

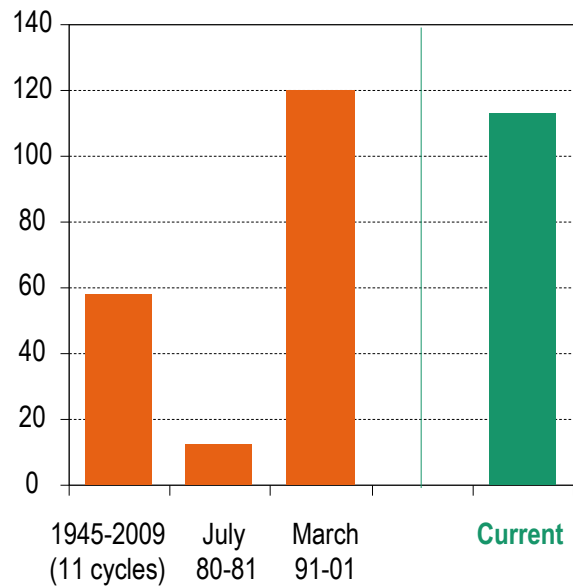
L'économie américaine face aux défis d'une guerre commerciale

Florence Pisani

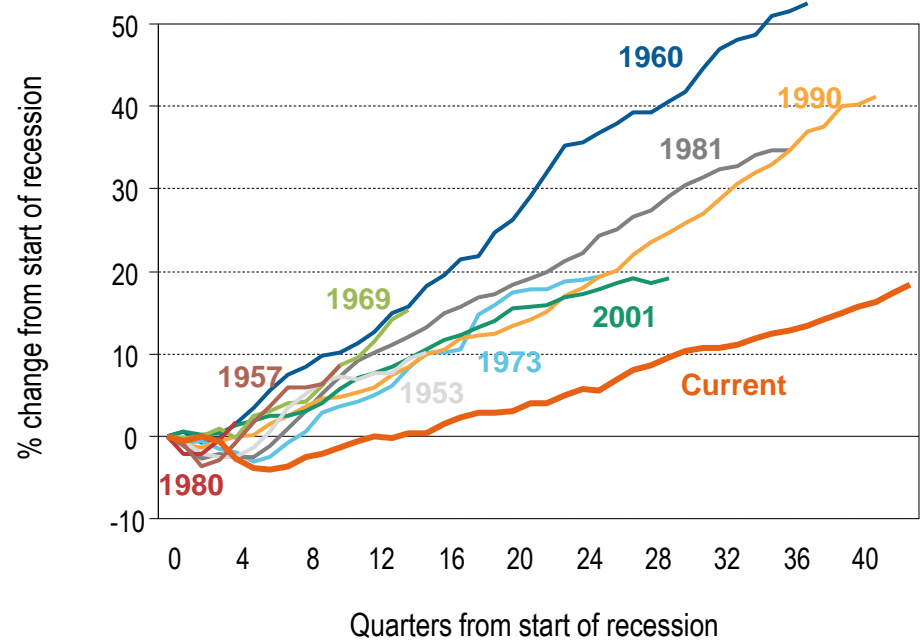
1. Towards the longest post-war expansion

The U.S. is on track for its longest post WWII expansion

Length of postwar US business cycles (length in months)

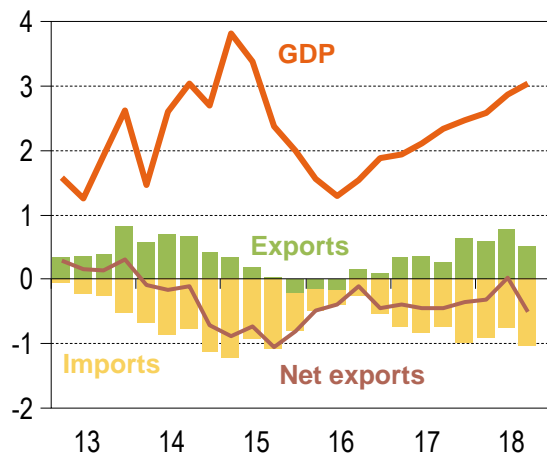
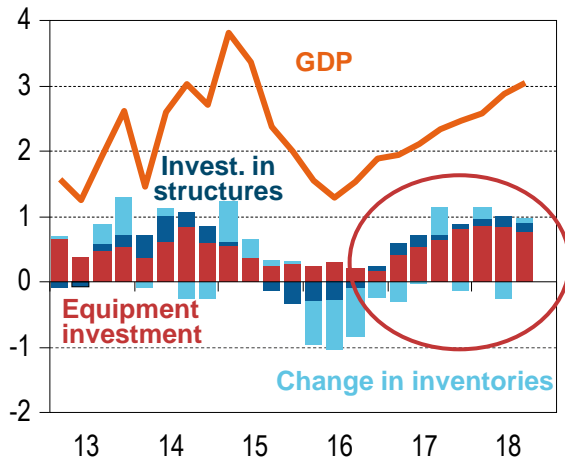
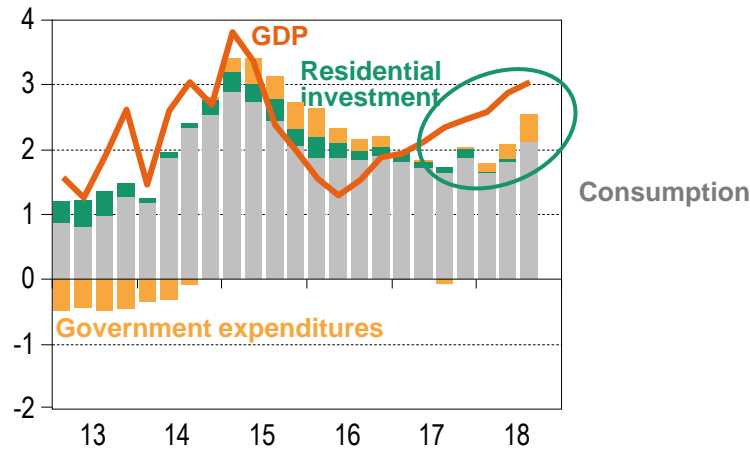


US business cycles (cumulated change from NBER previous peak)

