

# Econometrics ; gdp growth in us



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GDP Comparison of US and China The period between 2001 and 2004 has witnessed tremendous GD growth rates both for the United s and China.

While the US economy grew by over 19. 5% during this period, the Chinese economy grew by over 60%, an increase of 33% in direct comparison with the USA (Thomas Rawski, 2009).

Between 2004 and 2008, the Chinese economy, which holds the current record as the fastest growing economy in the world, registered a GDP surge by 106%. The performance of the USA during this period has been relatively slack considering the fact that the growth deficit vis-a-vis China increased from 16. 4% to almost 28% during this duration. When evaluated using the Yuan as a reference, the Chinese economy now stands two-thirds larger than its position in 2004. Of this, over half of the contribution to the growth can be attributed to the GDP increase while the remainder is from statistical factors including the currency exchange fluctuations between the US Dollar and the Chinese Yuan. The Dollar has moved by 23% between 2004 and 2008 (The Economist, 2010).

Economists indicate that a repeat of this 4-year trend with moves of over 34% would allow China to surpass the US economy between 2025-2-2028. This further signals that the US Dollar will stabilize at the existing exchange rates. A comparison of the performances of both the economies during the previous decade would put a comparative GDP growth change at 51% amongst both economies. This predicts 2021 as the passing date for the Chinese economy (David Greenaway, 2009).

The recent global financial meltdown has however halted the tremendous growth of most economies in the world. While overturning the recent fortunes of the US economy, the crisis has provided enough glimpses into

the highly interlinked global economy and demonstrated that even China is not an exception during such periods. The US economy is slowly coming out of a recession and China's GDP growth dipped below the 10% annual mark for the first time in over a decade. Further, the Chinese government seems to have taken several important steps to continue a strengthening of its currency, helping its exports and the home industry against western competitors (OECD, 2009).

The US economy grew by 5.9% during the fourth quarter of 2009, providing a strong impression that the world's largest economy was on the path to recovery (The Economist, 2010). However, experts have been quick to point out that this growth was largely contributed inventory rebuilding, indicating that such an expansion may not be consistent in the future.

On an annual basis, the US economy has grown merely by 0.1%, which does not provide a very strong foundation keeping in mind that the country faced one of the worst recessions with output falling by 1.9% during 2008. Experts believe the recent quarterly GDP growth to be short lived as nearly 60% of the 5.9% growth came from rebuilding of the inventories, wherein companies will have to adjust to new demand levels, thereby slowing down production (The Economist, 2010).

From a broader perspective, the US economy is comparatively expected to grow much slower than the Chinese economy, which has been able to maintain the basic level of momentum in its growth despite a sharp fall in exports, given its huge internal market and stronger control over its currency.

#### References

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