

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 6.1 percent in the first quarter of 2002. In the fourth quarter of 2001, real GDP increased at an annual rate of 1.7 percent, according to estimates by the Bureau of Economic Analysis.² For the year 2001, real GDP grew by 1.2 percent, following growth rate of 4.1 in the year 2000. The major contributors to the increase in the first quarter of 2002 were: private inventory investment, personal consumption expenditures, government spending, residential fixed investment and exports.

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, and nil percent in the United Kingdom. The annualized rate of real GDP growth in the fourth quarter of 2001 was -4.8 percent in Japan. For EU members linked by the euro currency, the euro area (EU-12), GDP growth rate was 0.9 percent in the first quarter of 2002.

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 reported that U.S. industrial production rose 0.4 percent in April 2002 for its fourth consecutive monthly increase. It increased at the same rate in March 2002 and increased by 0.3 percent in February 2002. Output in April 2002 was 2.0 percent below its level in April 2001. The rate of capacity utilization for total industry was 1.1 percent higher in April 2002 than in April 2001. At 75.5 percent, it remained more than 6.0 percent points below 1967-2001 average.

Manufacturing output increased 0.3 percent in April, to its highest level since August 2001; excluding motor vehicles and parts, manufacturing output was up 0.1 percent. Output of utilities moved up 0.9 percent and production in mining climbed 1.1 percent. Increases in the production of motor vehicles and parts, miscellaneous goods, fabricated metals, furniture and fixtures, industrial machinery and equipment and electrical machinery more than offset declines in the output of aerospace and miscellaneous transportation equipment, instruments and lumber. Gains in the production of computers and office equipment and in semiconductors and related electronic components boosted the output of industrial machinery and equipment and electrical machinery. Among non-durables, increases occurred in the production of food, and tobacco products, and petroleum products. Output at utilities moved up 0.9 percent, and production in mining climbed 1.1 percent. By market groups, the output of consumer goods rose 0.3 percent in April, and was led by further increases in the production of durable goods. The production of automotive products climbed 2.7 percent to its highest level since August 1999, and the output of home electronics goods increased 0.4 percent. The production index for appliances, furniture, and carpeting and for miscellaneous goods fell back after having posed gains in March. Among non-durables, an increase in the output of energy products, particularly electricity, offset a small decline in overall production of non-energy goods. The output of business equipment edged up 0.1 percent. The index of information processing equipment slipped 0.1 percent after three

consecutive monthly increases; The production of defense and space equipment climbed 0.9 percent and was nearly 3.0 percent higher than a year ago.

Other G-7 member countries reported the following growth rates of industrial production. For the year ending April 2002 Japan reported a decrease of 6.1 percent. For the year that ended in March 2002: Canada reported a decrease of 0.6 percent, France reported a decrease of 0.4 percent; Germany, a decrease of 3.2 percent; Italy, a decrease of 7.6 percent; and the United Kingdom reported a decrease of 5.9 percent. The euro area reported a decrease of 2.9 percent for the year ending March 2002.

Prices

The seasonally adjusted U.S. Consumer Price Index (CPI) rose 0.5 percent in April 2002, following a 0.3 increase in March, according to the U.S. Department of Labor. For the year ended April 2002, consumer prices increased 1.6 percent.

During the 1-year period that ended in May 2002, Germany reported an increase of 1.2 percent, and Italy reported an increase of 2.3 percent. During the year ending in April 2002, prices increased by 1.7 percent in Canada, 2.0 percent in France, and 1.5 percent in the United Kingdom but decreased by 1.1 percent in Japan. Prices increased by 2.0 percent in the euro area in the year ending May 2002.

Employment

The Bureau of Labor Statistics reported that the U.S. unemployment rate rose to 6.0 percent in April 2002 following a rise of 5.7 percent in March 2002. Employment rose in services industry but fell in construction. Since its recent low of 3.9 percent in October 2000, the jobless rate has increased by 2.1 percentage points. Manufacturing job losses continued to moderate, however.

In other G-7 countries, the latest unemployment rates were reported to be: 7.6 percent in Canada, 9.1 percent in France, 9.6 percent in Germany, 9.0 percent in Italy, 5.2 percent in Japan, and 5.1 percent in the

United Kingdom. The unemployment rate in the euro area was 8.3 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 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, private economic prospects improved despite the September 11 terrorist attacks. 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 5.6 percent, 2.8 percent in the second quarter, 3.4 percent in the third and 3.7 percent in the fourth quarter. The overall growth rate for the year 2002 is expected to average about 2.7 percent. In the first and second quarters of 2003 GDP is projected to grow at 3.9 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 an unemployment rate of 5.6 percent in the first quarter of 2002, and remain around 5.9 percent for the rest of the year 2002 and dips in 2003. Inflation, as measured by the GDP deflator, is expected to remain subdued, reaching an average of about 1.0 percent in the first quarter of 2002, and then rise slightly thereafter to 1.6 percent. For the whole year inflation is projected to remain at 1.2 percent. (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	Eaton Corp.	Mean of forecasts
		<i>Percent (see note)</i>							
GDP, constant dollars									
2002	Q:I (actual)	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6
	Q:II	2.0	2.6	3.0	2.1	2.7	4.0	2.9	2.8
	Q:III	2.8	3.3	3.0	2.4	2.4	4.5	5.1	3.4
	Q:IV	2.9	3.7	3.5	2.5	3.0	4.5	5.5	3.7
2003	Q:I	4.2	4.2	3.5	2.8	4.0	4.1	4.3	3.9
	Q:II	4.7	4.2	3.5	2.7	4.4	4.2	3.8	3.9
	Annual								
	2002	2.4	2.7	2.7	2.4	2.5	3.1	3.2	2.7
	Annual								
	2003	3.8	3.9	3.3	2.6	3.6	4.2	4.4	3.7
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	6.0	5.9	5.8	6.0	5.9	6.0	5.7	5.9
	Q:III	6.1	5.9	5.6	6.0	6.0	5.9	5.5	5.9
	Q:IV	6.1	5.7	5.5	6.1	6.0	5.7	5.2	5.8
2003	Q:I	6.0	5.5	5.4	5.9	5.9	5.6	4.9	5.6
	Q:II	5.9	5.3	5.3	5.8	5.8	5.6	4.8	5.5
	Annual								
	2002	5.9	5.8	5.6	5.9	5.9	5.8	5.4	5.8
	Annual								
	2003	5.8	5.2	5.3	5.9	5.7	5.5	4.8	5.5
GDP price deflator									
2002	Q:I (actual)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
	Q:II	1.6	1.3	1.1	1.5	2.6	0.5	2.8	1.6
	Q:III	1.5	0.6	1.5	1.3	2.2	1.3	1.6	1.4
	Q:IV	2.4	1.6	1.5	1.1	2.2	0.9	1.6	1.6
2003	Q:I	3.0	2.2	1.8	1.5	2.2	1.2	1.8	2.0
	Q:II	2.3	2.2	1.8	1.5	2.1	1.2	1.7	1.8
	Annual								
	2002	1.3	1.0	1.1	1.1	1.6	1.0	1.4	1.2
	Annual								
	2003	2.4	1.9	1.7	1.3	2.3	1.2	1.7	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, May 2002.