Current State of the U.S. Economy

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The United States is facing many challenges both at the domestic level and from an international perspective as the global dynamics are changing at a rapid pace. The U.S. economy holds the highest significance in the world as it constitutes about 20% of the world's output and is still more significant than that of China (World Bank). According to a report by the IMF, the U.S. is the sixth-ranked country in per capita GDP (PPP). There is a highly advanced technology-based service sector in the U.S. that contributes to almost 80% of the country's output. Service-oriented companies in the U.S. dominate the financial industry, healthcare services, and retail industry.

The big U.S. corporations play a vital role globally as almost 20% of U.S. companies become part of the Fortune Global 500. Although the service sector is the central pillar of the U.S. economy, the U.S. has a vital manufacturing infrastructure, which gives approximately 15% of total output (U.S. Bureau of Economic Analysis). The U.S. holds the second position in the world in manufacturing. The U.S. is no. 1 in automobile, aircraft, chemicals and telecommunication industries. Also, 2% of output is based on agriculture. Meanwhile, the sizeable arable area with sophisticated farming techniques and technology alongside government subsidies makes the U.S. the largest agricultural exporter. The U.S. is a net exporter of food as a result of its farming technologies and significant infrastructure. The U.S. has a productive workforce that contributes to the economy efficiently. The country has access to natural resources along with large physical bases. Further, the penetration of physical and human capital in the market and business industries. The government and the people of the United States both contribute to the economy. The role of government is to provide political stability while ensuring a legal system and a fair system that keeps the economy in good shape. The diverse population of immigrants also form strong work ethics. The economics of the U.S. is growing through an innovative approach, entrepreneurs (who are working for the overall progress of the country), research and development (R&D), and capital investment.

The U.S. economy has made a recovery from turmoil. In 2008, the U.S. economy was hit by a recession and a number of factors were included in this, such as low interest rates, risk in financial sectors, high mortgage lending, relaxed government regulations, and consumer debts are the major factors that caused the recession in the country. This overall situation affected the housing and banking sectors badly. The economic situation remained unfavourable by the end of the year 2009. The U.S. economy has faced a sharp decline since the Great Depression. The following points address the financial situation of the U.S. in detail:

Historical context: The following economic assessment reflects the 2018 source period and should not be read as a current 2026 assessment.

Current Business Cycle

The strict labour market policies and gradual increase in wages are showing maturity in the overall U.S. business cycle. High salaries had started to affect corporate profits, which urged the Federal Reserve to adopt a strict monetary policy. The gains and credit trends show the declining pattern that takes place in the late-cycle stage, in pieces, because wage rate and broader inflation pressures have been softened. Therefore, the U.S. is going through the mid and late-cycle stages. The strong global backdrop indicates that the full transition to the late-cycle phase will be prolonged.

The global expansion will continue to remain at a certain level and will be aligned with the major economies of the world. Generally speaking, developed economies are positioned between the mid to late stages at large. The Eurozone is not away from the U.S. in this business cycle pattern as it is taking advantage of better approach and credit conditions. China's economic activity has bounced back to high levels, but the policy restrictions and slow industrial and housing activities are the downward indicators. Currently, global expansion has a solid base, but the top rates of growth have already been achieved.

Latest GDP

According to the figures, in the fourth quarter of 2017, GDP was 2.9 per cent, and in the 3rd quarter of 2017, it was 3.2 per cent. There was an increase of 2.9 per cent in the fourth quarter of 2017, as per the "third" estimate published by BEA. In the third quarter, growth in real GDP was recorded at 3.2 per cent (Bureau Of Statistics). The GDP growth in the fourth quarter indicates that consumers have increased consumption, investments in business and growth, government policies and investment in housing projects. All these contributions were partially offset by the downward movement in private inventory investment. The upward trend in real GDP came as a result of consumer spending in the service sector as well as private inventory investment.

Prices of goods and services purchased by the U.S. government rose by 2.5 per cent in the fourth quarter of 2017 after an increase of 1.7 per cent in the third quarter. Apart from food and energy, overall prices increased by 2 per cent after a rise of 1.6 per cent.

Since 2013, there has been a variation in GDP. According to U.S. economic data, Per capita GDP in U.S. dollars in the year 2013 was 52,705; in 2014, it was 54,502; in 2015, it was recorded as 56,175; and in 2016, it was 57,436. These figures indicate that each per capita GDP increased in the United States, which is a positive trend. Also, in 2013, the GDP in U.S. billion dollar was 16,692, in 2014, it was 17,393, in 2015, it was 18,037, and in 2016, it was 18,569. This is also a clear indication that there has been a rise in GDP every single year since 2013. Further, in 2013, the economic growth in GDP annual variation in percentage was 1.7, in 2014, it was 2.4, in 2015 and in the year 2016, it was 1.6.

The rate of unemployment has come down since 2013. In 2013, the unemployment rate was 7.4, in the year 2014, it was 6.2, in 2015, it was 5.3, in 2016 rate was 4.9 which was same in 2017. As a result of active policies, the unemployment rate has dropped significantly since 2013(Bureau of Statistics. From 6.2 to 4.9, more opportunities are available for the people U.S. University graduates and civilians are willing to work; students are happy to take part-time work to meet their expenses. The payroll employment is slightly up by 103,000 in March. The rate of unemployment remained at 4.1% (Bureau of Labor Statistics).

Economists' 2018 Forecast

The economists cited in the original analysis were forecasting conditions for 2018. They discussed possible weakness in consumer spending, housing, business and capital spending. A Wall Street Journal economist survey cited in that source period placed the recession risk at 14% for 2018; this is a historical forecast, not a current probability. Consumers may cut spending if rates of interest increase. Overall attitudes might get negative in this regard. Housing construction this year is not very strong. Similarly, exports may drop this year against the pattern of the last two years. The Federal Reserve's policy of tightening things during the previous month and over the period of 2018 may prove wrong. Blocking interest-based investment and having strict policies during the last thirteen months were not very good economic indicators. The monetary system did not appear to be very strong. The economy could go downwards because of the geopolitical situation. In case a war takes place in North Korea, it will severely hit the American economy. The major crisis in the Middle East could impact the U.S. economy. However, a small crisis that is currently going on in that region will not affect it significantly. Also, Russia's dispute with its neighbours could attract a NATO response, and the U.S. will see a recession (Fratzscher et al.).

Works Cited

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