

Country Economic Forecast

United States

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The US economy continues to display resilience heading into 2019 & a new political landscape post-midterm elections won't change that dynamic

We see the triple headwinds – from reduced monetary and fiscal stimulus along with trade tensions – weighing on growth next year

- Resilience remains the key theme for the US economy post-midterm elections. Real GDP growth is trending at 3% entering Q4, supported by solid consumer outlays and strong business investment. Private sector confidence remains elevated, with the labor market still roaring and wage growth firming. Policy headwinds from reduced fiscal and monetary stimulus, along with trade tensions vis-à-vis China, will curb 2019 momentum, but the economy should still be able to grow 2.5%, after a 2.9% advance in 2018.
- The US labor market added a whopping 250,000 jobs in October. The 12-month moving average of payroll gains is now an impressive 210,000, while the unemployment rate is at its lowest since 1969, at 3.7%, and wage growth above the 3% mark for the first time since 2009, with a 3.1% y/y advance in October.
- Consumer spending growth remains buoyant, trending at 3%, supported by solid real disposable income growth; however, we detect a slight reduction in savings, indicating modestly slower outlays momentum ahead. Business investment remains sturdy, but recent surveys point to moderating momentum going forward as trade worries, slower global growth, rising input costs and higher interest rates restrain activity. Residential investment, meanwhile, remains constrained by reduced affordability.
- US-China trade tensions are elevated, though recent statements point to a possible easing of tensions ahead of the Trump-Xi meeting at the G-20 summit. Our baseline includes 25% tariffs on half of US imports from China, imposing a 0.2ppt drag on 2019 GDP growth, but the imposition of tariffs on all US imports from China is a real risk.
- We continue to expect a fourth rate hike this year in December, followed by three rate hikes in 2019. Recent market volatility will be featured in Fed communication, but so long as the correction isn't profound, pervasive and persistent the Fed won't react.

Forecast for United States						
(Annual percentage changes unless specified)						
	2016	2017	2018	2019	2020	2021
GDP	1.6	2.2	2.9	2.5	1.7	1.7
Private Consumption	2.7	2.5	2.7	2.7	1.8	2.0
Fixed Investment	1.7	4.0	4.8	2.7	2.1	2.1
Government Consumption	1.5	-0.1	1.3	1.8	1.3	0.6
Exports of Goods and Services	-0.1	3.0	4.2	2.1	2.6	2.9
Imports of Goods and Services	1.9	4.6	4.6	3.6	3.0	3.1
Stockbuilding (% of GDP)	0.1	0.1	0.2	0.3	0.2	0.2
Industrial Production	-2.0	1.6	3.7	2.8	2.0	1.8
Consumer Prices, average	1.3	2.1	2.5	2.1	1.9	1.9
Current Balance (% of GDP)	-2.3	-2.3	-2.4	-2.6	-2.7	-2.8
Federal Budget (% of GDP)	-3.1	-3.4	-3.8	-4.9	-5.5	-5.9
Short-Term Interest Rates (%)	0.7	1.3	2.3	3.0	3.3	3.3
Long-Term Interest Rates (%)	1.8	2.3	3.0	3.4	3.6	3.7
Exchange Rate (US\$ per Euro), average	1.11	1.13	1.18	1.18	1.23	1.25
Exchange Rate (Yen per US\$), average	108.8	112.1	110.1	109.6	109.7	109.8

Forecast overview

A resilient economy...

Real GDP grew a solid 3.5% (saar) in Q3, in line with expectations, with real final sales up a modest 1.5% and inventories contributing a sizeable 2.1ppt to growth. In a sharp reversal from Q2, net foreign trade exerted a significant 1.8ppt drag. The modest gain in final sales featured the strongest advance in consumer spending in four years, partially offset by the weakest gain in business investment in nearly two years and a third consecutive quarterly decline in residential investment.

Real GDP is now trending at 3.0% y/y – the fastest pace since early-2015 – supported by strong growth in consumer spending, resilient business activity and firming government outlays (bolstered by the Bipartisan Budget Act of 2018).

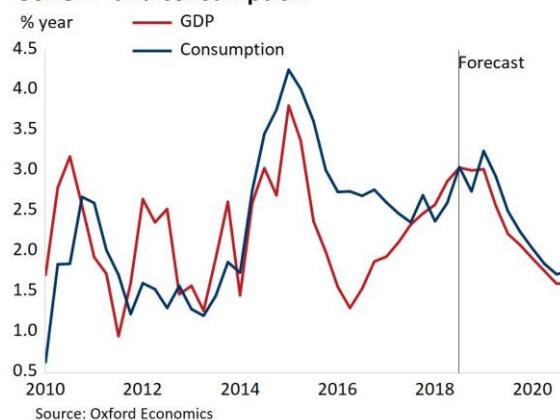
Headline PCE inflation slowed to 2.0% y/y in September and core PCE inflation maintained a 2.0% y/y pace for the fifth consecutive month. Considering the latest economic and inflation data, we believe the Fed will proceed with one more rate hike this year, and we forecast three hikes in 2019.

While the [midterm elections](#) changed the political landscape, with Democrats regaining control of the House of Representatives and Republicans consolidating their majority in the Senate, we don't foresee significant changes for the economy. We expect US real GDP to grow 2.9% in 2018, followed by a more modest 2.5% advance in 2019.

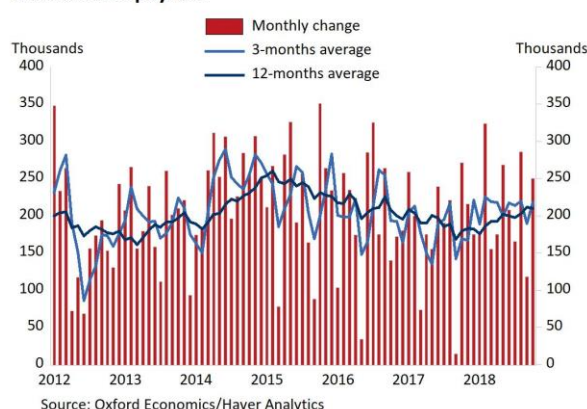
...but some risks on the horizon

- **A healthy, maturing labor market:** steady job gains and gradually firming wage growth will continue to support disposable income growth, which should drive consumer outlays. However, with the unemployment rate expected to flatten out around 3.6%, we should expect slower payrolls growth.
- **Solid consumer spending:** rising incomes and record household wealth support record levels of confidence, pointing to a sturdy pace of outlays. However, the slippage in the personal saving rate points to gradually moderating consumer spending growth in 2019.
- **Steady business investment:** fiscal stimulus and strong energy sector activity are supporting business investment growth of nearly 7% this year, though that should ease to 3.3% in 2019 as reduced fiscal impetus, slower global

