

INTERNATIONAL ECONOMIC COMPARISONS

Michael Youssef¹
myoussef@usitc.gov
202-205-3269

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—decreased at an annual rate of 1.1 percent in the third quarter following an increase of 0.3 percent in the second quarter of 2001, according to estimates by the U.S. Bureau of Economic Analysis.² For the year 2000, real GDP grew by 4.1 percent.

The annualized rate of real GDP growth in the third quarter of 2001 was 2.2 percent in the United Kingdom, 1.9 percent in Italy. The annualized rate of real GDP growth in the second quarter was 2.1 percent in Canada, 0.6 percent in Germany, 2.3 percent in France, and -0.7 percent in Japan. The annualized rate of real GDP growth in the second quarter was 1.7 percent for EU members linked by the Euro currency, the Euro area (EU-11).

¹ The views and conclusions expressed in this article are those of the author. They are not 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," *BEA News Release*, release of Sept. 28, 2001, found at Internet address <http://www.bea.doc.gov/bea/newsrel/gdp201f.htm>; Federal Reserve Board, "Industrial Production and Capacity Utilization," G.17 Release, release of Oct. 16, 2001, found at Internet address <http://www.federalreserve.gov/releases/G17/CURRENT/>; U.S. Department of Labor, Bureau of Labor Statistics, "Consumer Price Index," *USDL-01*, release of Sept. 18, 2001, found at Internet address <http://www.bls.gov/news.release/cpi.nr0.htm>; U.S. Department of Labor, Bureau of Labor Statistics, "The Employment Situation," *USDL-01*, release of Oct. 5, 2001, found at Internet address <http://www.bls.gov/news.release/emp/sit.nr0.htm>; and the Conference Board, Consumer Research Center, "Forecasters' Forecasts," facsimile transmission, October 2001, used with permission.

Industrial Production

The Federal Reserve Board (*Federal Reserve Statistical Release*, (G.17) 419) reported that U.S. industrial production fell 1.0 percent in September 2001, its twelfth consecutive monthly decline. Industrial production in September 2001 was nearly 5.8 percent below its level in September 2000. For the third quarter as a whole total industrial production declined at an annual rate of 6.2 percent. Manufacturing output contracted 1.1 percent in September and was 6.7 percent below its year ago level. Utilities production fell 1.8 percent in September, but mining output increased 0.3 percent. Total capacity utilization in September 2001 was 2.9 percent higher than in September 2000.

By market groups, the output of consumer goods fell 0.7 percent in September and for the third quarter as a whole production dropped 3.2 percent at an annual rate, the largest quarterly decline since the first quarter of 1991. Both durable and nondurable goods fell in September. Among durables, home electronics dropped 3.0 percent and was 19.1 percent below its level in September 2000. The output of automotive products also fell about 3.0 percent while the other major categories of consumer durables registered smaller declines. The production of business equipment dropped 2.3 percent in September, for the third quarter as a whole it tumbled 13.4 percent at an annual rate.

Other G-7 member countries reported the following growth rates of industrial production for the year that ended in September 2001: the United Kingdom reported a decrease of 3.0 percent; Japan, a decrease of 12.7 percent; Germany, a decrease of 2.6 percent; and Italy, a decrease of 4.3 percent, but France reported an increase of 1.0 percent. For the year ended August 2001, Canada reported a decrease of 3.2 percent. The Euro area reported an increase of 0.4 percent for the year that ended in August 2001.

Prices

The seasonally adjusted U.S. Consumer Price Index (CPI) declined by 0.3 percent in October 2001, according to the U.S. Department of Labor. For the year ended October 2001, consumer prices increased 2.1 percent.

During the 1-year period that ended in October 2001, prices increased by 2.0 percent in Germany, 1.6 percent in the United Kingdom, 2.6 percent in Canada, 2.6 percent in France, and 2.5 percent in Italy. During the year that ended in September 2001, prices fell by 0.8 percent in Japan. Prices increased by 2.5 percent in the Euro area in the year that ended in September 2001.

Employment

The Bureau of Labor Statistics reported that the U.S. unemployment rate rose to 5.4 percent in October. Job losses were spread across most industry groups, with specially large declines in manufacturing and services. In other G-7 countries, the latest unemployment rates were reported to be: 7.3 percent in Canada, 9.5 percent in Germany, 5.1 percent in the United Kingdom, 9.1 percent in France, 9.4 percent in Italy, and 4.7 percent in Japan. The unemployment rate in the Euro area was 8.3 percent.

