Tracking the u.s economy

Economics

This will be followed by a personal economic outlook or the remainder of 2014. Current State of U. S Economy: A. Gross Domestic Product (GAP) According to the figures illustrated in the above graph prepared by the Bureau of Economic Analysis (SEA), an agency of the Commerce Department, U. S. Real gross domestic product contracted sharply at an annual rate of 1. 0 percent in IQ 2014 compared to 2. 6 percent in the previous quarter. This marked the first decline in economic growth since January 2011, a period of three years.

The drop in GAP growth comes as a revision, down from the BEAK'S original estimate released last April which showed an increase of 0. 1 percent. The BEA announces early estimates based on incomplete and partial data to provide a general picture of economic activity. These estimates are usually revised, with a second and third estimate being released as more data is acquired. The third and last revision for IQ 2014 is due to be released on June 25th and it remains to be seen how the GAP numbers will be affected. So why did the numbers decline so drastically?

Many economists blame the anemic growth due to diminished business inventories, and the abnormally, harsh winter the country experienced during the beginning of the year, however, not everyone agrees. Forbes quotes Steve Blitz, chief economist at ITS Investment Research who states, " Looking through the rest of the report, we see the cold hand of winter, although I am not sure to what extent the cold in the Midwest caused the level of exports to drop by $40. 5 billion while imports only dropped $8. 8 billion. Surely the supply chains weren't frozen in only one direction. Despite the historically, cold weather, there is more to the unexpected, weak performance of the battered U. S economy. Numerous components of the GAP played a hand in causing the decline in economic growth, including a decrease in exports, lack of business investments and decreased government spending. Reduction in real exports (real imports, which are a subtracted in the GAP calculation declined as well), accounted for a significant portion of the economic decline, followed by a decrease in inventory investments, non residential fixed investments, residential investments and a cutback in state and local government spending.

The GAP 's only supporter so far this year came in the form of increased real personal consumer expenditures, which grew from 2. 1 percent from the previous estimate of 2. 0 percent, mainly reflecting sharp increases in services and light increases in other areas. The BEA states, " The downturn in the percent change in real GAP, primarily reflected a downturn in exports, a larger decrease in private inventory investment, and downturns in nonresidential fixed investment and in state and local government spending that were partly offset by an upturn in federal government spending" (2014).

The table below, prepared by the BEA, shows precisely which components of GAP rose and tumbled in IQ 2014. B. Foreign Trade (Exports & Imports) According to records maintained by the U. S Census Bureau and the BEA, exports in April of $193. 3 billion and imports of $240. Billion resulted in a trade deficit of $47. 2 billion, up from $44. 2 billion in March. The April exports were $0. 3 billion less than March exports of $193. 7 billion, but imports were $2. 7 billion more than March imports of $237. 8 billion. The chart produced by the BEA below displays the U. S. International trade in goods and services in a period of two years, from April 2012 to April 2014.

Goods deficit in April increased by $3. 3 billion from March to $65. 8 billion and services surplus increased by $0. 2 billion from March to $18. 6 billion. Exports of goods decreased $0. 6 billion to $135. Billion, but imports however increased by $2. 7 billion to $200. 9 billion. Services exports increased by $0. 3 billion to $58. 2 billion and imports followed suit increasing by $0. 1 billion to $39. 7 billion. From April 2013 to April 2014, the goods and services deficit has increased by $6. Billion. Imports in that time period were up by 5. 4 percent or, $12. 4 billion and exports were up by 3. 0 percent, or $5. 6 billion. C. Gross Private Domestic Investments (Business Investment) Gross private domestic investment is a vital component of GAP because it gives us an idea of future productive capacity. It accounts for approximately 14 percent of our GAP and is considered to be the least stable component. The BEA defines gross private domestic investment as private fixed investment and change in private inventories.

It is measured without a deduction for consumption of fixed capital and includes replacements and addition to the capital stock, but excludes investment by U. S. Residents in other countries, hence the domestic. The BEA divides business investments into to sub-categories, fixed nonresidential investment, residential investment and business inventories. In short, gross private domestic investment is n aggregate component of expenditures and includes fixed investments (nonresidential and residential) and change in private inventories.

In the above graph from the Bureau of Labor Statistics (BLESS), the analysis depicts gross private domestic investment data with future projections as far as 2022. The growth rate for the time period of 2002 to 2012 is 0. 6 percent, with negative annual growth rates for all categories of fixed residential structures. However, the annual growth rate in business inventories in this same time period increased from the last decade from -3. 3 percent to 12. 9 percent. They project business inventories to increase by 2022 at an average annual rate of 0. 6 percent. D. Consumer Spending The Consumer Confidence Index increased slightly in May.

The index is currently at 83. 0, up from 81. 7 Just last month in April. The BEA recently reported that consumer spending increased to 10914. 40 billion in IQ 2014, up from 10831. 50 billion in Q 2013. U. S. Consumer spending fell for the first time in a year in April 2014 after two months of solid gains, but the decline is probably interim in nature given the strengthening numbers in the Job market. The drop followed a revised 1. Percent increase in March that was the largest gain since August 2009. Real disposable personal income (DIP) remained steady throughout IQ 2014 with a slight decreases in both April and May.