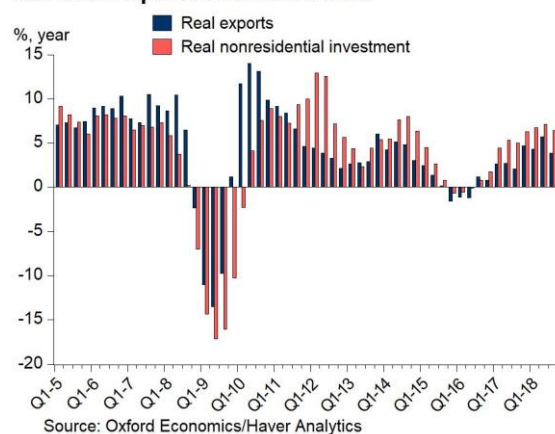
US: GDP and consumption



US: Nonfarm payrolls



US: Real exports and investment



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growth, and higher input and borrowing costs weigh on business outlays.

- **Moderate housing activity:** reduced affordability will continue to constrain residential activity going into 2019 as tight inventories, high home price inflation and rising interest rates dampen demand.
- **Trade flows weakening:** rising trade tensions will continue to disrupt trade flows going into 2019. We forecast net trade will be a drag on growth next year.
- **Firming inflation:** headline and core PCE inflation are expected to hover around the Fed's 2% target into 2019.
- **New political landscape:** Congress will focus on passing the USMCA, raising the debt ceiling and avoiding a mini-fiscal cliff in 2020, but tax cuts and any other major policy initiatives are likely off the table through 2020.
- **Policy risks:** trade protectionism will curtail growth, especially considering the possibility of further retaliation from China.

Three Fed rate hikes expected in 2019

Currently, the Fed is blessed with a 'goldilocks' scenario, featuring a strong economy operating at full employment and inflation close to its 2% target. However, the Fed cannot rest on its laurels as it must try to maintain this steady state amid more volatile financial markets, building inflationary pressures and rising trade tensions.

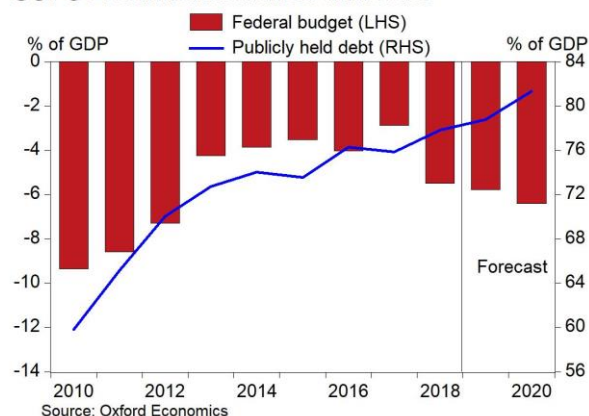
Assuming the market correction doesn't become profound, pervasive and persistent, then Fed policymakers look poised to raise rates a fourth time this year in December. Looking ahead to next year, we forecast a slowing in GDP growth to 2.5% from around 3% this year, but this should be robust enough to justify three rate increases, especially given the tightening labor market. This should lift the fed funds rate above the Fed's estimate of the long-run neutral rate and engineer a moderately restrictive monetary policy stance.

Long-term factors

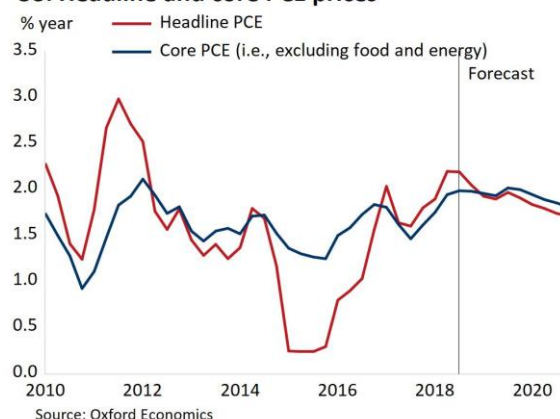
The US economy should grow nearly 2.0% pa in 2022-30 as the economy grows broadly in line with its potential.

- **Flexible labor force:** the US will maintain the flexibility of its labor force, giving it an advantage over its peers.
- **Recovering productivity:** we continue to foresee a modest rebound in US productivity growth.

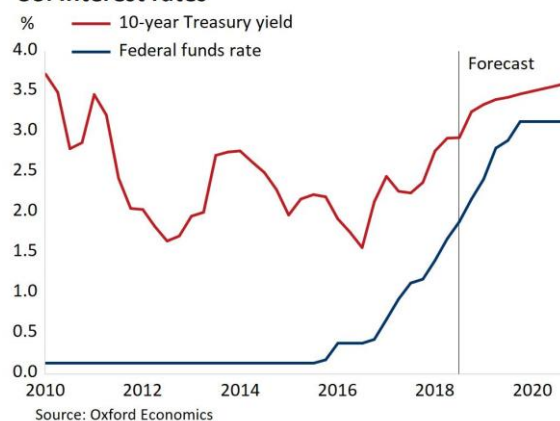
US: Government balance and debt



US: Headline and core PCE prices



US: Interest rates



Economic Risk Evaluation

Overall risk for United States: 2.8/10*

The US economic risk score of 2.8 is unchanged from six months ago, remaining just below the advanced economies' average. It is ranked 12th out of 164 countries in our survey.

We see US growth gradually firming from 2.2% in 2017 to almost 3.0% in 2018, with the impact of the fiscal stimulus outweighing an isolationist and protectionist policy lean. The fiscal boost will come at a cost, however. The federal deficit is forecast to increase noticeably. After raising the Fed funds rate by 75 basis points and initiating its balance sheet normalization process in 2017, we see another 100 basis points of rate hikes in 2018, followed by 75 basis points of further tightening in 2019.

Market demand: 3.0/10

The market demand risk score remains low at 3.0, modestly below the advanced economies' average, reflecting the high per capita GDP and relative political stability in the US.

