

## **THE ECONOMY OF THE UNITED STATES OF AMERICA: IS IT IMPROVING OR DECLINING ?**

The economy of The United States of America is, if nothing else, one of the many indicators as to the health of the entire Western World.

With the economy of the People's Republic of China on the slippery slope, heading to lower and lower levels, it is obvious that that which affects the second-largest economy of the world must, invariably, have some impact on the largest-single economy.

But statistics, recently released by various departments of the US Government, do not seem to suggest that the US economy is affected to the extent that some economic pandits would have the world believe.

### **The Federal Reserve**

On January 27, 2016, The Federal Reserve – The Central Bank of the US – released its findings in respect of the world's largest single economy for the month of December 2015.

In the first paragraph of this report, it is stated:

*'Information received since the Federal Open Market Committee met in December suggests that labor market conditions improved further even as economic growth slowed late last year. Household spending and business fixed investment have been increasing at moderate rates in recent months, and the housing sector has improved further; however, net exports have been soft and inventory investment slowed. A range of recent labor market indicators, including strong job gains, points to some additional decline in underutilization of labor resources. Inflation has continued to run below the Committee's 2 percent longer-run objective, partly reflecting declines in energy prices and in prices of non-energy imports. Market-based measures of inflation compensation declined further; survey-based measures of longer-term inflation expectations are little changed, on balance, in recent months.'*

In the second paragraph of this report, it is stated, inter alia:

*'The Committee currently expects that, with gradual adjustments in the stance of monetary policy, economic activity will expand at a moderate pace and labor market indicators will continue to strengthen. Inflation is expected to remain low in the near term, in part because of the further declines in energy prices, but to rise to 2 percent over the medium term as the transitory effects of declines in energy and import prices dissipate and the labor market strengthens further.'*

All in all, The Fed did not paint a bleak picture of the US economy in the short or intermediate term.

### **The Labour Situation**

About 12 days later, on January 8, 2016, the US Bureau of Labour Statistics brought out its findings with regard to the unemployment rate in the US.

This US Government department stated that the unemployment rate for the month of December 2015 remained unchanged at five percent.

The total nonfarm payroll employment rate rose by 292,000 in the last month of 2015, the Bureau stated, with gains, being recorded in the professional and business services, construction, healthcare and food services and drinking places.

However, mining employment continued to decline.

In its Household Survey, The Bureau pointed out:

*'The number of unemployed persons, at 7.9 million, was essentially unchanged in December, and the unemployment rate was 5.0 percent for the third month in a row. Over the past 12 months, the unemployment rate and the number of unemployed persons were down by 0.6 percentage point and 800,000, respectively.'*

As for the number of long-term unemployed (those workers who had been jobless for 27 weeks or more), *'was essentially unchanged at 2.10 million in December and accounted for 26.3 percent of the unemployed. The number of long-term unemployed has shown little movement since June, but was down by 687,000 over the year.'*

Among the marginally attached to the US workforce, *'there were 663,000 discouraged workers in December, little changed from a year earlier. Discouraged workers are persons not currently looking for work because they believed no jobs are available for them.'*

Where there had been notable gains in the US workforce, The Bureau said:

*'Employment in professional and business services increased by 73,000 in December, with temporary help services accounting for 34,000 of the gain. In 2015, professional and business services added 605,000 jobs, compared with a gain of 704,000 in 2014.'*

*'Construction showed strong job growth for the third consecutive month, gaining 45,000 jobs in December. Job gains occurred among specialty trade contractors (+29,000) and in construction of buildings (+10,000). Over the year, construction added 263,000 jobs, compared with a gain of 338,000 jobs in 2014.'*

*'In December, health care employment rose by 39,000, with most of the increase occurring in ambulatory health care services (+23,000) and hospitals (+12,000). Job growth in health care averaged 40,000 per month in 2015, compared with 26,000 per month in 2014.'*

*'Food services and drinking places added 37,000 jobs in December. In 2015, the industry added 357,000 jobs.'*

*'Employment in transportation and warehousing rose by 23,000 in December, with a gain of 15,000 in couriers and messengers.'*

*'Within the information industry, motion pictures and sound recording added 15,000 jobs in December, offsetting a decline of 13,000 in the prior month.'*

### **The Gross Domestic Product**

From The **B**ureau of **E**conomic **A**nalys**A** (The **BEA**), this branch of the US Department of Commerce reported that, in the fourth quarter of 2015, there had been significant increases in consumer spending.

The BEA stated:

*'The fourth-quarter increase in real GDP< (the value of goods and services, produced by the nation's economy less the value of the goods and services, used up in production, adjusted for price changes) mainly reflected an increase in consumer spending. Spending on services increased, notably on health care. Spending on durable goods also increased — notably on recreational goods and vehicles — as did spending on nondurable goods.'*

*'Residential investment and federal government spending also contributed to real GDP growth.'*

*'Partly offsetting these contributions, inventory investment, exports, and business investment each declined. In addition, imports, a subtraction in the calculation of GDP, increased.'*

Turning to personal income and personal saving, the BEA stated that:

*'Real disposable personal income — personal income adjusted for taxes and inflation — rose 3.2 percent in the fourth quarter after rising 3.8 percent in the third quarter. Personal saving as a percentage of disposable personal income was 5.4 percent in the fourth quarter, compared with 5.2 percent in the third quarter.'*

### **GDP Growth**

In conclusion, the BEA stated:

*'For the year 2015, real GDP increased 2.4 percent, the same as in 2014.'*

- *Consumer spending was the largest contributor to growth. Spending increased on services, notably healthcare, as well as durable and nondurable goods.*
- *Business investment, residential investment inventory investment, state and local government spending, and exports also increased.*
- *Imports, a subtraction in the calculation of GDP, increased, partly offsetting the contributions to growth.'*

It was only last Monday (February 1, 2016) that the BEA released its '**PERSONAL INCOME AND OUTLAYS, DECEMBER 2015**'.

In this report, the BEA stated that, among other things:

*'Personal income increased \$42.5 billion, or 0.3 percent, and disposable personal income (DPI) increased \$37.8 billion, or 0.3 percent, in December... Personal consumption expenditures (PCE) decreased \$0.7 billion, or less than 0.1 percent. In November, personal income increased \$44.3 billion, or 0.3 percent, DPI increased \$33.4 billion, or 0.2 percent, and PCE increased \$59.4 billion, or 0.5 percent, based on revised estimates.'*

*'Real DPI increased 0.4 percent in December, compared with an increase of 0.2 percent in November. Real PCE increased 0.1 percent, compared with an increase of 0.4 percent.'*

### **In Summary**

The above statistics, compiled by interdependent, US Government departments, do not appear to suggest that the world is coming to an end or that the economy of the US is anything but being moderately healthy.

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