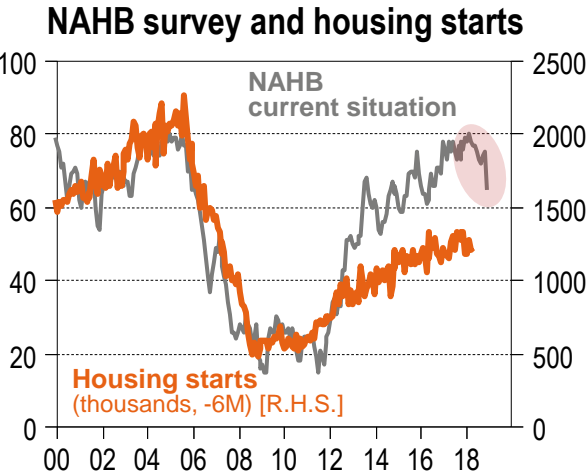
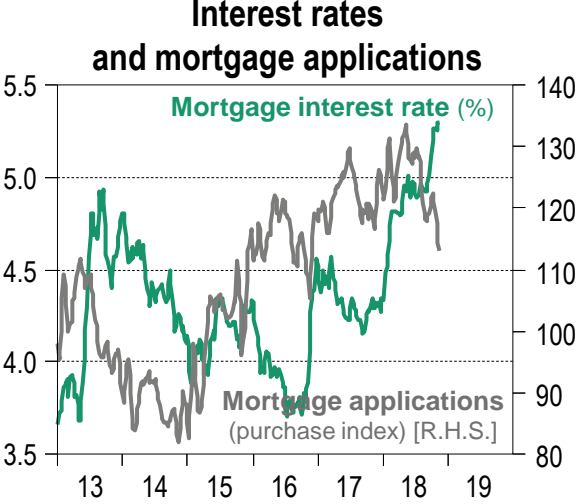
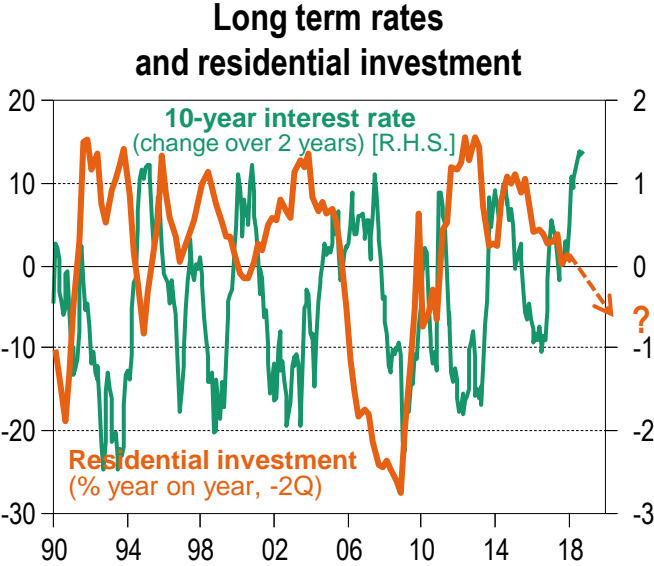


Since 2017, GDP growth has continuously gained momentum... mainly thanks to consumption

Contributions to GDP growth (% year on year)

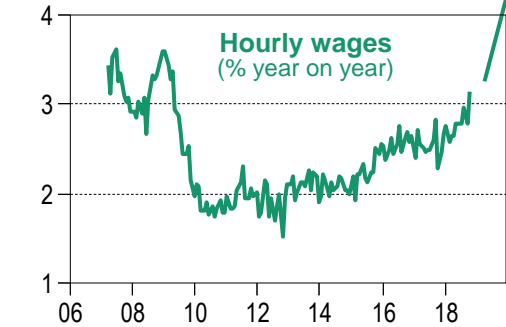
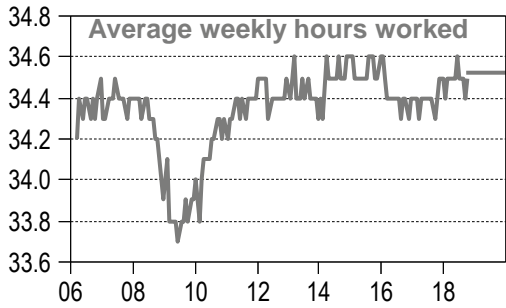
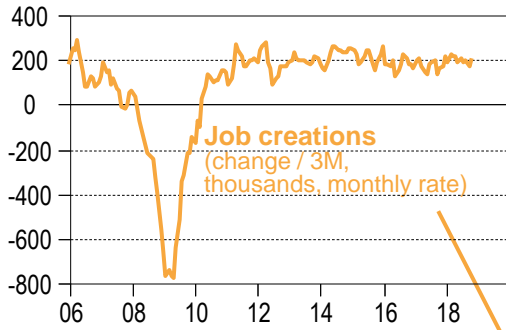


The impact of higher mortgage rates on residential investment is now visible

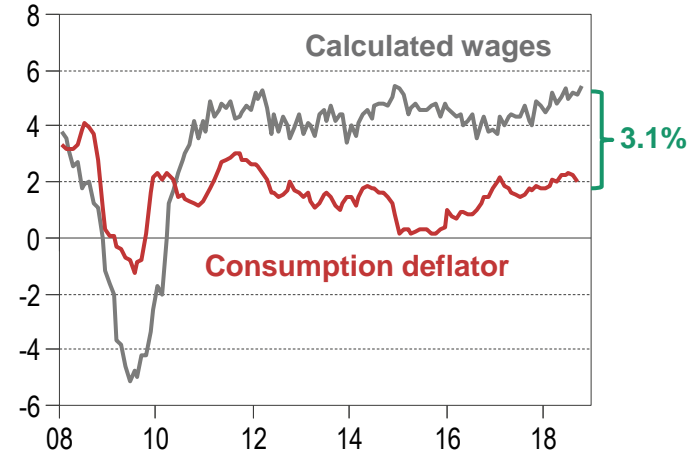
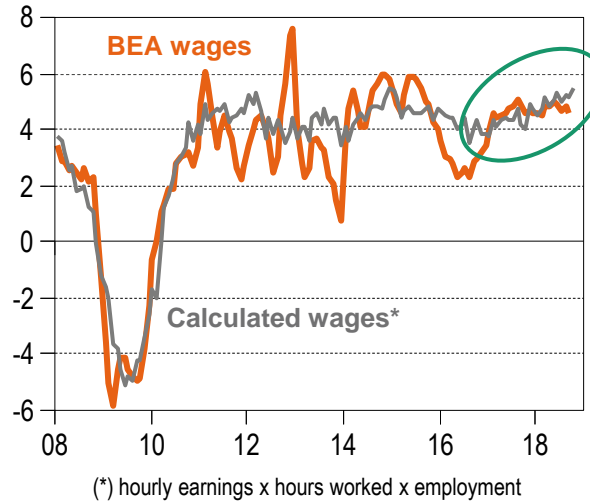


Faster wage growth is providing the key support to households' spending

Job creations and wages



Wages (% year on year)