Domestic demand is solid and should remain so as further employment and wage growth combine to support incomes. Meanwhile, record confidence levels are likely to underpin household spending growth in line with disposable incomes in the near term.

Market cost: 3.0/10

The market cost risk score is at 3.0, above the advanced economy average. CPI inflation is forecast to average close to 2.0% a year over the next five years.

The strengthening dollar and lower energy costs dampened inflation in 2015 and 2016. Inflation then picked up at the end of 2016 and in early 2017, on a combination of firmer demand and rising energy prices. During H2 2018, we expect gradually firming inflation to persist as the economy operates around full potential.

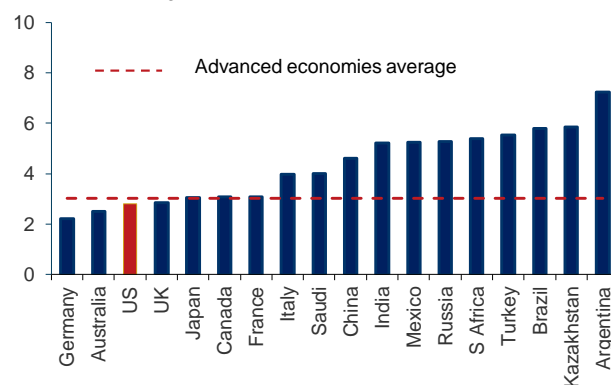
United States: Economic risk index (Scores from 1 to 10 with 10 = highest risk)			
	Nov 2018	Rank out of 164†	Score change from May
Overall	2.8	12	0.0
Market demand	3.0	10	0.0
Market cost	3.0	13	0.0
Exchange rate	2.0	2	0.0
Sovereign credit*	3.0	25	0.2
Trade credit	3.0	12	0.0

† (1 indicates lowest risk ranking)

*As of November 2017, the sovereign credit risk score is based on our new data-driven methodology. The change from six months ago also refers to the respective score under the new methodology.

Economic risk: United States vs Advanced economies average

Risk score, 10 = highest



Source : Oxford Economics

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Exchange rate: 2.0/10

Exchange rate risk is low at 2.0, well below the advanced economies' average, reflecting the US dollar's privileged position as the world's largest reserve currency.

The US dollar is about 2-3% weaker than at the start of 2017 but has appreciated 6-7% since April this year. Given current global prospects for growth and re-emerging twin deficits in the US, we think the trade-weighted dollar will resume its depreciation over the next couple of years.

Sovereign credit: 3.0/10

The sovereign credit risk score has risen to 3.0 over the last six months, according to our in-house scoring system. This is above the average for the advanced economies, though the score benefits from low inflation, a more solid banking sector than in the early-2000s, and the dollar's status as the main reserve currency and global safe-haven asset.

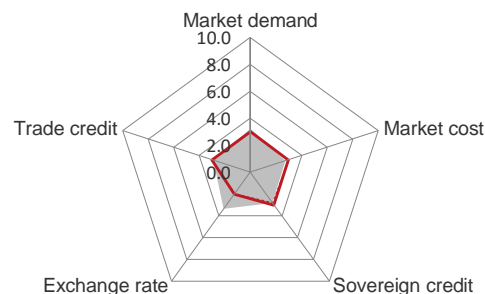
The US lost its AAA sovereign status from S&P in the wake of the debt ceiling crisis in 2011, but Moody's and Fitch, the other two major credit rating agencies, have maintained their AAA grade for the US. However, we caution that President Trump's fiscal stimulus will lead to a noticeable increase in the budget deficit over the next few years.

Trade credit: 3.0/10

The trade credit risk, which gives an indication of a country's potential influence on businesses' financial commitments, remains low at 3.0, just a touch above the average for other advanced economies.

Policy decisions and statements by the Trump administration point to increased government intervention. The corporate sector outlook remains supported by relatively low interest rates and accommodative financial conditions. Regulation and oversight of the banking sector has been strengthened with the Dodd-Frank Act, but we note a demonstrated and strong desire for deregulation by the administration. A modest rollback of certain Dodd-Frank provisions was signed into law in May 2018.

Economic risk: United States vs Advanced economies average



■ Advanced economies average ■ United States ■ United States 6 months ago

Source : Oxford Economics

Risk warnings

GDP growth	●	Solid demand supported by strong fundamentals
CPI inflation	●	Inflation near Fed's 2% target, but upward drift is possible
Current account balance	●	Current account deficit to widen
Government balance	●	Expansionary fiscal policy widens budget deficit
Government debt	●	Federal debt remains under 80% of GDP
External debt	●	US is a net debtor, but generates income surplus

* Risk scores are from 1 to 10, with 10 representing the highest risk. For our full country risk service, see www.risk-evaluator.com. Sovereign credit risk comes from our sovereign risk tool. [Find out more.](#)

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What to watch out for

Protectionism: implemented and announced tariffs, along with retaliation from China and other trading partners, will harm growth and employment, especially as the heightened tensions have escalated to a full-on trade war.

Weaker income and consumer spending growth: real income and consumer spending growth should converge in the coming months, though we do not discount the risk of slower outlays if wages and incomes do not rise sufficiently in the near term.

Financial risk: a sizeable and sustained fall in asset prices could have a negative impact on wealth for high-income households, while the knock-on effects would also severely impact lower-income families.

Higher energy prices: if WTI crude averages \$70 a barrel in 2018, the net drag on GDP growth will be 0.3pp, wiping out half of the boost from the fiscal stimulus. The strain is felt most acutely by lower-income households.

Housing risk: on the housing front, limited supply could continue to erode affordability, curbing demand and activity.

Fiscal stimulus: a lower fiscal multiplier, more crowding-out effects or a more aggressive Fed could limit the expected growth upside from fiscal stimulus in 2019.

Immigration: a material change in immigration policy threatens potential labor supply and could limit growth.

Growth exhaustion in 2019-20: late-cycle fiscal stimulus could spur faster Fed tightening and limit GDP growth.

Exposure to key global risks

Trade war: in this scenario, trade tensions escalate dramatically as the Trump administration hikes tariffs on key Asian trading partners.

Trade war fears dissipate: in this scenario we explore the possibility of a relatively swift resolution to current trade tensions. As prospective tariff hikes are averted, and recent measures reversed, uncertainty fades, confidence returns, and the global economy picks up.