E. Unemployment Rate As reported by the Bull's latest economic news release, total nonfat payroll employment increased by 217, 000 in May. The increase was due largely to professional and business services, healthcare and social assistance, leisure and hospitality, transportation and warehousing and temporary services. Employment in other sectors such as manufacturing, mining and logging, construction, wholesale ND retail trade, information and financial services, and government remained steady. The unemployment rate remained unchanged at 6. 3 percent. In May, following a decline of 0. 4 percent in April.

The number of unemployed persons remained the same in May at 9. 8 million, a decrease of 1. 9 million over the last year. Over the previous year, nonfat payroll employment averaged approximately 197, 000 a month. The long term unemployed numbers remained steady at 3. 4 million and accounted for 34. 6 percent of the unemployed. That number has declined by almost a million workers, as the economy continues to gradually recover ND improve. The graph below by the BEA shows the inclines and declines of the unemployment rate since 1990. Updated unemployment figures and charts for June 2014 will be released on July 3, 2014. F.

Inflation Rate (ICP) The most recent release by the BLESS states that the ICP for all urban consumers (ICP-U) increased by 0. 3 percent in April on a seasonally adjusted basis. Over the past year, the all items index increased by 2. 0 percent before seasonal adjustment. Gasoline, shelter, andfoodindexes all rose in April and so did all items less food and energy. The consumer price index for May will be released on June 17, 2014. G. Government Spending: Fiscal and Monetary Policies According to the data reported by the BEA, current government expenditures exceeded receipts and caused a net government saving of -966. Billion during first quarter of 2014; an increase from Q 2013. Net lending or net borrowing which is an alternative measure of the government fiscal position was -1036. 5 billion, increasing from -968. 7 Q 2013. U. S. Economic Outlook: Remainder 2014 Coming off the harshest winter we've experienced in quite some time, the economy is expected to rebound and continue improving its upward growth in the remainder of 2014. The economy is expected to expand 2. 4 percent with the recovery of the housing market and business investments.

Government consumption is expected to slow economic growth this year for the fourth straight year in a row.

Consumer spending will remain in the 2 percent range, but it's possible that it might increase due to the increase in disposable personal income. This is assuming consumer confidence increases as the year passes. Employment is expected to continue its growth of 180, 000-190, 000 Jobs gained monthly similar to the previous two years. Structural unemployment will continue to be an issue as most Jobs created will be in he food service and retail industries. Small businesses are expected to gain confidence and provide support to the economic growth in 2014 with a key source of funding that's been missing since the recession; home equity.

The increase in home values over the previous year and the ongoing housing recovery is expected to support small businesses. The recovering housing market will play a role in GAP growth as home values continue to rise fueling construction activity leading to an accelerated pace in residential investment. Accelerated business investment will gain approximately 2. 5 percent to around 4. Percent in the following quarters; driven by hefty gains in nonresidential structures and slight increases in equipment and software expenditures. Growing demand for industrial space will support the increase in business investments.

Inflation will rise modestly from the lows of 2013 but will remain humble. Consumer prices will rise as producer prices rise due to global and domestic demand. Net exports will play a leading role and is expected to add to the overall GAP growth. Economists predict a 6. 6 percent rate of growth, along with the support of the oil boom to increase the pace of export activity. U. S. Economic Personal Outlook: 2014 From the extensive research I've done on this topic, my personal outlook on the economy for 2014 in one word, subpart. I expect GAP to grow slightly over the year due to more than one component.

Consumer spending is a strong candidate to increase most simply because disposable income is increasing. I understand that we just recently went through a recession andmoneyconservation would be wise, but we're a consumer nation and a consumer basedculture, therefore I expect personal consumer expenditures to rise. The winter that affected the nation during the ginning of the year slowed growth but in March, when the weather started to lift consumer expenditures skyrocketed. Personally, it would seem as if consumer confidence is on the rise and the data supports my theory.

I believevthe increasing home values will embolden consumers and business owners alike and add to economic growth, with businesses leading the way. I feel as if consumers aren't ready to make such a big financial commitment such as a mortgage and the ones willing to take risks will be the entrepreneurs or the business owners, so I expect to see growth in business investments. Residential investments will continue to improve as confidence is restored in the housing market allowing consumers to purchase rental properties to supplement or increase their income.

Non residential investments will increase as well as values rise due to demand but I'm not quite sure how strong this demand will be. Being the consumer culture we are, I expect us to import more than we export like we have for over a two decades now, however, the strengthening oil and gas sector in the country will gain momentum, gradually relieving us of our oil dependency on OPEC nations in the years to come, decreasing our imports of foreign oil. Economic growth in 2014 may be slow, but it's much better compared to where we were as a nation a couple of years ago.