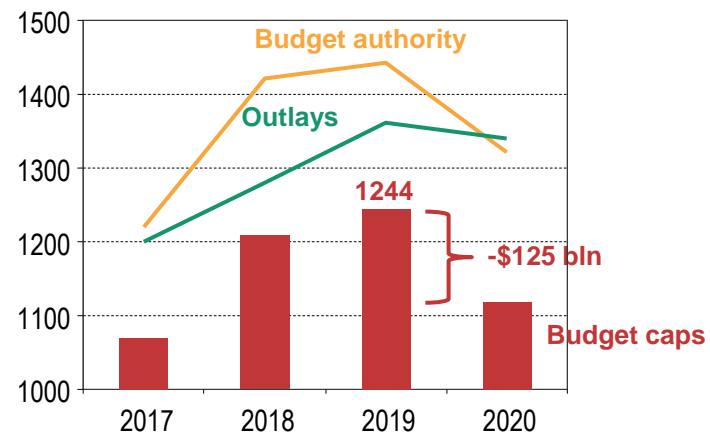
In the short run, three fiscal issues are still pending

Fiscal policy in 2019-2020

Three pending fiscal issues

- By December 7 2018, **spending authority** for roughly 30% of the **FY2019** federal government will have to be extended to avoid a partial government shutdown.
- Congress must act to increase – or suspend – the **debt ceiling** by March 2019 (the drop-dead date will be later, likely during summer 2019).
- Before October 2019, **caps on discretionary spending** will have to be lifted.

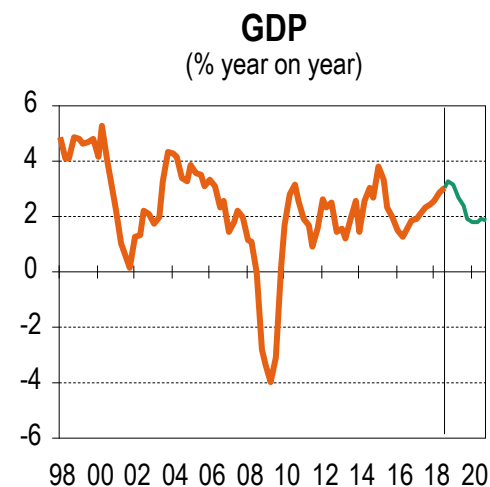
Caps, budget authority and outlays
(\$ billion, fiscal years)



Barring a major confidence shock, growth should be close to 3% in 2018 and decelerate moderately in 2019

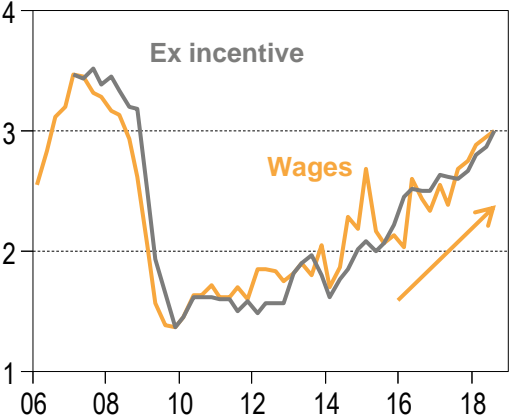
GDP growth in the United States

(% annual rate)	Q4 17	Q1 18	Q2 18	Q3 18	2016	2017	2018	2019
Consumption	3.9	0.5	3.8	3.6	2.7	2.5	2.8	3.0
Investment	6.2	8.4	6.6	1.4	1.7	4.9	5.5	3.0
- Residential	11.1	-3.4	-1.3	-2.6	6.5	3.3	-0.1	-3.4
- Equipment & property rights	6.0	10.8	7.0	3.8	2.1	5.5	7.1	4.1
- Structures	1.3	13.9	14.5	-1.7	-5.0	4.6	5.5	5.5
Change in inventories (contribution)	-1.1	0.3	-1.5	2.7	-0.6	0.0	0.1	0.0
Government	2.4	1.5	2.5	2.6	1.4	-0.1	1.9	3.2
External balance (contribution)	-1.2	-0.1	1.3	-2.2	-0.4	-0.4	-0.3	-0.7
- Exports	6.6	3.6	9.3	-4.4	-0.1	3.0	4.2	2.6
- Imports	11.8	3.0	-0.6	9.2	1.9	4.6	4.9	5.5
GDP	2.3	2.2	4.2	3.5	1.6	2.2	3.0	2.6

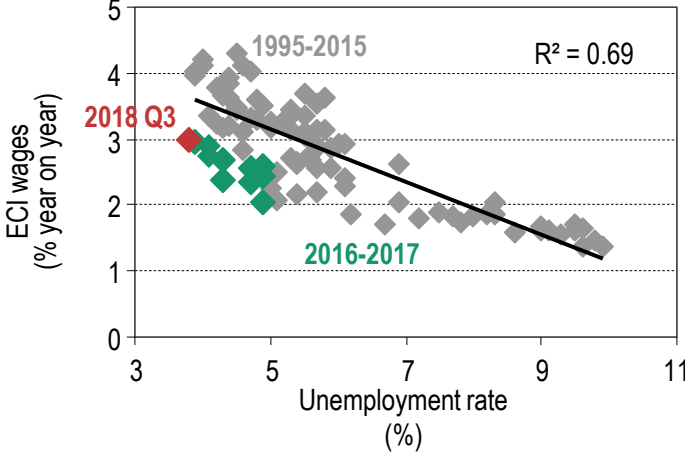


This will be associated with a gradual acceleration in wage growth...

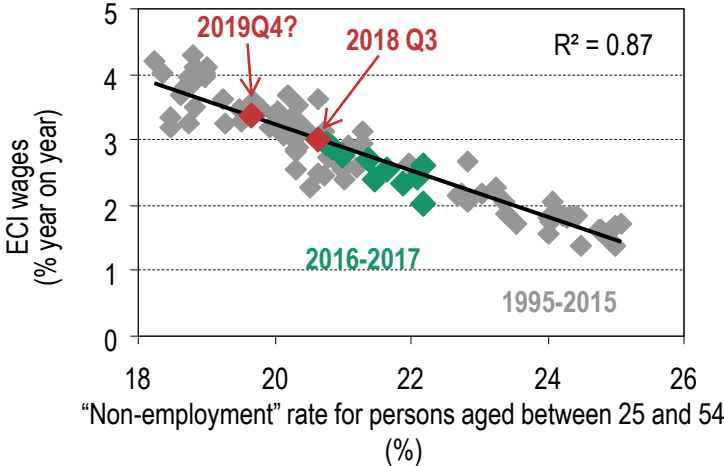
ECI wages – private sector
(% year on year)



Wages and unemployment rate
(1995 - 2018)

