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# INTERNATIONAL ECONOMIC COMPARISONS

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

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### *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 1.4 percent in the fourth quarter of 2002, compared to 4.0 percent growth in the third quarter of 2002, according to estimates by the U.S. Department of Commerce Bureau of Economic Analysis.<sup>2</sup> For the year 2002, real GDP grew by 2.4 percent; up from 0.3 percent growth in the previous year. The major contributors to the increase in 2002 were personal consumption expenditures, government spending, and private inventory investment. However, the contributions of these components were partly offset by a decrease in nonresidential fixed investment, and from exports. Imports, which are a subtraction in the calculation of GDP, increased in 2002.

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<sup>2</sup> 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.

The annualized rate of real GDP growth in the fourth quarter of 2002 was 4.0 percent in Canada, 2.2 percent in the United Kingdom. In the third quarter of 2002 GDP growth was 1.0 percent in France, 0.4 percent in Germany, 0.5 percent in Italy, 1.3 percent in Japan. For EU members linked by the euro currency, the euro area (EU-12) GDP growth rate was 0.8 percent in the third quarter of 2002.

### *Industrial Production*

The Federal Reserve Board reported that U.S. industrial production rose 0.7 percent in January 2003 following a decline of 0.4 percent in December 2002. U.S. industrial production rose in January 2003 by 2.0 percent above its level in January 2002. The rate of capacity utilization for total industry rose to 75.7 percent in January 2003, 0.7 percentage points above that of January 2002.

By market group, the output of consumer goods rose 0.1 percent in January 2003. Most of the gain was in automotive products. The production of consumer nondurable goods rose 0.5 percent, followed by a sharp increase in residential electricity and gas usage. The output of business equipment picked up 0.1 percent in January where gains were widespread. The output of information processing equipment expanded 1.2 percent in January 2002. The production of industrial and other equipment rose 0.7 percent reversing the previous month’s decline.

By industry group, manufacturing output moved up 0.5 percent in January following a decline of 0.4 percent in the previous month.

Other G-7 member countries reported the following growth rates of industrial production. For the

year ending December 2002, Japan reported an increase of 6.7 percent. For the year ending November 2002, Canada reported an increase of 4.9 percent, Germany reported an increase of 2.5 percent, but Italy reported a decrease of 1.1 percent, and the United Kingdom reported a decrease of 1.1 percent. For the year ending October 2002, France reported an increase of 1.5 percent. The euro area reported an increase of 3.0 percent for the year ending November 2002.

## Prices

The seasonally adjusted U.S. Consumer Price Index (CPI) rose by 0.1 percent in December 2002, the same as in November, according to the U.S. Department of Labor. For the year ended December 2002, consumer prices increased 2.4 percent.

During the year ended in January 2003, prices increased 1.1 percent in Germany, 2.7 percent in Italy. During the year ending December 2002, France reported an increase of 2.3 percent, the United Kingdom reported an increase of 2.9 percent, and Canada reported an increase of 3.9 percent; however, prices declined by 0.3 percent in Japan. Prices increased by 2.1 percent in the euro area in the year ending January 2003.

## Employment

The U.S. Department of Labor, Bureau of Labor Statistics reported that the U.S. unemployment rate was unchanged at 6.0 percent in December 2002. Job losses continued in manufacturing and in retail trade and transportation. In other G-7 countries, the latest unemployment rates were reported to be 7.5 percent in Canada, 9.1 percent in France, 10.3 percent in Germany, 8.9 percent in Italy, 5.5 percent in Japan, and 5.2 percent in the United Kingdom. The unemployment rate in the euro area was 8.5 percent.

## Forecasts

The U.S. economy has continued to grow at a remarkable rate despite the forces burdening it, according to the OECD and other major private forecasts. Despite such forces as the lengthy adjustment of capital spending following several years of decline in equity values, economic retrenchment triggered by revelations of corporate malfeasance, and the heightened political risks in areas such as the Middle East, U.S. real GDP grew by 3 percent over the past four quarters, a very respectable pace compared to the sluggish growth in other major world economies.

## OECD Forecasts<sup>3</sup>

Forecasts by the Organization of Economic Co-operation and Development (OECD) in its December 2002 *Economic Outlook* show assuring rates of growth in the coming years for the United States compared to other OECD economies. U.S. real GDP is projected to grow by 2.6 percent in 2003, and by 4.6 percent in 2004. In contrast, Japan's real GDP is projected to grow by 0.8 percent in 2003, and then grow by 0.9 percent in 2004. In the euro area (EU-12), real GDP is projected to grow by 1.8 percent in 2003, and by 2.7 percent in 2004. In the larger area of the European Union (EU-15), real GDP is projected to grow by 2.2 percent in 2003, and by 3.0 percent in 2004. Real GDP for the whole OECD area—the world's industrialized economies as a group—is projected to grow by 2.2 percent in 2003, by 3.0 percent in 2004.

