

INTERNATIONAL ECONOMIC COMPARISONS

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

Economic Growth

The real gross domestic product (GDP) of the United States—the output of goods and services produced in the United States measured in 1996 prices—increased at an annual rate of 0.2 percent in the fourth quarter of 2001. In the third quarter, real GDP decreased at an annual rate of 1.3 percent 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 -0.8 percent in Canada, 1.9 percent in France, -0.6 percent in Germany, 0.6 percent in Italy, -2.2 percent in Japan, and 1.7 percent in the United Kingdom. The annualized rate of real GDP growth in the third quarter was 0.4 percent for EU members linked by the Euro currency, the Euro area (EU-12).

¹ The views expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission (USITC) as a whole or of any individual Commissioner.

² Data for this article were taken largely from the following sources: U.S. Department of Commerce, Bureau of Economic Analysis, "Gross Domestic Product," *BEA News Release*, found at Internet address <http://www.bea.doc.gov/bea/newsrel/gdp.htm>; Federal Reserve Board, "Industrial Production and Capacity Utilization," G.17 (419) Release, 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*, 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*, 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, used with permission.

Industrial Production

The Federal Reserve Board (*Federal Reserve Statistical Release*, G.17) reported that U.S. industrial production fell 0.1 percent in December 2001 following a decline of 0.4 percent in November 2001. Output in December 2001 was 5.8 percent below its level in December 2000. Manufacturing output declined 0.1 percent in December following a decline of 0.2 percent in November. Utilities production increased 0.4 percent and the output of mines fell 0.8 percent following a rise for both of 0.2 percent in November. For the fourth quarter as a whole, total industrial production declined at an annual rate of 7.2 percent. The rate of capacity utilization for total industry declined 0.1 percent in December, to 74.7 percent.

By market groups, the output of consumer goods was unchanged in December. Production of durable consumer goods rose 1.7 percent in December at an annualized rate; however, during the fourth quarter, production declined at an annual rate of 4.8 percent, the largest decline since the end of 1990. For the second consecutive quarter, the output in every major category except miscellaneous durable goods increased. However, only the output of automotive products, which increased 3.1 percent in December, was above its year-ago level. Production of motor vehicles assemblies jumped at an annual rate of 12.3 million units in December, a half-million units above the pace in November, and the highest rate since September 2000, when it reached 13 million units. Output for each major group of nondurable consumer goods declined in December, and the category overall decreased 0.5 percent. The output of consumer energy products declined 0.6 percent. The production of business equipment fell 0.9 percent; although output in each major category of business equipment declined, the output of computing equipment rose for a second month. For the fourth quarter, production of business equipment dropped at an annual rate of 15.2 percent. A sharp contraction in the production of commercial aircraft contributed to a 28.0 percent drop in transport equipment. The output of defense and space equipment rose 0.1 percent in December, its third consecutive monthly increase. The

output of construction supplies and business supplies declined in each quarter of 2001.

Other G-7 member countries reported the following growth rates of industrial production for the year that ended in October 2001: Canada reported a decrease of 6.0 percent; France, a decrease of 0.3 percent; Germany, a decrease of 4.0 percent; Italy, an increase of 0.9 percent; and the United Kingdom reported a decrease of 4.2 percent. For the year ended November 2001, Japan reported a decrease of 13.1 percent. The Euro area reported a decrease of 2.7 percent for the year that ended in October 2001.

Prices

The seasonally adjusted U.S. Consumer Price Index (CPI) declined by 0.4 percent in December 2001, according to the U.S. Department of Labor. For the year ended December 2001, consumer prices increased 1.6 percent.

During the 1-year period that ended in November 2001, prices increased by 0.7 percent in Canada, 1.2 percent in France, 2.4 percent in Italy, prices decreased by 1.0 percent in Japan, and increased by 0.9 percent in the United Kingdom. In Germany, prices increased by 1.7 percent in the year ending December 2001. Prices increased by 2.1 percent in the Euro area in the year that ended in November 2001.