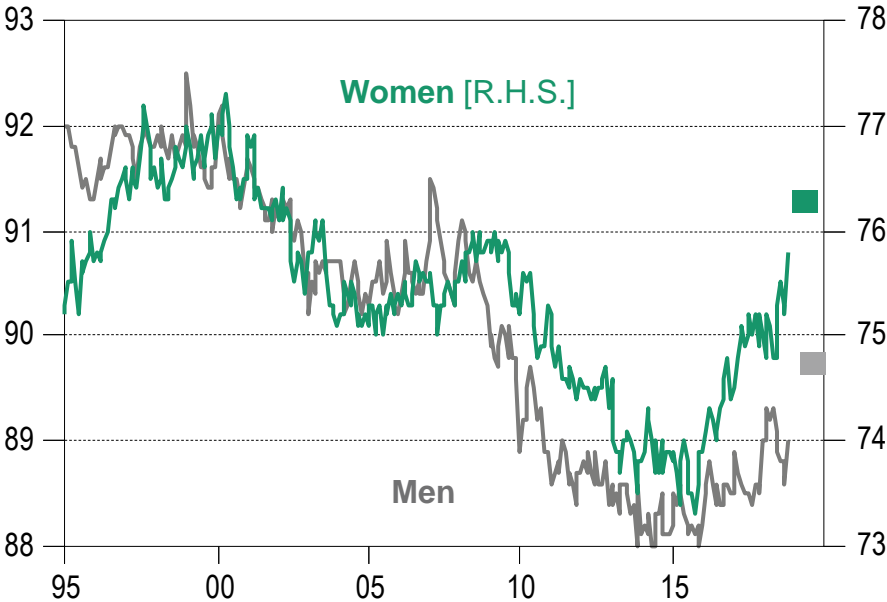


Wages and “non-employment” rate
(1995 - 2018)



... provided prime age participation rates continue to rise

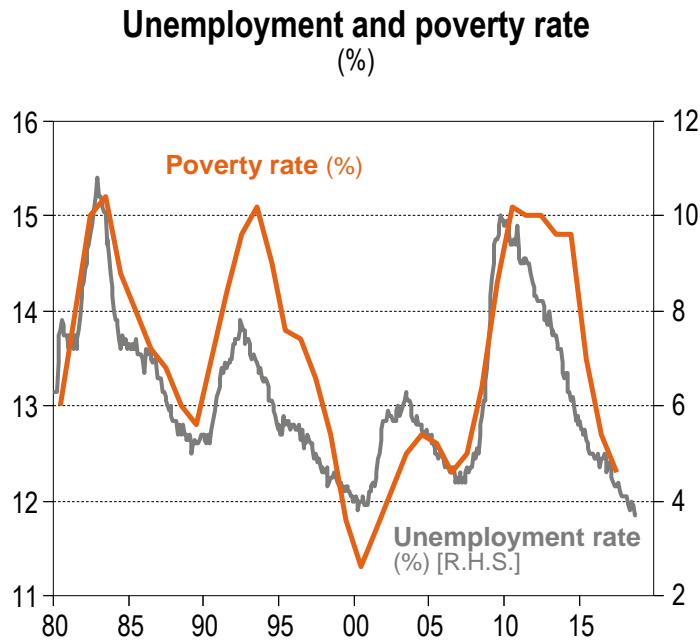
Participation rates of prime-age population
(%)



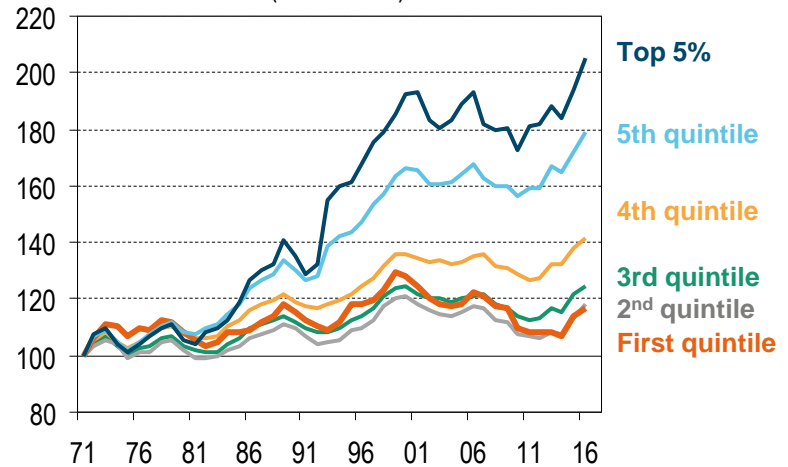
2. Social progress running out of steam

With the fall in unemployment, poverty has declined, but over the last decades, lower income households have barely seen any rise in their living standards

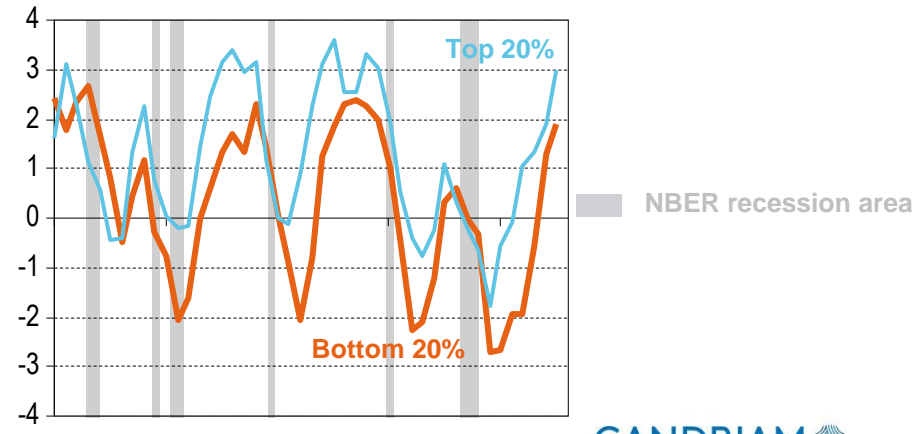
Household income by quintile, 1971-2016



Households' money income (1971 = 100)

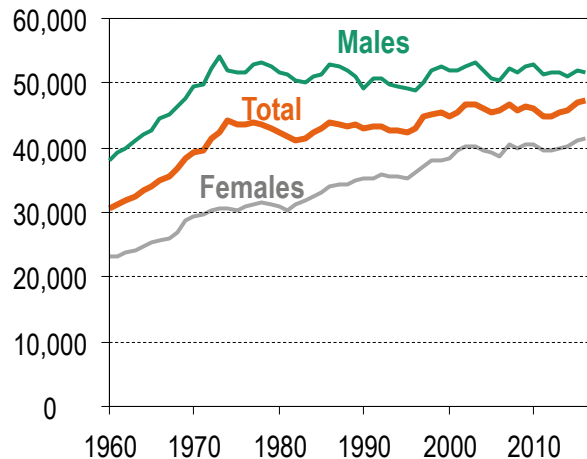


Growth in real money income (% average over 4 years)



