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United States Economic Trends

August 2011

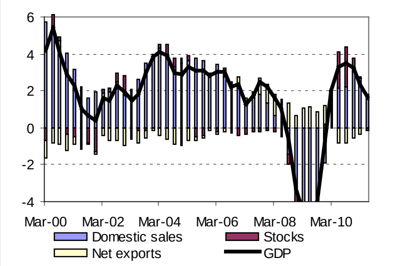
Economic Growth

- GDP growth resumed in the middle months of 2009 and reached 3%-4% in 2010. It has decelerated back down towards 1% during the past year.
- Public sector expenditure has fallen in the past year partially offsetting the growth of private sector spending.
- Investment spending has grown more rapidly than the rest of domestic spending since 2009 but remains very low as a proportion of GDP by historical standards.
- Firms have been increasing inventories at a "normal" rate during the past year.
- Exports rose by just under 10% in the past year and net exports were a supportive factor for economic growth.

Consequences of Economic Growth

- Households and firms are now in financial surplus as a result of higher savings rates, low investment spending, and lower taxes.
- The government has moved into a very sizeable deficit because of the smaller tax base and the easing of policy.
- Although real net exports have risen in the past year, a rise in the price of oil has kept the current account deficit stable at around 3% of GDP.
- Capacity utilisation has rebounded as economic activity has grown but the degree of utilisation reported by firms is still low.
- Employment growth resumed in 2010 but unemployment has not fallen markedly. The unemployment rate remains close to 9%.

Sources of GDP Growth
(%y-o-y)

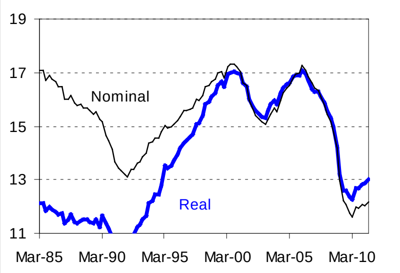


Real GDP
(%y-o-y)

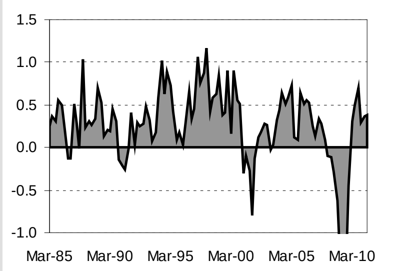
	Sep-10	Dec-10	Mar-11	Jun-11
Consume	2.2	3.0	2.8	2.1
Govt	0.6	0.1	-1.1	-2.2
Invest	4.4	7.3	7.3	4.1
Stocks*	2.1	0.7	0.1	-0.1
Exports	12.5	8.8	8.9	7.9
Imports	15.9	10.7	9.6	4.7
GDP	3.5	3.2	2.4	1.7

* Stocks are contribution to growth

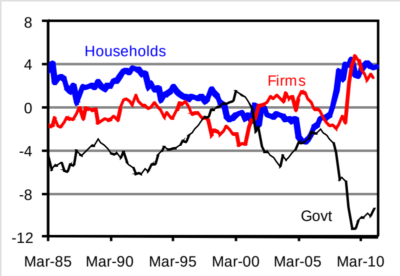
Fixed Capital Investment
(% of GDP)



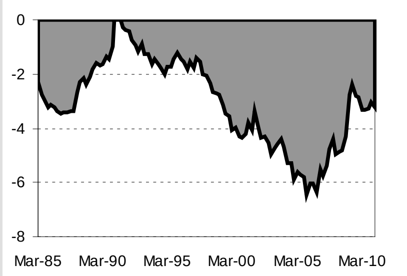
Change in Inventories
(% of GDP)



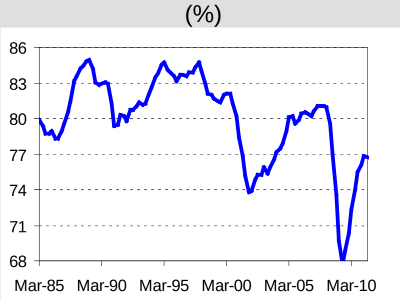
Sector Financial Balances
(% or GDP)



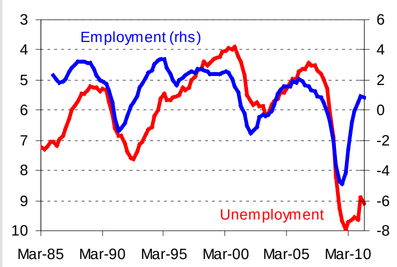
Current Account Balance
(% of GDP)



Capacity Utilisation
(%)



Labor market
(% of labour force) (%)



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Inflation

- Volatile oil prices have led to marked swings in consumer price inflation in recent years. After peaking at 5% in 2008 and troughing near -2% in 2009, inflation has risen back above 3%.
- “Core” inflation declined below 1% in 2010 but this year it has risen back up into the range of the previous decade.
- Labor productivity has decelerated since employment growth resumed and has risen by slightly more than 2% during the past twelve months.
- Wage inflation has decelerated with nominal wages rising by 2% in the past year and real wages down by 1%.
- Unit labor costs have declined in the past two years with labor productivity growth exceeding wage inflation.

