

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 1.7 percent in the fourth quarter of 2001. In the third quarter, real GDP decreased at an annual rate of 1.3 percent, according to estimates by the U.S. Bureau of Economic Analysis.² For the year 2000, real GDP grew by 4.1 percent and for the year 2001 GDP increased by 1.2 percent.

The annualized rate of real GDP growth in the first quarter of 2002 was 2.0 percent in Canada, -0.6 percent in France, -1.0 percent in Germany, -0.9 percent in Italy, -2.1 percent in Japan, and 0.1 percent in the United Kingdom. The annualized rate of real GDP growth in the first quarter of 2002 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/gdp401f.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 reported that U.S. industrial production rose 0.7 percent in March 2002 for a third consecutive monthly increase. Output in March 2002 was 2.9 percent below its level in March 2001. Utilities production increased by 1.6 percent, whereas the output of mines fell by 1.6 percent. The rate of capacity utilization for total industry rose 0.5 percent in March 2002, to 75.4 percent of its 1992 index base of 100, a level still below its 1967-2001 average of 81.9 percent. Due to weak investment, capacity growth expanded only 1.1 percent in the 12 months to February 2002.

By market groups, the output of consumer goods rose 0.6 percent in March, with widespread gains in both durable and nondurable manufacturing. The production of both durable and nondurable materials continued strong, advancing 0.9 percent in March 2002. The production of business equipment rose slightly in March by 0.1 percent. Gains in the output of information processing equipment and in other industrial equipment were largely offset by a 3.2 percent drop in the manufacturing output of transit equipment, notably reflecting continued curtailment of commercial aircraft production. The production of defense and space equipment climbed 1.1 percent.

Other G-7 member countries reported the following growth rates of industrial production for the year that ended in December 2001: Canada reported a decrease of 5.5 percent; France, a decrease of 1.7 percent; Germany, a decrease of 5.1 percent; Italy, a decrease of 4.1 percent; and the United Kingdom reported a decrease of 4.6 percent. For the year ended January 2002, Japan reported a decrease of 11.1 percent. The Euro area reported a decrease of 4.1 percent for the year that ended in December 2001.

Prices

The seasonally adjusted U.S. Consumer Price Index (CPI) rose 0.3 percent in March 2002, following increases of 0.2 percent in both January and February 2002, according to the U.S. Department of Labor. For the year ending in the first quarter of 2002, consumer prices increased at an annual rate of 3.0 percent.

During the 1-year period that ended in January 2002, prices increased by 1.3 percent in Canada, 2.2

percent in France, and 1.3 percent in the United Kingdom; prices decreased by 1.4 percent in Japan. In the year to February 2002, prices increased by 2.4 percent in Germany, and by 2.5 percent in Italy. Prices increased by 2.7 percent in the Euro area in the year that ended in January 2002.

Employment

The Bureau of Labor Statistics reported that the total U.S. unemployment rate was little changed at 5.7 percent in March 2002. Non-farm payroll employment was also little changed in March, up by 58,000 to 131.3 million, contrasting with an average monthly loss of 144,000 during the 12 months to February 2002. Manufacturing employment continued to decline, although at a much slower rate.

In other G-7 countries, the latest unemployment rates were reported to be: 7.9 percent in Canada, 9.0 percent in France, 9.6 percent in Germany, 9.3 percent in Italy, 5.3 percent in Japan, and 5.2 percent in the United Kingdom. The unemployment rate in the Euro area was 8.4 percent.

Forecasts

The events of 2001 brought new challenges for the U.S. economy and for economic policy. The Council of Economic Advisers projects real GDP to pick up early in 2002. The economy continues to display characteristics favorable to long term growth; productivity growth remains strong, and inflation remains low and stable. The pace is expected to be slow initially, followed by an acceleration thereafter; over the four quarters of 2002 real GDP is expected to

grow by 2.7 percent. The unemployment rate is projected to continue rising through the middle of 2002 when it is expected to peak around 6 percent.

In addition, economic prospects improved despite the September 11 terrorist attacks, with raising private forecasters 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 2.2 percent, but to increase in the second to 3.4 percent, 3.9 percent in the third and 3.7 percent in the fourth. The overall growth rate for the year 2002 is expected to average about 1.9 percent. In the first quarter of 2003, GDP is projected to grow at 3.9 percent. Table 1 shows macroeconomic projections for the U.S. economy from January to December 2002, and the first quarter of 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 an unemployment rate of 5.8 percent in the first quarter of 2002, and to the likelihood of remaining around this rate for the rest of the year. For the first quarter of 2003, the unemployment rate is projected to continue essentially unchanged around 5.7 to 5.8 percent. Inflation, as measured by the GDP deflator, is expected to remain subdued, reaching an average of about 1.7 percent in the first two quarters of 2002, and then declining slightly in the third and fourth quarters of 2002 to 1.5 to 1.6 percent, before returning in the first quarter of 2003 to around 1.8 percent. For the whole year inflation is projected to recede to 1.3 percent. (See table 1).

Table 1**Projected changes of selected U.S. economic indicators, by quarters, Jan. 2002-Mar. 2003***(Percent)*

	Conference Board	Macro-economic Advisers	E.I. Dupont	UCLA	Northern Trust Co.	Merrill Lynch Capital Markets	Eaton Corp.	Mean of forecasts
GDP, constant dollars								
2002								
Jan.-Mar.	2.6	2.4	3.0	-0.6	1.0	3.5	3.2	2.2
Apr.-June	2.1	3.4	4.0	2.5	3.6	3.5	4.4	3.4
July-Sept.	2.4	3.4	4.0	3.2	3.9	5.0	5.1	3.9
Oct.-Dec.	3.1	3.2	3.5	3.5	3.3	5.0	4.5	3.7
Annual 2002	1.6	1.7	2.3	1.0	1.5	2.6	2.7	1.9
2003								
Jan.-Mar.	4.2	3.8	3.0	3.7		4.2	4.6	3.9
GDP price deflator								
2002								
Jan.-Mar.	2.1	1.7	0.7	2.6	2.1	0.8	1.9	1.7
Apr.-June	2.2	1.5	1.5	2.4	2.3	0.9	1.3	1.7
July-Sept.	0.9	1.4	1.5	2.5	2.5	1.1	0.7	1.5
Oct.-Dec.	1.4	1.7	1.5	2.2	2.5	0.8	1.1	1.6
Annual 2002	1.5	1.3	1.1	1.1	1.8	0.9	1.2	1.3
2003								
Jan.-Mar.	1.8	2.2	1.8	2.3		1.2	1.4	1.8
Unemployment, average rate								
2002								
Jan.-Mar.	5.7	5.8	5.6	5.8	5.8	5.8	5.8	5.8
Apr.-June	6.0	5.8	5.6	6.0	5.9	6.1	5.8	5.9
July-Sept.	6.2	5.7	5.5	5.9	5.8	6.2	5.7	5.9
Oct.-Dec.	6.3	5.7	5.4	5.9	5.7	6.0	5.6	5.8
Annual 2002	6.0	5.7	5.5	5.9	5.8	6.0	5.7	5.8
2003								
Jan.-Mar.	6.3	5.6	5.3	5.8		5.9	5.3	5.7

Note.—Except for the unemployment rate, changes in the forecast represent annualized percentage 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, Feb. 2002.