Since the beginning of the 1970s in particular, the median real wage of full-time jobs occupied by men has shown no progress

Full-time workers' median earnings* (workers over 15, thousands of 2016 dollars)

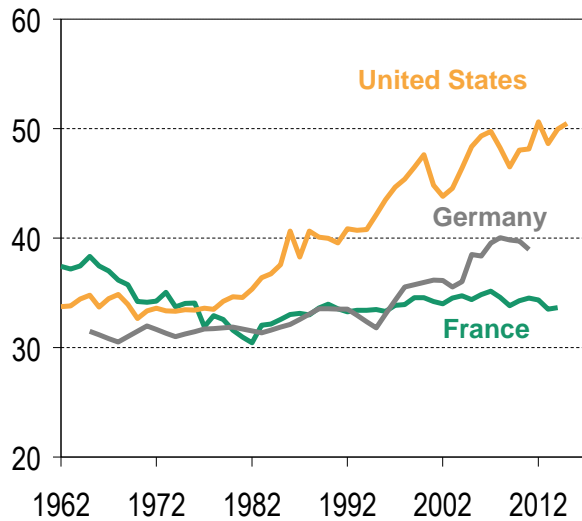


(*) Persons who had a full-time (or part-time) job throughout the year, i.e. between 50 and 52 weeks. This means, for example, that workers who experienced more than two weeks' unemployment during the year are excluded.

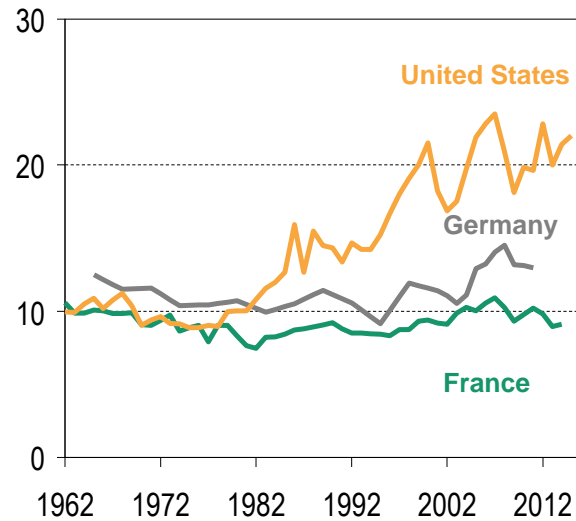
The evolution in income distribution has been spectacular

Income distribution in the United States, Germany and France (%, 1962-2014)

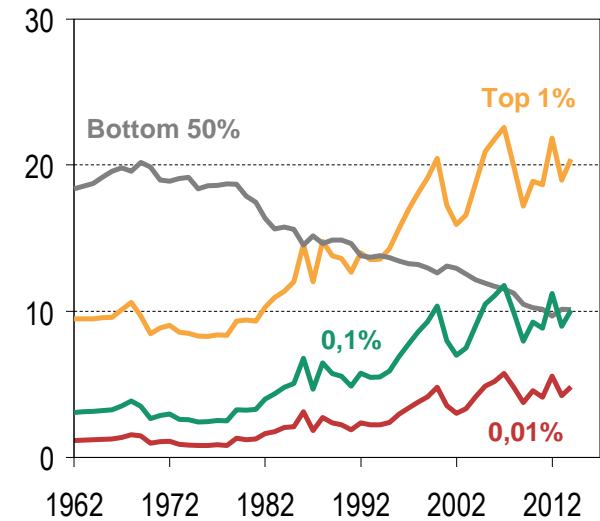
Share of top 10%



Share of top 1%



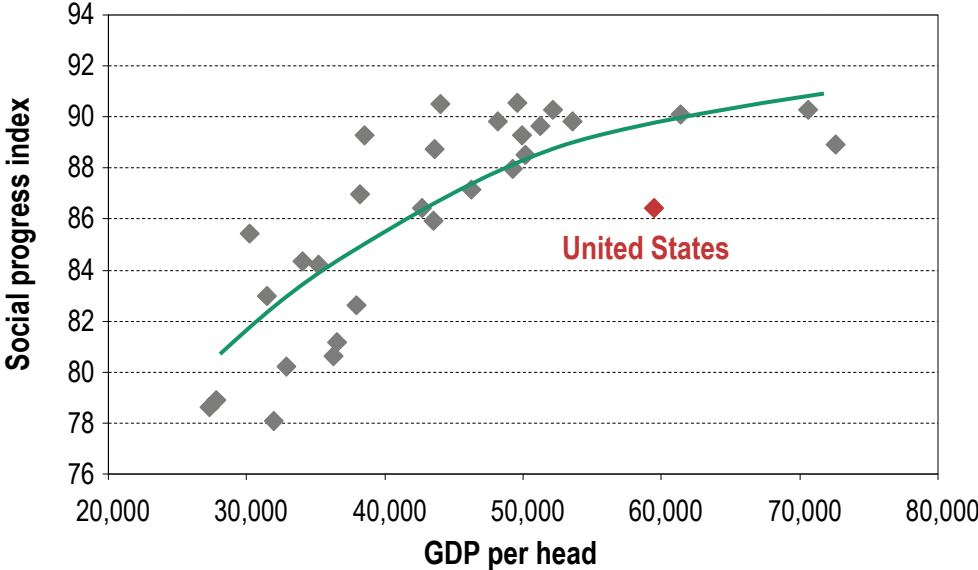
United States



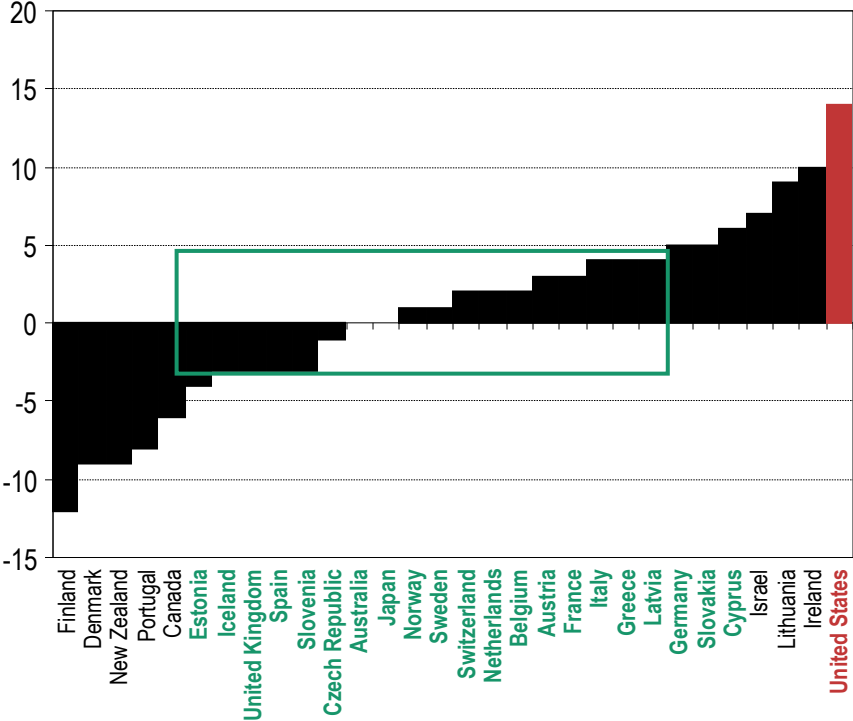
The American economy has experienced increasing difficulties in generating social progress