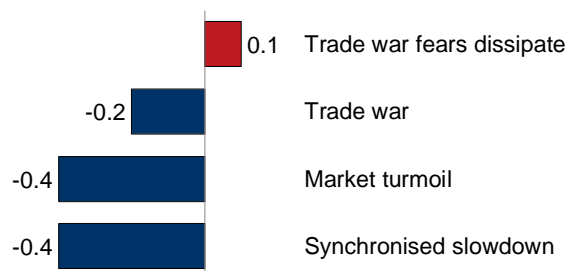
Synchronised slowdown: recent momentum in the global economy fades, as weaker activity in the eurozone and US is followed by a broader slowdown, with growth undermined by tighter monetary policy and oil prices rising to \$100pb.

US: Yield curve has been flattening

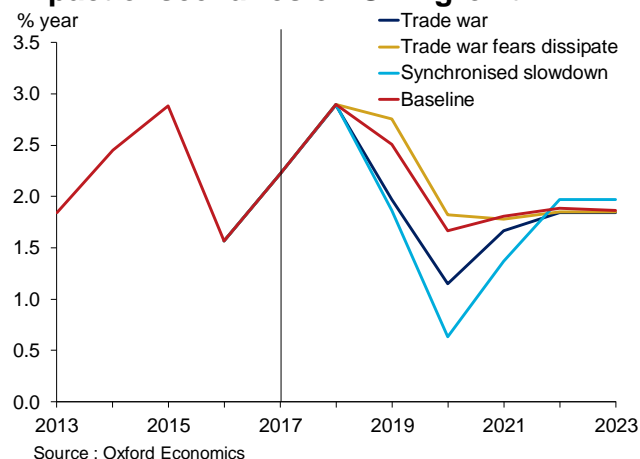


Impact of scenarios on GDP growth

Average annual impact over the next 5 years (% points)



Impact of scenarios on GDP growth



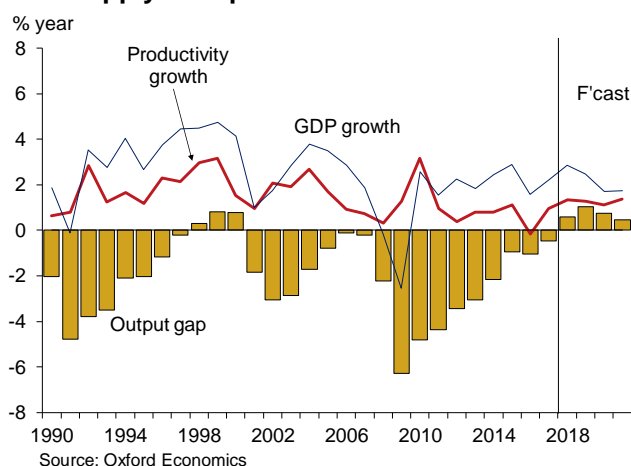
Long-term prospects

Reasonable growth outlook

GDP growth in the US is expected to average 2.4% pa in 2018-20. In the mid-2020s annual GDP growth is forecast to be around 1.9%. The economy is supported by strong fundamentals, including:

- **Solid labor supply growth:** the labor supply will grow steadily in the medium to long term, with a large contribution from second-generation immigration.
- **Competitive wage costs:** relative unit labor costs are still close to the lowest levels in the last 30 years.
- **Deleveraged households:** households' debt to income ratio has fallen back near its long-term average.
- **Fiscal stance:** reduced fiscal restraint over the long term should mean less of a headwind for the economy.
- **Oil prices:** broadly stable oil prices should support economic activity.
- **Productivity growth:** real output per hour is expected to pick up after several years of lackluster performance.

US: Supply-side performance



Potential GDP and Its Components Average Percentage Growth

	2007-2016	2017-2026
Potential GDP*	1.5	1.9
Employment at NAIRU	0.5	0.6
Capital Stock	1.6	1.7
Total Factor Productivity	0.6	0.9

* $\ln(\text{Potential GDP}) = 0.65 \ln(\text{Employment at NAIRU}) + 0.35 \ln(\text{Capital Stock}) + \ln(\text{Total Factor Productivity})$

Long-Term Forecast for the United States

(Average annual percentage change unless otherwise stated)

	2007-2011	2012-2016	2017-2021	2022-2026
GDP	0.6	2.2	2.2	1.9
Consumption	0.9	2.5	2.4	2.0
Investment	-2.3	4.0	3.1	2.5
Government Consumption	1.0	-0.2	1.0	0.6
Exports of Goods and Services	4.8	2.3	3.0	3.3
Imports of Goods and Services	0.8	3.3	3.8	3.4
Unemployment (%)	7.6	6.3	3.8	4.0
Consumer Prices, average	2.2	1.3	2.1	2.0
Current Balance (% of GDP)	-3.6	-2.3	-2.6	-3.1
Exchange Rate (Trade-Weighted Index)	75.3	82.1	88.1	84.0
Government Balance (% of GDP)	-6.2	-3.8	-4.7	-6.8
Short-term Interest Rates (%)	1.92	0.40	2.63	3.29
Long-term Interest Rates (%)	3.51	2.13	3.19	3.75
Working Population	0.9	1.1	0.9	0.8
Labour Supply	0.3	0.7	0.7	0.5
Participation Ratio	65.3	63.1	62.7	61.7
Labour Productivity	1.3	0.6	1.2	1.5

Background

Economic development

The US is the world's largest economy, accounting for approximately 20% of global GDP. It is also a wealthy economy, ranking high on the table of per capita incomes, but income distribution is skewed toward the upper end of the scale. In part this reflects the importance of technology, which has eliminated many high-paying but low-tech jobs through automation and, with the advances in telecommunications, outsourcing. Workers who can handle – and more importantly – develop new technologies are, on the other hand, extremely well rewarded.

The economy is market oriented, with most decisions made by private individuals and businesses without governmental direction with the exception of requirements in areas such as pollution control, public safety and consumer protection. Compared with their counterparts in many other countries, US businesses have much greater freedom to expand or close plants, fire unneeded workers, and develop products. The US has long held a technological advantage over most other countries, but that advantage has been eroding steadily.

