

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 1.1 percent in the second quarter of 2002, according to advance estimates released by the U.S. Department of Commerce, Bureau of Economic Analysis. In the first quarter of 2002, real GDP increased at an annual rate of 5.0 percent.² For the year 2001, real GDP grew by 0.3 percent, following growth rate of 3.8 in the year 2000. The major contributors to the increase in the second quarter of 2002 were: personal consumption expenditures, private inventory investment, exports, and federal government spending. These contributions were offset partly decrease expenditures on nonresidential structures. Imports increased sharply.

The annualized rates of real GDP growth in the first quarter of 2002 was 6.0 percent in Canada, 1.4 percent in France, 0.7 percent in Germany, 0.6 percent in Italy, 5.7 percent in Japan, 0.7 percent in the United Kingdom, and 0.9 percent for the euro area—the EU members (EU-12) linked by the euro currency.

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 <http://www.bea.doc.gov/bea/newsrel/gdp.htm>; Federal Reserve Board, "Industrial Production and Capacity Utilization," G.17 (419) Release, found at <http://www.federalreserve.gov/releases/G17/Current/>; U.S. Department of Labor, Bureau of Labor Statistics, "Consumer Price Index," *USDL-01*, found at <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 <http://www.bls.gov/news.release/empst.nr0.htm>; and the Conference Board, Consumer Research Center, "Forecasters' Forecasts," facsimile transmission, used with permission.

Industrial Production

The Federal Reserve Board reported that U.S. industrial production rose 0.8 percent in June 2002 for its sixth consecutive monthly increase. Output in the second quarter of 2002 was higher at an annual rate by 4.6 percent. Industrial production in June 2002 reached its highest level since May 2001, although still below its June 2000 peak.

Other G-7 member countries reported the following growth rates of industrial production. For the year ending in April 2002, increases in industrial output were reported by Canada of 1.3 percent, by France of 0.9 percent, by Italy of 0.5 percent, and a decrease was reported for the euro area of 1.2 percent. For the year ending in May 2002, decreases in industrial production were reported by Germany of 3.9 percent, Japan of 5.6 percent, and the United Kingdom of 1.9 percent.

Prices

The seasonally adjusted U.S. Consumer Price Index (CPI) rose 0.1 percent in June 2002, which had been preceded by no change in May from a 0.5 percent increase in April, according to the U.S. Department of Labor. For the year ended June 2002, consumer prices increased 1.1 percent.

During the 1-year period that ended in May 2002, increases in consumer prices were reported by Canada of 1.0 percent, France of 1.4 percent, and the United Kingdom of 1.1 percent. Japan reported a price decrease of 0.9 percent for the year ending in May 2002. For the year ending in June 2002, increases in consumer prices were reported by Germany of 0.8 percent, Italy of 2.2 percent, and the euro area of 1.7 percent.

Employment

The Bureau of Labor Statistics reported that the U.S. unemployment rate was essentially unchanged in June 2002, remaining at 5.9 percent. Employment showed no significant changes in any of the major industry groups. Total nonfarm payroll employment of

130.7 million was little changed in June (+36,000) for the fourth consecutive month, in contrast to the period of economic downturn from March 2001 to February 2002 when payroll employment fell by an average of 160,000 jobs a month.

In other G-7 countries, the latest unemployment rates were reported to be:

7.5 percent in Canada, 9.1 percent in France, 9.8 percent in Germany, 9.0 percent in Italy, 5.4 percent in Japan, 5.2 percent in the United Kingdom, and 8.3 percent in the euro area.

Forecasts

Seven major U.S. forecasters expect real GDP growth in the United States—after registering strong growth of 6.1 percent in the first quarter of 2002—to subside to 2.3 percent in the second quarter, followed by increases to 3.0 percent in the third quarter, and to 3.5 percent in the fourth quarter of 2002. The overall growth rate for the year 2002 is forecast to average about 2.7 percent, with growth in 2003 projected to

average 3.5 percent. Table 1 shows macroeconomic projections for the U.S. economy from January 2002 to June 2003, 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 a stable unemployment rate of 5.9 percent in the second, third, and fourth quarters of 2002, decreasing to 5.7 percent in the first and second quarter of 2003. Overall, these forecasts expect unemployment to average 5.8 percent for 2002, and 5.6 percent for 2003.

Inflation, as measured by the GDP deflator, is expected to increase from an actual 1.2 percent rate in the first quarter of 2002, to 1.6 percent in the second quarter, 1.4 percent in the third quarter, and 1.7 percent in the fourth quarter of 2002. Inflation overall is forecast to be 1.3 percent for the year 2002, increasing to 1.8 percent for 2003. (See table 1).

Table 1

Projected changes of selected U.S. economic indicators, by quarter and year, January 2002-June 2003

		Conference Board	Macro-economic Advisers	E.I. Dupont	UCLA	Regional Forecasting Associates	Merrill Lynch Capital Markets	DRI-WEFA	Mean of forecasts
		<i>Percent (see note)</i>							
GDP, constant dollars									
2002	Q:I (actual)	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1
	Q:II	2.2	2.4	2.5	2.1	2.5	3.5	1.2	2.3
	Q:III	2.2	3.3	3.0	2.4	2.6	4.5	3.0	3.0
	Q:IV	3.6	3.5	3.0	2.5	2.8	4.5	4.6	3.5
2003	Q:I	4.0	3.9	4.0	2.7	3.8	4.0	3.8	3.7
	Q:II	4.0	4.3	3.5	2.7	4.2	4.1	3.5	3.8
	Annual 2002	2.6	2.8	2.7	2.5	2.6	3.2	2.5	2.7
	Annual 2003	3.7	3.8	3.3	2.6	3.5	4.2	3.6	3.5
Unemployment, average rate									
2002	Q:I (actual)	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6
	Q:II	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9
	Q:III	6.1	5.9	5.8	5.7	6.0	6.0	6.0	5.9
	Q:IV	6.1	5.8	5.7	5.8	6.1	5.7	5.9	5.9
2003	Q:I	6.0	5.7	5.5	5.6	6.0	5.6	5.8	5.7
	Q:II	5.9	5.4	5.8	5.5	5.9	5.6	5.8	5.7
	Annual 2002	5.9	5.8	5.8	5.7	5.9	5.8	5.9	5.8
	Annual 2003	5.7	5.4	5.3	5.6	5.9	5.5	5.7	5.6
GDP price deflator									
2002	Q:I (actual)	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
	Q:II	2.9	1.3	1.1	1.5	1.9	0.6	1.8	1.6
	Q:III	1.0	1.3	1.5	1.3	1.8	1.3	1.5	1.4
	Q:IV	2.5	1.0	1.5	1.1	2.2	0.8	2.5	1.7
2003	Q:I	2.9	1.1	1.4	1.5	2.2	1.4	2.9	1.9
	Q:II	2.5	1.9	1.4	1.5	2.2	1.2	2.5	1.9
	Annual 2002	1.5	1.1	1.1	1.2	1.5	1.0	1.4	1.3
	Annual 2003	2.4	1.6	1.5	1.3	2.2	1.2	2.4	1.8

Note.—Projected changes in percent represent annualized percentage rates of change from the preceding period, except for the unemployment rate which represents a simple percentage rate of the U.S. labor force. Quarterly data are seasonally adjusted.

Source: Calculated from data supplied by the Conference Board. Used with permission. Forecast date, June 2002.