Social progress index

GDP per head and social progress index

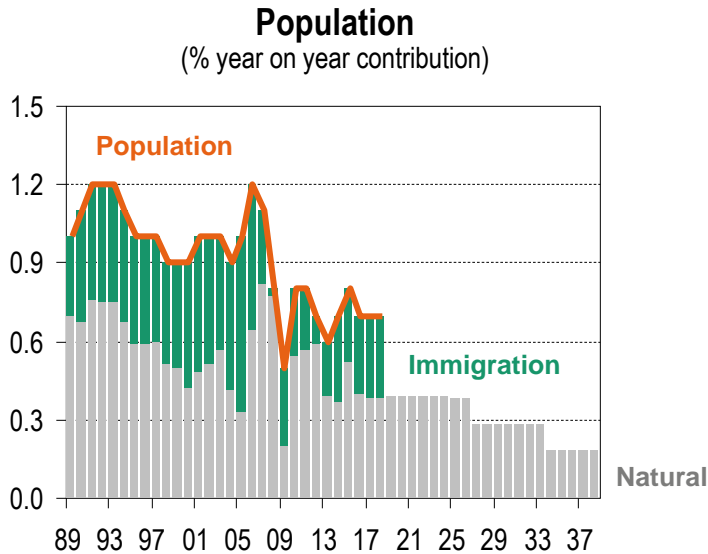


Gap between the Social progress index ranking and GDP per head ranking



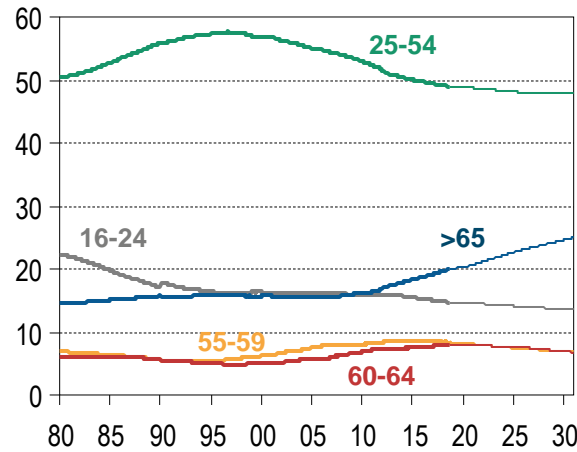
3. Weakened growth potential

The population ageing will weigh on labor supply



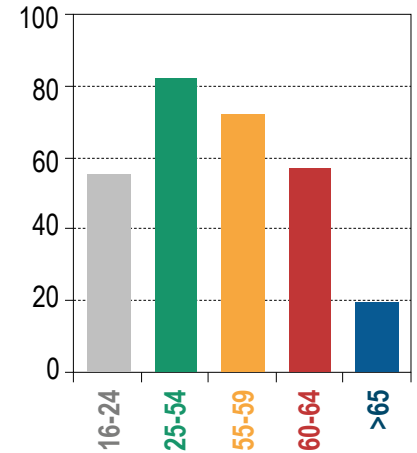
Population structure by age

(%)



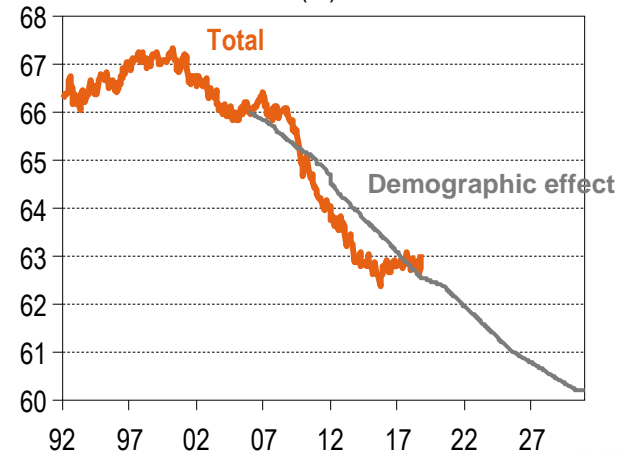
Participation rate by age

(%, 2018)



Participation rate

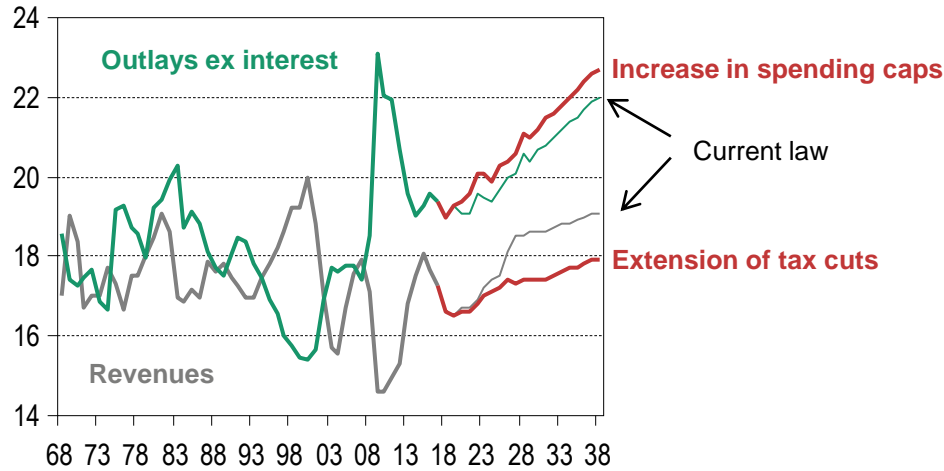
(%)