Structure of the economy

The US economy is extensively diversified with abundant raw materials. Although the US is a major producer of manufactured and agricultural goods, the service sector dominates, accounting for over 78% of private output in 2008 and over 82% of private employment in 2009. Key service sectors include finance, real estate, transportation, health care, business services, and wholesale and retail trade. Key manufacturing sectors include machinery, motor vehicles, aircraft and aerospace equipment, telecommunications equipment, and computers. Major crops include soybeans, corn, wheat, and rice.

Policy

Monetary policy is conducted by the Federal Open Market Committee of the Federal Reserve Board. This committee has twelve voting members – the seven members of the Board of Governors, the president of the Federal Reserve Bank of New York and, on a rotating basis, the presidents of four of the other eleven Federal Reserve banks. Members of the Federal Reserve Board of Governors are appointed by the president, and must be confirmed by the Senate while the presidents of the Federal Reserve banks are appointed by the respective board of directors. Actions of the FOMC are independent of either the executive or legislative branch of government.

The FOMC meets eight times each year to assess economic conditions and determine the appropriate policy to move the economy toward the Fed's two goals: price stability and full employment. The FOMC sets monetary policy through open market operations, the purchase or sale of US government and federal agency securities, which affect the level of reserves in the banking sector and, in turn, the cost and availability of credit in the economy. In 2009, in the wake of the financial crisis the Fed added quantitative easing to its policy tools, by making major purchases of mortgage-backed securities and Treasuries. The Fed did not have an explicit inflation target until it was announced on 25 January 2012: 2% annual growth in the personal consumption price deflator.

Politics

While the president can propose tax changes, all tax legislation originates in the House of Representatives. The president must find sponsors for any tax bill he wants enacted and the result can vary significantly from his original proposal. The Senate must concur on any bill produced by the House, and at times reaching that concurrence can involve a conference committee and multiple iterations through both chambers. Once the House and the Senate have approved the same version of a bill, the president must sign the legislation for it to become law. A veto can be overridden by a two-thirds vote in both chambers. On the spending side, the president proposes a budget each year, usually in February. The House and Senate first adopt a concurrent budget resolution. This sets a limit for overall spending for the following fiscal year, but it is not binding and it need not match the president's proposal. Actual spending limits are set in 12 appropriations bills, which are supposed to be completed by 30 September (the end of the fiscal year) but frequently this deadline is missed.

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Data & Forecasts

Key Indicators: United States								
Percentage changes from previous month unless otherwise stated								
	Industrial production	Capacity Utilization %	Unemploy- ment %	CPI	Core CPI	Housing starts 000s	Nominal Net Trade \$ bn	Retail sales
Oct	1.6	76.8	4.1	0.1	0.2	1265	-47.0	0.6
Nov	0.5	77.1	4.1	0.3	0.1	1303	-49.0	0.8
Dec	0.5	77.3	4.1	0.2	0.2	1210	-51.9	0.0
2018								
Jan	-0.4	77.0	4.1	0.5	0.3	1334	-52.3	-0.1
Feb	0.5	77.2	4.1	0.2	0.2	1290	-55.0	0.1
Mar	0.5	77.5	4.1	-0.1	0.2	1327	-46.7	0.7
Apr	1.2	78.2	3.9	0.2	0.1	1276	-45.5	0.3
May	-0.8	77.5	3.8	0.2	0.2	1329	-42.6	1.2
Jun	0.7	77.8	4.0	0.1	0.2	1177	-45.7	0.2
Jul	0.3	77.9	3.9	0.2	0.2	1184	-50.0	0.6
Aug	0.4	78.1	3.9	0.2	0.1	1268	-53.3	0.1
Sep	0.3	78.1	3.7	0.1	0.1	1201	-54.0	0.1
Oct	-	-	3.7	-	-	-	-	-

Financial Indicators: United States								
Percentage changes from previous month unless otherwise stated								
	3-month T-bill %	10-year T-bond %	Money Supply	Exchange rate \$/€ avg.	Exchange rate Yen/\$ avg.	Exchange rate index 3/73=100	S&P 500	Reserves \$bn
Oct	1.07	2.36	0.3	1.18	112.9	88.7	2.6	120.0
Nov	1.23	2.35	0.2	1.17	112.8	89.2	1.4	121.6
Dec	1.32	2.40	0.4	1.18	112.9	88.8	2.7	122.2
2018								
Jan	1.41	2.58	0.1	1.22	110.9	86.3	4.7	125.1
Feb	1.57	2.86	0.2	1.23	108.0	85.7	-3.0	124.9
Mar	1.70	2.84	0.5	1.23	106.1	86.3	-0.1	125.2
Apr	1.76	2.87	0.2	1.23	107.7	86.4	-1.8	123.5
May	1.86	2.98	0.5	1.18	109.7	88.7	1.8	121.6
Jun	1.90	2.91	0.6	1.17	110.1	89.7	2.0	120.9
Jul	1.96	2.89	0.2	1.17	111.5	90.1	1.4	120.5
Aug	2.03	2.89	0.5	1.15	111.0	90.4	2.3	124.5
Sep	2.13	3.00	0.2	1.17	112.1	90.0	1.5	123.9
Oct	2.25	3.15	-	1.15	112.7	90.8	-4.0	123.0

