

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 an annual rate of 0.3 percent in the second quarter following an increase of 1.3 percent in the first quarter of 2001, according to estimates by the U.S. Bureau of Economic Analysis (*BEA News Release*, BEA 01).² For the year 2000, real GDP grew by 4.1 percent.

The annualized rate of real GDP growth in the second quarter of 2001 was 2.1 percent in the United Kingdom, 2.1 percent in Canada, 2.0 percent in Italy, 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/empsit.nr0.htm>; and the Conference Board, Consumer Research Center, "Forecasters' Forecasts," facsimile transmission, Aug./Sept. 2001, used with permission.

Industrial Production

The Federal Reserve Board (*Federal Reserve Statistical Release*, (G.17) 419) reported that U.S. industrial production fell 0.8 percent in August 2001, its eleventh consecutive monthly decline. Industrial production in August 2001 was nearly 5.0 percent below its level in August 2000. Production in the second quarter of 2001 was revised upward but still fell at an annual rate of 4.2 percent. Manufacturing output declined 1.0 percent in August. Utilities production rose 1.6 percent, but mining output decreased 0.4 percent. Total capacity utilization in August 2001 was 3.1 percent higher than in August 2000.

By market groups, the output of consumer goods fell 0.8 percent in August after a 0.4 percent increase in July. The output of durable consumer goods dropped 1.5 percent as sizable decreases in the output of automotive products and miscellaneous consumer goods more than offset a bounce back in the production of appliances and home electronics such as audiovisual equipment; the output of home computers contracted again. The production of nondurable consumer goods fell 0.6 percent. The production of business equipment, which fell 1.6 percent, was nearly 7 percent lower than it was in August 2000; decreases in transit equipment and in industrial and other equipment accounted for most of the past month's decline. The output of information processing equipment, which includes computers, also fell again; it has declined more than 4 percent since May and about 8 percent since the end of 2000. Other G-7 member countries reported the following growth rates of industrial production for the year that ended in July 2001: the United Kingdom reported a decrease of 3.2 percent; Japan, a decrease of 8.5 percent; Germany, a decrease of 1.5 percent; and Italy, an increase of 1.7 percent. For the year ended June 2001, France reported an increase of 2.3 percent, and Canada reported a decrease of 2.4 percent. The Euro area reported an increase of 1.4 percent for the year that ended in June 2001.

Prices

The seasonally adjusted U.S. Consumer Price Index (CPI) increased by 2.7 percent in August 2001,

according to the U.S. Department of Labor (*Consumer Price Index*, USDL-01).

During the 1-year period that ended in August 2001, prices increased by 2.6 percent in Germany, 2.1 percent in the United Kingdom, 2.8 percent in Canada, 1.9 percent in France, and 2.8 percent in Italy. During the year that ended in June 2001, prices fell by 0.8 percent in Japan. Prices increased by 2.7 percent in the Euro area in the year that ended in August 2001.

Employment

The Bureau of Labor Statistics (*Employment Situation Summary*, USDL 01) reported that the U.S. unemployment rate rose to 4.9 percent in August from 4.5 percent in July. Job losses continued in manufacturing, whereas most other major industries showed little or no change. In other G-7 countries, the latest unemployment rates were reported to be: 7.2 percent in Canada, 9.3 percent in Germany, 5.0 percent in the United Kingdom, 8.9 percent in France, 9.5 percent in Italy, and 5.0 percent in Japan. The unemployment rate in the Euro area was 8.3 percent.

Forecasts

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 the year.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

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>.

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.

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 as the recently enacted tax rebate, should be providing appreciable support to final demand.

In addition, following the September 11 terrorist attacks forecasters lowered their projections. Seven major U.S. forecasters expect real GDP growth in the United States during the third quarter of 2001 to reach an average of about -0.6 percent at an annualized rate, and to decline further in the fourth quarter to a rate of -1.1 percent. The overall growth rate for the year 2001 is expected to average about 1.1 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 4.9 percent in the third quarter, and rise to 5.5 percent in the fourth quarter. For the year 2001, the unemployment rate is projected to reach 4.8 percent. Inflation, as measured by the GDP deflator, is expected to remain subdued, reaching an average of about 2.3 percent during 2001.

Table 1**Projected changes of selected U.S. economic indicators, by quarters, Jan.-Dec. 2001***(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								
Jan.-Mar.	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Apr.-June	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
July-Sept.	-0.2	-0.6	-0.2	-0.2	-0.3	-1.0	-2.0	-0.6
Oct.-Dec.	-1.4	0.1	-1.8	-1.0	-0.6	-1.0	-2.0	-1.1
Annual 2001	1.1	1.2	1.1	1.1	1.2	1.0	0.9	1.1
GDP price deflator								
2001								
Jan.-Mar.	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Apr.-June	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
July-Sept.	1.5	1.5	1.2	2.1	2.0	2.1	2.2	1.8
Oct.-Dec.	1.8	1.8	2.2	2.1	1.8	1.9	1.5	1.9
Annual 2001	2.2	2.3	2.3	2.4	2.3	2.3	2.3	2.3
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.	4.9	4.8	4.9	5.0	4.8	4.8	4.9	4.9
Oct.-Dec.	5.5	5.1	5.4	6.0	5.3	5.5	5.6	5.5
Annual 2001	4.8	4.6	4.8	4.9	4.7	4.8	4.8	4.8

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, Aug.-Sept. 2001.