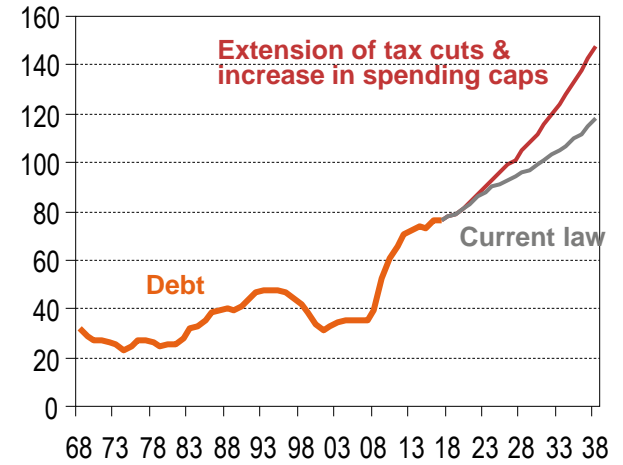
4. Pending long term fiscal issues

In the longer run, the US is badly positioned to face the consequences of an aging population... especially if recent tax cuts and spending caps are extended

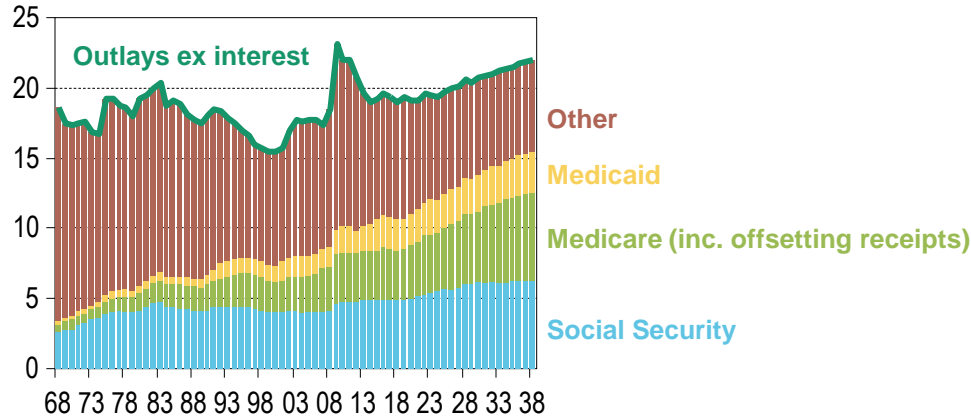
Federal outlays and revenues
(% of GDP, ex interest)



Federal debt held by the public
(% of GDP)



Outlays ex net interest
(% of GDP)

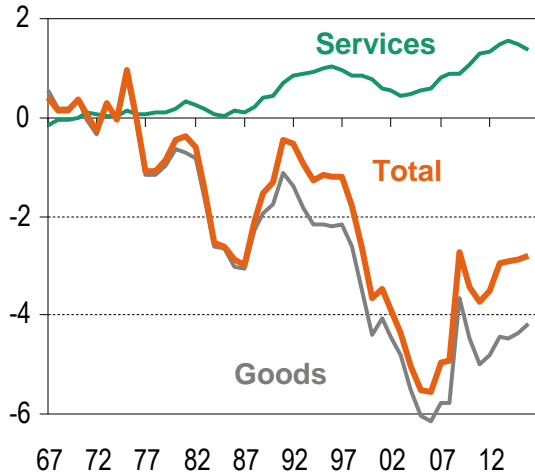


5. A war on trade... and on global supply chains!

Since 2000, there has been a significant progress in supply chains integration... in Asia in particular

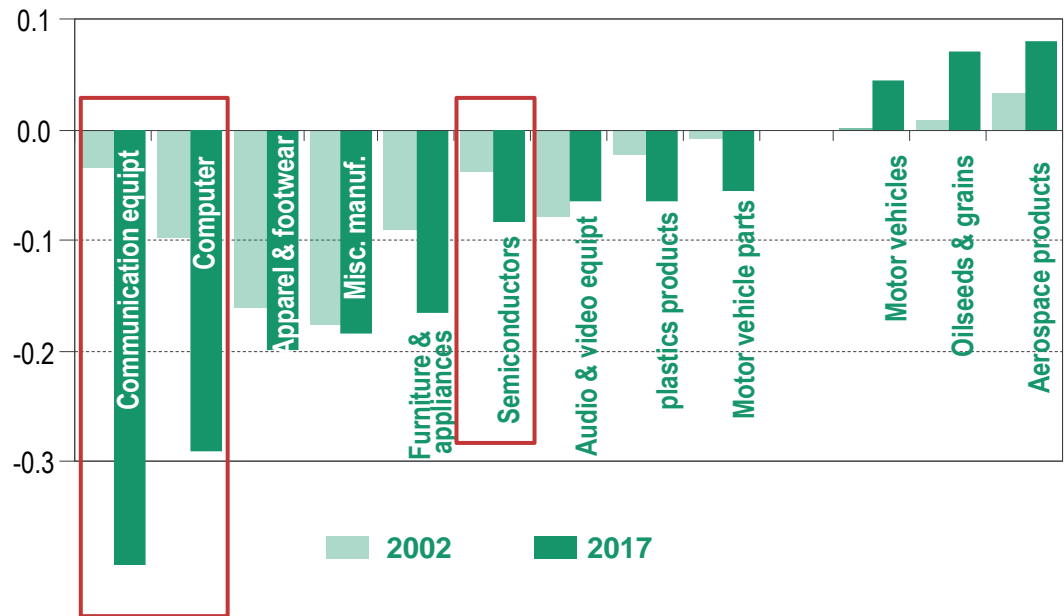
US external balance in goods and services

(% of GDP)



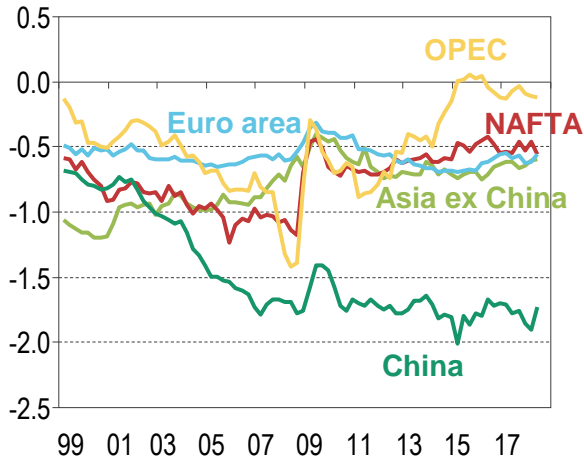
US trade balance with China by sector

(% of US GDP)