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UNITED STATES			TABLE 1 SUMMARY ITEMS									
Quarter-on-Quarter Annualised Percentage Changes, Unless Otherwise Specified												
	CONSUMERS EXPENDITURE	REAL PERS. DISPOSABLE INCOME	SAVING RATIO (%)	REAL GDP	INDUSTRIAL PRODUCTION	UNEMPLOY- MENT RATE (%)	AVERAGE EARNINGS	WHOLE ECONOMY PRODUCT- IVITY (GDP/ET)	COMPETIT- IVENESS (2008=100)	PRODUCER PRICES	CONSUMER PRICES	TOTAL PROFITS
	(C)	(PEDY)	(PESR)	(GDP)	(IP)	(UP)	(ER)		(WCR)	(PPI)	(CPI)	(COGTP)
YEARS BEGINNING Q1												
2016	2.7	1.7	6.7	1.6	-2.0	4.9	1.1	-0.2	102.1	-1.0	1.3	-1.1
2017	2.5	2.6	6.7	2.2	1.6	4.4	3.0	1.0	103.0	3.2	2.1	3.2
2018	2.7	2.8	6.6	2.9	3.7	3.9	3.1	1.3	101.8	3.1	2.5	6.8
2019	2.7	1.8	5.8	2.5	2.8	3.6	3.1	1.3	101.9	2.2	2.1	3.0
2020	1.8	2.0	6.0	1.7	2.0	3.6	3.0	1.1	98.4	2.0	1.9	-1.1
2021	2.0	2.0	6.1	1.7	1.8	3.7	3.1	1.4	95.8	2.0	1.9	1.5
2016												
Q1	2.4	2.7	7.5	1.5	-2.1	4.9	-0.4	-1.9	102.6	-4.6	-0.1	12.8
Q2	3.4	-0.6	6.6	2.3	-2.1	4.9	0.7	1.9	100.1	3.3	2.7	4.6
Q3	2.7	1.5	6.3	1.9	1.2	4.9	2.0	0.3	101.4	2.2	1.8	5.4
Q4	2.6	2.7	6.4	1.8	0.8	4.7	3.6	0.6	104.4	3.2	2.7	7.6
2017												
Q1	1.8	4.5	7.0	1.8	0.9	4.7	4.0	0.6	105.7	5.7	3.0	-5.0
Q2	2.9	2.2	6.7	3.0	5.0	4.3	2.1	1.5	103.5	1.0	0.1	6.7
Q3	2.2	2.2	6.7	2.8	-1.5	4.3	3.8	1.0	101.9	1.6	2.1	2.2
Q4	3.9	2.3	6.3	2.3	7.8	4.1	2.3	1.9	100.9	5.7	3.3	9.8
2018												
Q1	0.5	4.4	7.2	2.2	2.3	4.1	4.0	-0.4	99.2	3.6	3.5	5.0
Q2	3.8	2.5	6.8	4.2	5.5	3.9	2.7	2.9	100.7	2.7	1.7	12.5
Q3	4.0	2.5	6.4	3.5	3.1	3.8	2.8	2.4	103.4	2.2	2.0	3.2
Q4	2.7	0.7	5.9	2.2	3.0	3.6	3.6	0.4	103.9	2.1	2.4	5.5
2019												
Q1	2.5	2.0	5.9	2.3	2.5	3.6	3.0	1.1	103.0	2.3	2.1	2.9
Q2	2.6	2.0	5.8	2.3	2.0	3.6	3.3	1.2	102.4	2.1	2.0	1.8
Q3	2.2	2.1	5.7	2.1	2.4	3.6	3.1	1.3	101.5	2.0	1.9	-0.1
Q4	1.7	1.7	5.8	1.6	2.6	3.6	3.1	1.0	100.6	2.1	2.0	-3.3
2020												
Q1	1.7	2.0	5.8	1.6	1.8	3.6	2.9	1.2	99.4	1.9	1.9	-0.2
Q2	1.8	2.2	5.9	1.7	1.9	3.5	2.9	0.8	98.7	1.9	1.8	-2.1
Q3	1.7	2.6	6.2	1.5	1.8	3.6	3.0	1.5	98.1	1.9	1.8	-0.2
Q4	1.9	1.8	6.1	1.6	1.7	3.6	3.0	1.2	97.4	2.0	1.9	-1.1
2021												
Q1	2.1	1.7	6.1	1.8	1.7	3.7	3.0	1.5	96.4	2.0	2.0	3.9
Q2	2.1	2.0	6.1	1.8	1.8	3.7	3.1	1.5	96.0	2.0	2.0	3.1
Q3	2.1	2.2	6.1	1.8	1.8	3.7	3.2	1.5	95.7	2.0	2.0	2.0
Q4	2.1	1.7	6.1	1.8	1.9	3.8	3.2	1.5	95.3	2.0	2.0	1.2
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UNITED STATES			TABLE 2 SUMMARY ITEMS									
	TRADE BALANCE (US\$ BN)	CURRENT ACCOUNT (US\$ BN)	CURRENT ACCOUNT (% OF GDP)	GOVERNMENT FINANCIAL BALANCE (US\$ BN)	GOVERNMENT FINANCIAL BALANCE (% OF GDP)	SHORT-TERM INTEREST RATE	LONG-TERM INTEREST RATE	TOTAL HOUSING STARTS (MILLIONS)	LIGHT VEHICLE SALES (MILLIONS)	EXCHANGE RATE YEN PER US DOLLAR	EXCHANGE RATE US DOLLAR PER EURO	EFFECTIVE EXCHANGE RATE (1990=100)
	(BVI)	(BCU)	(BCU*100 /GDP)	(GFUBB)	(GB*100 /GDP)	(RSH)	(RLG)	(HST)	(LTVEH)	(RXD,JAPAN)	(RXEURO)	(RX)
YEARS BEGINNING Q1												
2016	-778.3	-432.9	-2.3	-581.6	-3.1	0.74	1.84	1.18	17.5	108.76	1.107	91.60
2017	-842.7	-449.1	-2.3	-680.9	-3.5	1.26	2.33	1.21	17.2	112.14	1.130	91.09
2018	-897.3	-488.3	-2.4	-865.8	-4.2	2.29	2.96	1.27	17.1	110.06	1.184	88.65
2019	-939.6	-565.8	-2.6	-1098.2	-5.1	3.03	3.41	1.29	17.2	109.60	1.175	88.98
2020	-979.7	-607.3	-2.7	-1233.7	-5.5	3.29	3.56	1.32	17.3	109.68	1.225	86.47
2021	-1025.7	-644.6	-2.8	-1395.0	-6.0	3.29	3.70	1.35	17.4	109.82	1.250	85.10
2016												
Q1	-193.9	-111.9	-2.4	-245.5	-5.3	0.62	1.92	0.29	4.4	115.26	1.102	93.11
Q2	-189.4	-103.1	-2.2	60.2	1.3	0.64	1.75	0.29	4.3	107.92	1.129	89.46
Q3	-191.7	-109.3	-2.3	-186.5	-4.0	0.79	1.56	0.29	4.4	102.40	1.117	90.21
Q4	-203.4	-108.6	-2.3	-209.8	-4.4	0.92	2.13	0.31	4.5	109.45	1.078	93.60
2017												
Q1	-209.7	-107.7	-2.2	-317.0	-6.6	1.07	2.44	0.31	4.3	113.57	1.065	94.30
Q2	-208.5	-121.8	-2.5	3.8	0.1	1.20	2.26	0.29	4.2	111.08	1.102	92.93
Q3	-205.6	-103.4	-2.1	-142.7	-2.9	1.32	2.24	0.29	4.3	111.01	1.175	88.25
Q4	-219.0	-116.1	-2.3	-225.0	-4.5	1.47	2.37	0.31	4.4	112.89	1.177	88.87
2018												
Q1	-227.3	-121.7	-2.4	-374.7	-7.5	1.93	2.76	0.33	4.3	108.30	1.229	86.09
Q2	-207.5	-101.5	-2.0	-7.4	-0.1	2.34	2.92	0.32	4.3	109.14	1.191	88.26
Q3	-232.4	-132.9	-2.6	-171.9	-3.3	2.34	2.93	0.30	4.2	111.54	1.163	90.16
Q4	-230.2	-132.2	-2.5	-311.8	-6.0	2.54	3.25	0.32	4.3	111.25	1.153	90.10
2019												
Q1	-232.5	-137.7	-2.6	-438.2	-8.3	2.76	3.34	0.32	4.3	109.75	1.156	90.02
Q2	-233.7	-139.9	-2.6	-81.2	-1.5	3.00	3.40	0.32	4.3	109.52	1.169	89.30
Q3	-235.5	-143.0	-2.7	-229.3	-4.3	3.16	3.43	0.32	4.3	109.55	1.181	88.61
Q4	-237.8	-145.2	-2.7	-349.6	-6.4	3.21	3.47	0.33	4.3	109.59	1.194	87.98
2020												
Q1	-240.4	-147.7	-2.7	-490.9	-8.9	3.28	3.50	0.33	4.3	109.63	1.206	87.37
Q2	-243.5	-150.7	-2.7	-120.5	-2.2	3.29	3.54	0.33	4.3	109.66	1.219	86.77
Q3	-246.2	-153.1	-2.7	-251.4	-4.5	3.29	3.57	0.33	4.3	109.70	1.231	86.17
Q4	-249.4	-155.7	-2.8	-370.9	-6.6	3.29	3.61	0.33	4.3	109.73	1.244	85.60
2021												
Q1	-251.8	-157.6	-2.8	-533.9	-9.4	3.29	3.64	0.33	4.3	109.77	1.250	85.26
Q2	-254.8	-159.9	-2.8	-163.6	-2.8	3.29	3.68	0.34	4.3	109.80	1.250	85.16
Q3	-257.8	-162.2	-2.8	-289.2	-5.0	3.29	3.71	0.34	4.4	109.84	1.250	85.05
Q4	-261.4	-164.9	-2.8	-408.3	-7.0	3.29	3.75	0.34	4.4	109.88	1.250	84.94
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Long-Term Forecast for United States