Employment

The Bureau of Labor Statistics reported that the U.S. unemployment rate declined to 5.6 percent in January 2002 from 5.8 percent in December 2001. Job losses continued in manufacturing, and construction. These losses were partially offset by employment gains in services and government. In other G-7 countries, the latest unemployment rates were reported to be: 7.5 percent in Canada, 9.0 percent in France, 9.5 percent in Germany, 9.4 percent in Italy, 5.5 percent in Japan, and 5.1 percent in the United Kingdom. The unemployment rate in the Euro area was 8.4 percent.

Forecasts

The Board of Governors of the Federal Reserve System expects economic growth to remain slow in the near term, although 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.

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 in 2001 as well the enacted tax rebate, are expected to provide appreciable support to final demand.

In addition, following the September 11 terrorist attacks, private forecasters lowered their economic growth projections. Seven major U.S. forecasters expect real GDP growth in the United States during the first quarter of 2002 to reach an average annualized rate of about 0.6 percent, but to increase in the second quarter of 2002 to a rate of 2.5 percent, to 3.5 percent in the third quarter, and to 3.8 percent in the fourth quarter. The overall growth rate for the year 2002 is expected to average about 1.5 percent. Table 1 shows macroeconomic projections for the U.S. economy from January to December 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 6.0 percent in the first quarter of 2002, 6.2 percent in the second and third quarters, and 6.1 percent in the fourth quarter. For the year 2002, the unemployment rate is projected to reach 6.2 percent. Inflation, as measured by the GDP deflator, is expected to remain subdued, reaching an average of about 1.7 percent in 2002.

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>.

Table 1
Projected changes of selected U.S. economic indicators, by quarters, Jan.-Dec. 2002
(Percent)

	Conference Board	Macro-economic Advisers	DRI-WEFA	UCLA	Regional Financial Associates	Merrill Lynch Capital Markets	Northern Trust Co.	Mean of forecasts
GDP, constant dollars								
2002								
Jan.-Mar.	2.3	1.7	-0.3	-1.5	-0.5	0.5	1.7	0.6
Apr.-June	2.0	3.4	1.7	2.5	1.3	2.9	3.8	2.5
July-Sept.	3.6	3.3	3.0	3.2	3.0	5.0	3.7	3.5
Oct.-Dec.	3.2	2.6	4.3	3.6	4.5	5.0	3.1	3.8
Annual 2001	1.0	1.0	1.0	1.0	1.0	1.1	1.0	1.0
Annual 2002	1.3	1.2	0.6	0.3	4.1	1.4	1.3	1.5
GDP price deflator								
2002								
Jan.-Mar.	2.2	1.5	1.3	2.8	1.8	0.8	2.1	1.8
Apr.-June	1.5	1.1	1.0	2.4	1.8	1.2	2.3	1.6
July-Sept.	1.1	1.1	0.8	2.5	1.8	1.0	2.5	1.5
Oct.-Dec.	1.4	1.8	2.1	2.2	2.2	1.1	2.5	1.9
Annual 2001	2.3	2.2	2.3	2.4	2.4	2.2	2.2	2.3
Annual 2002	1.7	1.4	1.3	2.5	1.9	1.0	1.9	1.7
Unemployment, average rate								
2002								
Jan.-Mar.	5.9	6.0	5.9	6.1	5.8	6.5	6.0	6.0
Apr.-June	6.3	6.1	6.2	6.3	6.1	6.7	5.9	6.2
July-Sept.	6.5	6.0	6.3	6.2	6.3	6.4	5.9	6.2
Oct.-Dec.	6.4	6.0	6.3	6.2	6.2	6.1	5.8	6.1
Annual 2001	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8
Annual 2002	6.3	6.0	6.2	6.2	6.1	6.4	5.9	6.2

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, Dec. 2001.