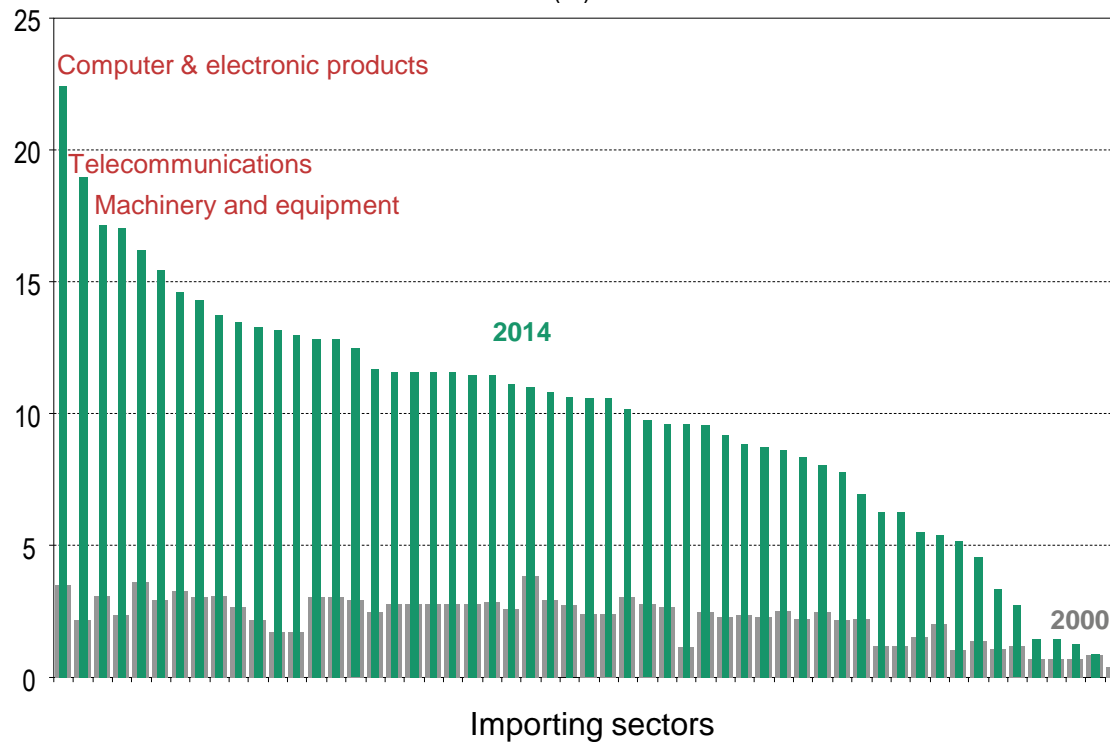
US external balance in goods

(% of GDP)

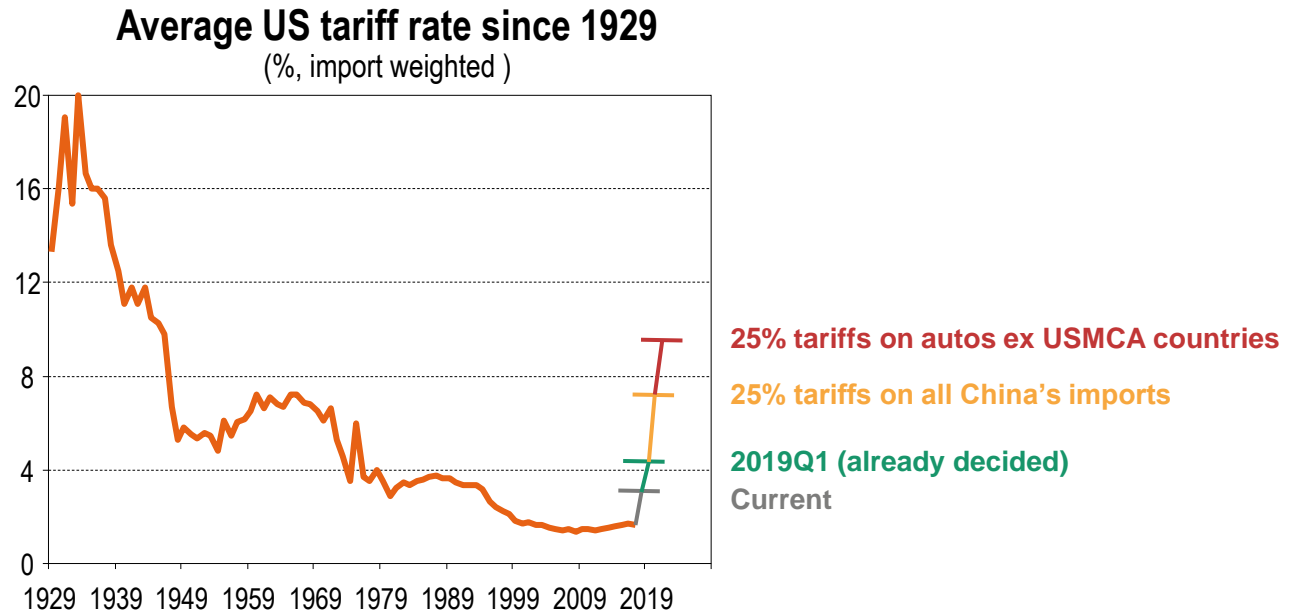


China has displaced many countries as a supplier of intermediate goods to the US

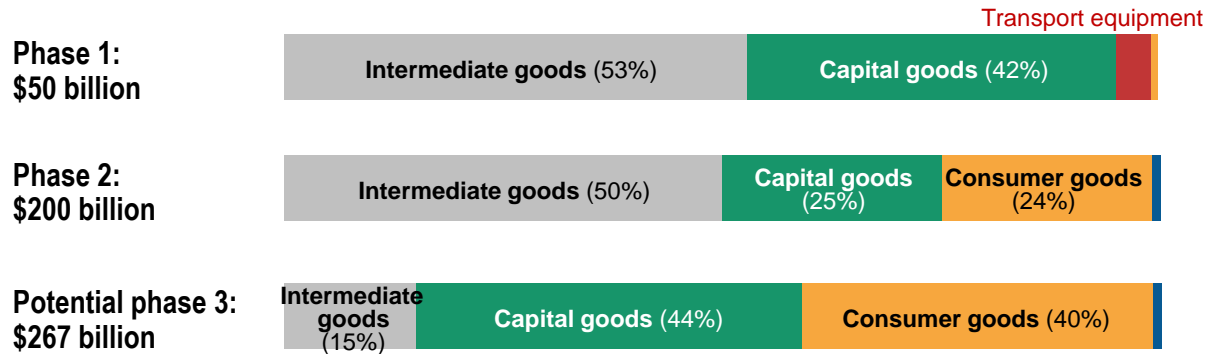
Share of Chinese goods in US imported intermediate consumption, by importing sector (%)



The trade war that has started is a threat to the existing supply chains



Product composition of US tariffs on imports from China



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