Annual percentage changes unless otherwise specified

	2007-2016	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2026
GDP	1.4	1.8	2.5	2.9	1.6	2.2	2.9	2.5	1.7	1.7	1.9	1.9	1.9	1.9	1.9	2.0
Consumption	1.7	1.5	2.9	3.7	2.7	2.5	2.7	2.7	1.8	2.0	2.1	2.0	2.0	2.0	2.0	2.2
Investment	0.8	3.6	4.9	3.3	1.7	4.0	4.8	2.7	2.1	2.1	2.4	2.5	2.5	2.6	2.6	2.8
Government Consumption	0.4	-1.9	-0.8	1.7	1.5	-0.1	1.3	1.8	1.3	0.6	0.5	0.5	0.6	0.6	0.6	0.8
Exports of Goods and Services	3.6	3.6	4.3	0.6	-0.1	3.0	4.2	2.1	2.6	2.9	3.1	3.3	3.4	3.4	3.5	3.1
Imports of Goods and Services	2.1	1.5	5.1	5.5	1.9	4.6	4.6	3.6	3.0	3.1	3.3	3.4	3.4	3.5	3.6	3.6
Unemployment (%)	7.0	7.4	6.2	5.3	4.9	4.4	3.9	3.6	3.6	3.7	3.8	3.9	4.0	4.1	4.1	3.9
Consumer Prices, average	1.8	1.5	1.6	0.1	1.3	2.1	2.5	2.1	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.1
Consumer Prices, EOP	1.8	1.2	1.2	0.4	1.8	2.1	2.4	2.0	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Current Balance (% of GDP)	-2.9	-2.1	-2.1	-2.2	-2.3	-2.3	-2.4	-2.6	-2.7	-2.8	-2.9	-3.0	-3.1	-3.2	-3.2	-2.8
Exchange Rate (Trade-Weighted Index)	78.7	75.9	78.4	90.9	91.6	91.1	88.7	89.0	86.5	85.1	84.8	84.5	84.1	83.6	83.2	86.0
General Government Balance (% of GDP)	-5.0	-4.1	-2.8	-2.4	-3.1	-3.4	-3.8	-4.9	-5.5	-5.9	-6.3	-6.6	-6.9	-7.1	-7.3	-5.8
Short-term Interest Rates (%)	1.2	0.3	0.2	0.3	0.7	1.3	2.3	3.0	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.0
Long-term Interest Rates (%)	2.8	2.4	2.5	2.1	1.8	2.3	3.0	3.4	3.6	3.7	3.8	3.8	3.8	3.8	3.8	3.5
Working Population	1.0	1.0	0.9	1.2	1.1	0.6	1.1	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8
Labour Supply	0.5	0.3	0.3	0.8	1.3	0.7	1.0	0.9	0.6	0.5	0.5	0.4	0.4	0.5	0.5	0.6
Participation Ratio (%)	64.2	63.3	62.9	62.7	62.8	62.8	62.8	62.8	62.6	62.4	62.2	61.9	61.7	61.5	61.4	62.2
Labour productivity	0.9	0.8	0.8	1.1	-0.2	1.0	1.3	1.3	1.1	1.4	1.5	1.5	1.6	1.5	1.4	1.4
Employment	0.5	1.0	1.7	1.7	1.7	1.3	1.5	1.2	0.6	0.3	0.4	0.3	0.3	0.4	0.5	0.7
Output gap (% of potential GDP)	-2.8	-3.0	-2.1	-0.9	-1.0	-0.5	0.6	1.0	0.7	0.5	0.4	0.3	0.2	0.2	0.1	0.4

Country Economic Forecast | United States

Key Facts

Politics

Head of state: President Donald TRUMP
 Head of government: President Donald TRUMP
 Political system: Constitution-based federal republic
 Date of next presidential election: November 2020
 Date of next legislative election: November 2020
 Currency: US dollar (USD)

