Communication in economics

Business, Marketing

Sur Supervisor That Growth Breakout? Not Looking Likely Post 2008 financial crisis, the USeconomy has shown some definite signs of recovery during last year; however, the moot question still remains: Will the 2014 GDP growth rate continue to show buoyancy in the economy? Jeffrey Sparshott analyses in February 28, 2014 issue of the Wall Street Journal on the likely future trends of the US economy.

The year 2013 showed remarkable economic recovery in terms of the GDP growth rate barring the last quarter when the US GDP rate slightly declined. Overall, on year to year basis, the US economy registered resounding 2. 4% GDP growth rate making the hope that the economy is on firm recovery.

Source: http://online. wsj.

com/news/articles/SB10001424052702304026804579410831846341704

While private investments showed growth of 0. 72% and net exports rose by 0. 99% in last quarter of 2013, the government spending is a major drag on the economy as it declined by 1. 05%. In view of the economic recovery observed in 2013, it was expected that economys momentum will continue; however, bad weather in first quarter and overseas volatility have reduced hopes of further improvement. The third quarter healthy growth of 4. 1% in 2013 had generated enthusiasm across the businesses and industries to continue to have rapid job creations, but certain other economic measurements have been found to giving differing signals. Job creation, consumer spending, factory output and the construction industry data are not in line with the expectations. Many attribute this down performance in the first quarter of 2014 to extreme winter in many parts of the country. Jeremy Lawson, an economist at Standard Life, is of the view that the growth rates recorded in the previous quarters were, in fact, over stating what was happening actually.

First-quarter consumer-spending is not as per expectations and the mining industry is still passing through a weak market globally. On export front, the US economy registered a 9. 4% growth, which was originally anticipated to rise by 11. 4%. Business spending showed buoyancy in the second half of 2013 as companies continued to invest in buildings, software, and equipments. Fixed investment grew by 7. 3% in the fourth quarter generating hopes for future growth. Public-sector wages are mostly stagnant not showing any hopes of recovery. As usual, the saving rate has been registered only 4. 5% in the fourth quarter that is one percentage point less when compared with the average of the previous three years.

Consumers are spending but the government is holding back. In the last quarter of 2013, the Federal Government spending was down by 12. 8%. The Federal Reserve is cutting down on its bond-buying program for the last few months. Current reduction is to the tune of $10 billion per month and likely to rise in the subsequent months. Mean while, the Feds own estimate about economic growth is not much favorable as it expects economy to grow between 2. 8% and 3. 2% in 2014. The unemployment rate is likely to be in the range of 6. 3% to 6. 6% in this year meaning there would be no further improvement in job creation; the unemployment is not likely to reach pre-crisis period even in this year too.

Work-Cited

Sparshott, Jeffrey. “ That 2014 Growth Breakout? Not Looking Likely”. 2014.

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