Inflation is projected to remain subdued in the United States, rising by 1.3 percent in both 2003 and 2004. In Japan, deflationary price pressures are expected to remain throughout the 2-year period as prices are projected to decline by 1.6 percent in 2003, and by 1.4 percent in 2004. In the euro area, inflation is projected to slow from 1.9 percent in 2003 to 1.8 percent in 2004. In the somewhat larger area of the European Union, inflation is projected to slow from 2.0 percent in 2003 to 1.9 percent in 2004. In the overall OECD area, inflation is projected to slow from 1.8 percent in 2003 to 1.6 percent in 2004.

Unemployment is projected to remain at 6.0 percent in the United States in 2003, then decline slightly to 5.7 percent in 2004. In Japan, unemployment is projected to stay at 5.6 percent in 2003, and 2004. In the euro area, unemployment is projected to remain high at 8.5 percent in 2003, and decline slightly to 8.3 percent in 2004. In the European Union, unemployment is projected to slow from 7.8 percent in 2003 to 7.5 percent in 2004. In total OECD area, unemployment is projected to remain around 6.9 to 6.7 percent during the 2-year period.

The U.S. current account deficit, as a percent of GDP, is projected to remain high in the two years, growing from 5.1 percent in 2003 to 5.3 percent of GDP in 2004. In Japan, the current account surplus is projected to grow from 3.8 percent of GDP in 2003 to 4.2 percent in 2004. In the euro area, the current account surplus is projected to grow from 0.9 percent in 2003, to 1.2 percent in 2004. The overall OECD current account deficit, as a percent of GDP, is projected to remain at 1.2 percent over the two years.

<sup>3</sup> OECD, *Economic Outlook No. 72*, December 2002, found at Internet address <http://www.oecd.org/>, retrieved on Jan. 15, 2003.

World trade volume—the average of world merchandise imports plus exports—is projected to increase by 7.7 percent in 2003, and by 8.8 percent in 2004, up from the much lower growth rate of 2.6 percent in 2002.

### **Private Economic Forecasts**

Economic prospects also improved, according to private forecasters. Seven major U.S. forecasters expect real GDP growth in the United States during the first quarter of 2003, to reach an average annualized rate of 2.5 percent. The overall growth rate for the year 2003 is expected to average 2.7 percent. In the second, third, and fourth quarters of 2003, GDP is projected to grow at 3.1 percent, 3.4 percent, and 4.0 percent,

respectively. Table 1 shows macroeconomic projections for the U.S. economy from January to December 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 6.0 percent, in the first quarter of 2003, an average of 6.1 percent for the year 2003. Inflation, as measured by the GDP deflator, is expected to remain subdued, reaching an average of about 1.7 percent in the first quarter of 2003, and then fall thereafter. For the year 2003, inflation is projected to remain at 1.5 percent (table 1).

**Table 1**  
**Projected economic forecasts by quarter and year, October 2002–December 2003**

Item	Conference Board	Macro-economic Advisers	E.I. Dupont	UCLA	Regional Forecasting Associates	Merrill Lynch Capital Markets	Global Insight	Mean of forecasts	
				<i>Percent (see note)</i>					
<b>GDP, constant dollars</b>									
2002 Q:III (actual) ..	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	
Q:IV .....	2.0	0.3	1.5	2.5	1.9	2.9	1.0	1.7	
2003 Q:I .....	4.2	2.6	2.5	2.2	2.3	2.2	2.6	2.7	
Q:II .....	3.1	3.2	3.0	2.3	2.7	2.7	3.5	2.9	
Q:III .....	4.1	3.8	3.0	2.7	3.2	2.5	5.5	3.5	
Q:IV .....	5.2	3.8	3.5	3.8	3.4	3.0	5.5	4.0	
Annual 2002 ..	2.5	2.4	2.4	2.5	3.0	2.4	2.4	2.5	
Annual 2003 ..	3.4	2.6	2.6	2.6	2.9	2.6	3.1	2.8	
<b>Unemployment, average rate</b>									
2002 Q:III (actual) ..	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	
Q:IV .....	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	
2003 Q:I .....	5.8	6.1	6.1	5.9	6.1	6.1	6.3	6.1	
Q:II .....	5.9	6.0	6.0	6.2	6.2	6.3	6.4	6.1	
Q:III .....	5.6	5.8	6.0	6.0	6.2	6.3	6.2	6.0	
Q:IV .....	5.2	5.7	5.9	5.9	6.2	6.2	5.7	5.8	
Annual 2002 ..	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	
Annual 2003 ..	5.6	5.9	6.0	6.0	6.2	6.2	6.0	6.0	
<b>GDP price deflator</b>									
2002 Q:III (actual) ..	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
Q:IV .....	2.2	1.8	1.1	1.0	1.5	1.3	2.6	1.6	
2003 Q:I .....	2.5	1.8	1.4	1.4	1.5	1.6	2.2	1.8	
Q:II .....	2.2	1.3	1.4	1.7	1.4	1.6	2.2	1.7	
Q:III .....	2.5	1.2	1.8	1.8	1.4	1.6	1.8	1.7	
Q:IV .....	2.5	1.5	1.8	2.3	1.4	1.4	1.8	1.8	
Annual 2002 ..	1.2	1.2	1.1	1.1	1.3	1.1	1.2	1.2	
Annual 2003 ..	2.2	1.4	1.4	1.4	1.4	1.5	2.0	1.6	

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, December 2002.