Long-term economic & social development

	1980	1990	2000	2016*
GDP per capita (US\$)	12598	23954	36450	57589
Inflation (%)	13.5	5.4	3.4	1.3
Population (mn)	229.8	252.5	282.2	323.1
Urban population (% of total)	73.7	75.3	79.1	81.9
Life expectancy (years)	73.6	75.2	76.6	78.7

Source : Oxford Economics & World Bank

Structure of GDP by output

	2016
Agriculture	1.0%
Industry	18.9%
Services	80.1%

Source : World Bank

* 2016 or latest available year

Long-term sovereign credit ratings & outlook

	Foreign currency	Local currency
Fitch	AAA (Stable)	AAA (Stable)
Moody's	Aaa (Stable)	Aaa (Stable)
S&P	AA+ (Stable)	AA+ (Stable)

Structural economic indicators

	1990	1995	2000	2016*
Current account (US\$ billion)	-79	-114	-403	-433
Trade balance (US\$ billion)	-105	-165	-454	-778
FDI (US\$ billion)	11	-41	163	168
Govt budget (% of GDP)	-5.4	-4.7	0.4	-5.3
Govt debt (% of GDP)	84.2	93.1	71.2	136.5
Long-term interest rate	8.5	6.6	6.0	1.8
Oil production (000 bpd)	7240	6457	5730	8831
Oil consumption (000 bpd)	16988	17722	19700	19687

Source : Oxford Economics / World Bank / EIA

Destination of goods' exports 2017

European Union	18.4%
Canada	18.3%
Mexico	15.7%
P.R. China	8.4%
Other	39.2%

Source : IMF DOTS



Source : CIA Factbook

Location: North America, bordering both the North Atlantic Ocean and the North Pacific Ocean, between Canada and Mexico (CIA Factbook)

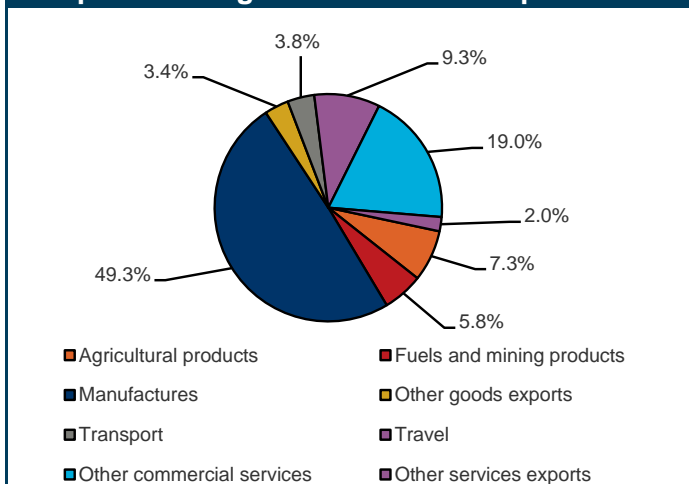
Corruption perceptions index 2017

	Score
Developed economies (average)	75.0
Emerging economies (average)	38.1
United States of America	75.0

Source: Transparency International

Scoring system 100 = highly clean, 0 = highly corrupt

Composition of goods & services exports 2016



Source : WTO

Country Economic Forecast | United States

Overall risk for United States: 2.8/10

Factors affecting risk scores: United States							
Overall risk: 2.8/10							
	2016	2017	2018	2019	2020	2021	2022
Market demand rating: 3.0/10							
Domestic demand, % y/y	1.8	2.5	3.0	2.7	1.8	1.8	1.9
Government balance, % of GDP	-3.1	-3.4	-3.8	-4.9	-5.5	-5.9	-6.3
Gross government debt, % of GDP	136.5	134.2	133.4	133.3	135.2	137.4	139.6
Policy interest rate, %	0.39	0.97	1.78	2.81	3.13	3.13	3.13
Domestic credit, % of GDP	235.7	238.6	240.5	242.4	244.3	246.2	248.1
Fixed investment, % of GDP	20.2	20.5	20.8	20.7	20.6	20.6	20.6
Output gap, % of GDP	-1.0	-0.5	0.6	1.0	0.7	0.5	0.4
Real GDP per capita, 2010 US\$	52525	53296	54430	55373	55924	56497	57145
Market cost rating: 3.0/10							
Nominal unit wage costs, 2008=100	108.1	111.0	113.2	115.2	117.1	118.9	120.9
Real fuel imports % total imports	13.3	12.6	11.8	11.8	11.5	11.2	10.9
Energy use per unit of GDP PPP	130.3	128.4	126.5	124.7	122.8	120.9	119.1
Exchange rate, average, Yen per US\$	108.8	112.1	110.1	109.6	109.7	109.8	109.9
Output gap, % of GDP	-1.0	-0.5	0.6	1.0	0.7	0.5	0.4
Unemployment rate, %	4.9	4.4	3.9	3.6	3.6	3.7	3.8
Real GDP per capita, 2010 US\$	52525	53296	54430	55373	55924	56497	57145
Exchange rate rating: 2.0/10							
Exchange rate, average, Yen per US\$	108.8	112.1	110.1	109.6	109.7	109.8	109.9
Exchange rate, avg, PPP, Yen per US\$	102.6	100.4	98.4	97.2	96.7	95.7	94.6
Current account of BOP, % of GDP	-2.3	-2.3	-2.4	-2.6	-2.7	-2.8	-2.9
External debt, % of GDP	97.3	96.1	94.6	94.1	94.7	95.3	96.0
Policy interest rate, %	0.39	0.97	1.78	2.81	3.13	3.13	3.13
FX reserves, months of imports	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Sovereign credit rating: 3.0/10							
GDP, real, % y/y	1.6	2.2	2.9	2.5	1.7	1.7	1.9
GDP per capita, PPP, US\$	52525	53296	54430	55373	55924	56497	57145
Government balance, % of GDP	-3.1	-3.4	-3.8	-4.9	-5.5	-5.9	-6.3
Gross government debt % of GDP	136.5	134.2	133.4	133.3	135.2	137.4	139.6
Trade credit rating: 3.0/10							
GDP, real, % y/y	1.6	2.2	2.9	2.5	1.7	1.7	1.9
External debt, % of GDP	97.3	96.1	94.6	94.1	94.7	95.3	96.0
GDP per capita, PPP, US\$	52525	53296	54430	55373	55924	56497	57145