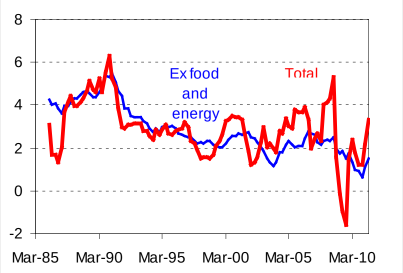
Government Policy

- The government’s fiscal deficit has narrowed in the past two years as revenues rose. The deficit is still more than 8% of GDP.
- A programme of fiscal contraction is planned for 2012-2014.
- The large fiscal deficits of the past three years have pushed government debt towards 90% of GDP.
- The Federal Reserve has kept official interest rates at 0% and is “printing money” to further ease policy. Real interest rates are close to -3%.
- The dollar is extremely low by historical standards. This is contributing to the “accommodative” nature of monetary conditions.

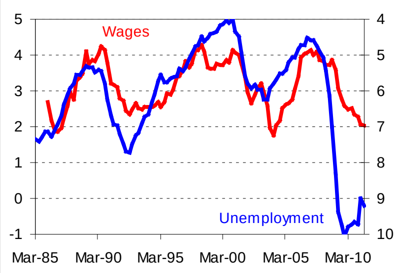
Other Developments

- Household savings have risen to 6% of incomes and savings are now no longer low by historical standards.
- Residential investment has not yet rebounded and remains very low by historical standards.
- The ratio of imports to exports has declined from its 2005-2006 peak but imports are still 125% of exports which is very high by international standards.

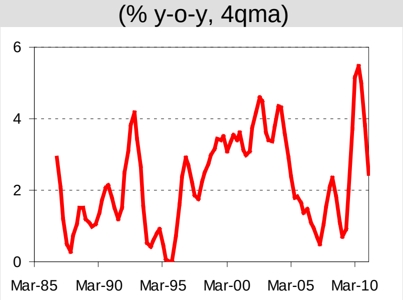
Consumer Price Inflation
(%y-o-y)



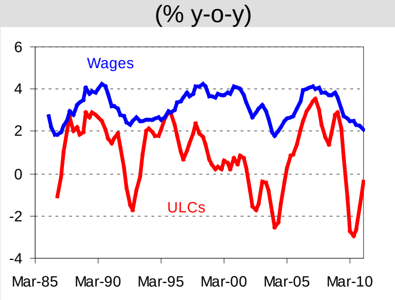
Unemployment and Wages
(% y-o-y) (% of labour force)



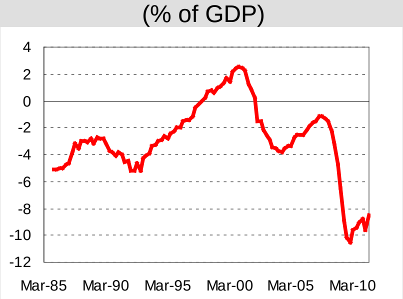
Labor Productivity
(% y-o-y, 4qma)



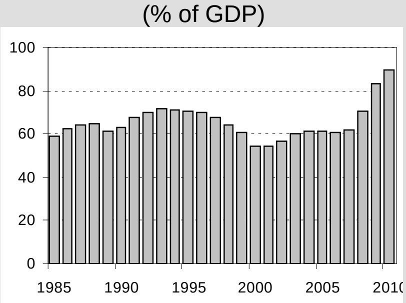
Unit Labor Costs and Wages
(% y-o-y)



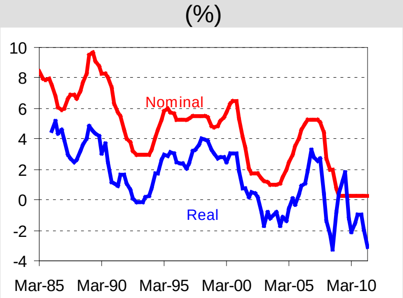
Fiscal Balance
(% of GDP)



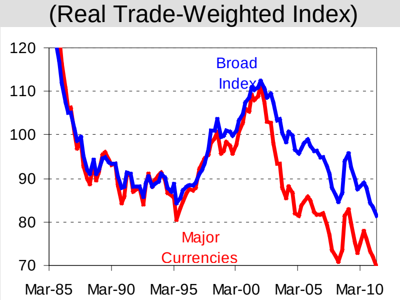
Government Debt
(% of GDP)



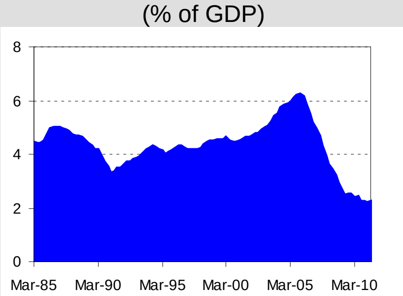
Official Interest Rates
(%)



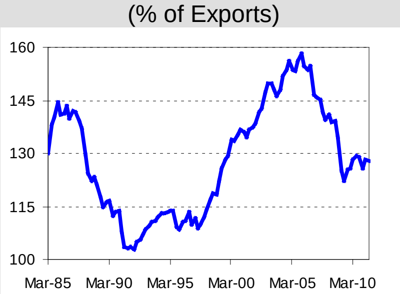
Exchange Rate
(Real Trade-Weighted Index)



Residential Investment
(% of GDP)



Imports and Exports
(% of Exports)



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