the U.S. unemployment rate was little changed from 4.5 percent in April 2001 to 4.4 percent in May. Large job losses continued in manufacturing, which was mostly offset by employment gains in other industries, including services, construction and finance, insurance and real estate.

In other G-7 countries, their latest unemployment rates were 7.0 percent in Canada, 9.3 percent in Ger-

many, 5.0 percent in the United Kingdom, 8.7 percent in France, 9.9 percent in Italy, and 4.8 percent in Japan. The unemployment rate in the Euro area was 8.3 percent.

Forecasts

Seven major U.S. forecasters expect real GDP growth in the United States during the second quarter of 2001 to reach an average of about 1.8 percent at an annualized rate, and to increase to 2.0 percent in the third quarter and 2.8 percent in the fourth quarter. The growth rate for the year 2001 is expected to average about 1.7 percent. Table 1 shows macroeconomic projections for the U.S. economy from January to December 2001, and the simple average of these forecasts. Forecasts of all the economic indicators, except unemployment, are presented as percentage changes from the preceding quarter, on an annualized basis. The forecasts of the unemployment rate are averages for the quarter.

The average of the forecasts points to an unemployment rate of 4.5 percent in the second quarter, and a slight increase in the third and fourth quarters. For the year 2001, the unemployment rate is projected to reach 4.6 percent. Inflation, as measured by the GDP deflator, is expected to remain subdued, reaching an average of about 2.4 percent in the second quarter and about 2.4 percent during 2001.

Table 1
Projected changes of selected U.S. economic indicators, by quarters, Jan.-Dec. 2001
(Percentage)

	Conference Board	Macroeconomic Advisers	DRI-WEFA	UCLA Business Forecasting Project	Regional Financial Assoc.	Merrill Lynch Capital Markets	E.I. Dupont	Mean of forecasts
GDP, constant dollars								
2001								
Jan.-Mar.	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Apr.-June	2.6	0.8	0.9	-0.3	0.4	1.2	0.0	0.8
July-Sept.	4.4	2.6	1.1	-0.2	2.3	2.1	1.8	2.0
Oct.-Dec.	4.6	3.5	2.2	0.0	3.4	3.7	2.2	2.8
Annual 2001	2.5	1.8	1.6	1.1	1.7	1.8	1.5	1.7
GDP price deflator								
2001								
Jan.-Mar.	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Apr.-June	2.6	2.6	2.6	3.2	2.0	1.4	2.2	2.4
July-Sept.	3.3	2.2	3.3	3.0	1.8	1.8	2.2	2.5
Oct.-Dec.	3.3	2.2	2.2	3.5	1.8	1.4	2.2	2.4
Annual 2001	2.6	2.4	2.5	2.7	2.3	2.1	2.2	2.4
Unemployment, average rate								
2001								
Jan.-Mar.	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Apr.-June	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
July-Sept.	4.6	4.6	4.8	4.8	4.7	4.8	4.8	4.7
Oct.-Dec.	4.4	4.6	5.0	5.4	4.9	5.0	5.0	4.9
Annual 2001	4.4	4.5	4.6	4.7	4.6	4.6	4.6	4.6

Note.—Except for the unemployment rate, percentage changes in the forecast represent annualized rates of change from the preceding period. Quarterly data are seasonally adjusted. Forecast date, June 2001.