Forecast

The Board of Governors of the Federal Reserve System expects economic growth to remain slow in the near term, though it is anticipated that growth will pick up later in 2001.³ The central tendency forecast for increases in real U.S. GDP over the four quarters of 2001 span a range of 1.25 percent to 2.0 percent and the central tendency forecast for increases in real U.S. GDP growth in 2002 is 3.0 percent to 3.25 percent. The civilian unemployment rate which averaged 4.5 percent in the second quarter of 2001, is expected to move up to around 4.75 to 5.0 percent by the end of the year. With pressures in labor and product markets abating and with energy prices no longer soaring, inflation is expected to be well contained over the next 18 months, according to the Federal Reserve report.

³ Federal Reserve Board, "Monetary Policy and the Economic Outlook," *Federal Reserve Bulletin*, August 2001, found at Internet address <http://www.federalreserve.gov/boarddocs/hh/2001/July/ReportSection1.htm>.

The report added that, despite the projected increase in real GDP growth, the uncertainty about the near-term outlook remains considerable. This uncertainty arises not only from the difficulty of assessing when businesses will feel that conditions are sufficiently favorable to warrant increases in capital spending, but also from the difficulty of gauging where businesses stand in the inventory cycle. Nonetheless, the report foresees a return to solid growth by 2002. Inventory corrections are expected to be largely complete by then, and the monetary policy actions taken this year as well the recently enacted tax rebate, should be providing appreciable support to final demand.

In addition, following the September 11 terrorist attacks, forecasters lowered their economic growth projections. Seven major U.S. forecasters expect real GDP growth in the United States during the fourth quarter of 2001 to reach an average of about -1.7 percent at an annualized rate, but to increase in the first quarter of 2002 to a rate of 1.8 percent, 3.1 percent in the second quarter, and 4.2 percent in the third quarter. The overall growth rate for the year 2001 is expected to average about 1.1 percent, and 1.3 percent for the year 2002. Table 1 shows macroeconomic projections for the U.S. economy from October 2001 to September 2002, 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 5.5 percent in the fourth quarter of 2001, and rise to 6.0 percent in the third quarter. For the year 2001, the unemployment rate is projected to reach 4.8 percent and rise to 6.0 percent in 2002. Inflation, as measured by the GDP deflator, is expected to remain subdued, reaching an average of about 2.3 percent during 2001 and 1.7 percent in 2002.

Table 1

Projected changes of selected U.S. economic indicators, by quarters, Oct. 2001-Sept. 2002

(Percentage)

	Conference Board	Macro-economic Advisers	DRI-WEFA	Eaton Corp.	Regional Financial Associates	Merrill Lynch Capital Markets	E.I. Dupont	Mean of forecasts
GDP, constant dollars								
2001								
Oct.-Dec.	-1.4	-3.4	-1.3	-0.9	-1.4	-1.5	-2.0	-1.7
2002								
Jan.-Mar.	1.5	3.3	1.4	3.5	0.7	1.0	1.0	1.8
Apr.-June	1.1	4.9	3.4	5.0	2.4	3.0	2.0	3.1
July-Sept.	2.1	4.5	4.4	5.7	4.3	4.8	3.5	4.2
Annual 2001	1.1	1.0	1.1	1.2	1.1	1.0	1.0	1.1
Annual 2002	0.9	1.8	0.9	2.6	1.2	1.3	0.6	1.3
GDP price deflator								
2001								
Oct.-Dec.	2.2	0.4	1.7	1.5	1.8	2.4	1.5	1.6
2002								
Jan.-Mar.	1.9	1.5	1.8	1.0	1.8	1.7	1.5	1.6
Apr.-June	1.5	2.2	1.5	1.2	1.8	1.6	1.5	1.6
July-Sept.	1.6	2.2	1.4	1.2	1.8	1.3	1.8	1.6
Annual 2001	2.3	2.2	2.3	2.3	2.3	2.3	2.3	2.3
Annual 2002	1.8	1.6	1.8	1.4	1.9	1.5	1.6	1.7
Unemployment, average rate								
2001								
Oct.-Dec.	5.3	5.5	5.4	6.0	5.3	5.5	5.6	5.5
2002								
Jan.-Mar.	5.8	5.6	5.8	6.4	5.8	6.0	6.2	5.9
Apr.-June	6.1	5.5	6.0	6.3	6.1	6.0	6.5	6.1
July-Sept.	6.3	5.4	6.0	6.0	6.3	5.8	6.2	6.0
Annual 2001	4.7	4.8	4.7	4.9	4.7	4.8	4.8	4.8
Annual 2002	6.0	5.5	5.9	6.1	6.1	5.9	6.2	6.0

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.

Source: Calculated from data from the Conference Board. Used with permission. Forecast date, Oct. 2001.