

# Us economic performance

Literature, Russian Literature



US Economic Performance US Economic Performance To keep up with the global challenges the nation is facing, the Bush administration has set national economic targets for the current year. These targets include an upward movement in its real Gross Domestic Product (GDP) growth rate, a consumer price index (CPI) below 2%, and an unemployment rate under 5%. This paper examines the economic performance of US in view of the abovementioned economic objectives.

As at end-April 2005, US posted a GDP growth of about 3.1% quarter-on-quarter ("Statistics"). The increase in GDP is attributed to the sustainable consumer spending. Consumption is boosted by the prevailing low interest rate regime coupled by rising house prices and bullish stock market prospects (Minehan). As such, consumers exhibit a greater propensity to spend rather than save. Furthermore, consumer confidence continues to be bolstered by the flourishing labor market conditions as companies implement expansionary policies and hire more people.

GDP growth is also boosted by business spending or investments. This could be ascribed favorable financial conditions and rising business confidence levels as well as growth in labor productivity (Minehan). Moreover, economic growth is also fuelled by government spending. Similar to individual consumers, the government also has a high consumption propensity as opposed to saving tendency. Such economic condition may be favorable in the short run. However, it may also be disastrous in the long run since it may result to increased domestic and foreign borrowings.

As at April 2005, unemployment rate is at 5.2%, slightly higher than the 5% target. It should be noted, however, that the unemployment rate is steadily

decreasing and is at its all-time low level since end-2003 (Minehan). As mentioned, the declining rate of unemployment is primarily due to the expansion undertakings of businesses as corporations' labor requirements escalate.

As at April 2005, CPI is at 0.5% ("Statistics"), which is well within the government's target. Economic growth is usually accompanied by rising inflation brought about by the increasing aggregate demand. Despite current economic expansion, CPI is maintained at reasonable levels in the US.

However, an increase in CPI may be expected within the remainder of year due to the steady increase in the price of energy. Furthermore, increase in price level is forecasted because of the projected escalation in production cost resulting from the cost of employee benefits and raw material (Minehan).

Generally, the US has performed fairly well and met its economic targets to date. The country has generated GDP growth for the first quarter of 2005. Albeit its unemployment rate is marginally higher than its target, improvements in the labor market are notable. The CPI is also within the normal range. Given these conditions, economic perspective for the short run could be described as promising.

In this regard, experts have highlighted the fact that the country should be sufficiently equipped for the existing long-term challenges. In line with this, the government should continue to foster an economic environment conducive for investment. Furthermore, it should practice fiscal prudence and cut on spending to be able to increase its savings (Minehan). With this, the administration will be able to curb borrowing and potential tax increases.

### Cited Works

Minehan, Cathy E. The US Economy: 2005 and Beyond. April 2005. 24 May 2005.

" Statistics." The White House. May 2005. 24 May 2005.