USA Economic Performance

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**USA Economic Performance**

The Economic performance of the United States of America has changed over the years. The changes have been brought about by various factors that have contributed to the country experiencing variations in the GDP growth rate. The USA economy can be brought out as a mixed one but highly developed in terms of the net wealth and the nominal GDP. The country has the fifth-largest nominal GDP and seventh-largest Purchasing power parity GDP (The World Bank, 2021). The United States economy has maintained its powerhouse status, but the current period of turmoil has contributed to slow economic growth.

**GDP Growth Rates**

The GDP growth rates of the USA have not been constant since 2018. The rates have changed due to the fluctuations of the aggregate demand and supply. The country has experienced a growth in the GDP from 2018 to 2019. In 2018, the GDP amounted to around 20.61 Trillion US Dollars (The World Bank, 2021). There was an increase in 2019 where the figure was estimated at 21.42 Trillion US Dollars. A decrease in the GDP was experienced in 2020, where it amounted to 20.81 Trillion US Dollars (The World Bank, 2021). The decrease can be attributed to the COVID-19 pandemic. In 2019, economists expected the GDP to grow further due to the increased incentives to invest in the United States. The graph below shows the GDP growth rate from 2018 to 2021.

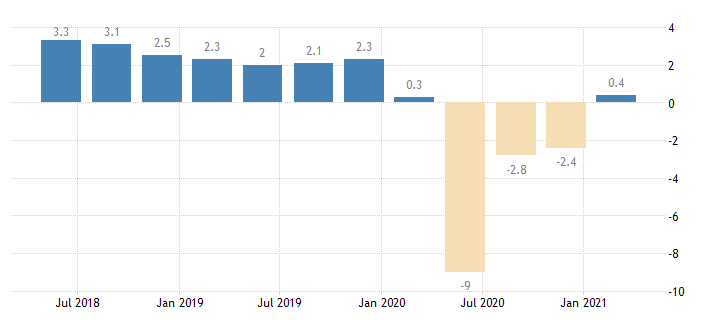


Figure 1.0: GDP growth rate, 2018-2021 (The World Bank, 2021).

Following a negative growth of the GDP in Jul 2020 of 2.4%, the economy experienced an increased GDP of 0.4% as of January 2021 (The World Bank, 2021). In June 2020, the GDP reached a downfall of -9.0%. The country has never experienced a decline in the GDP since 1950 like the one experienced in June 2020. In the latest report by the World Bank, the GDP deflator increased by 1.9% in Mach 2021. After the decrease of the GDP in 2020, the country experienced an increase in the growth rate. Information presented by (The World Bank,2021) shows that the GDP growth amounts to 21.92 Trillion US Dollars.

The GDP has not declined in terms of the growth rate since 2011, which makes the 2020 decline a major setback. On analysis of the GDP growth rate, it is clear that the annual growth rate is estimated at -3.5%. As of the first quarter of 2021, the GDP increased by a rate of 6.4% (Ycharts, 2021). The growth is attributed to the resumption of economic activities and the mass vaccination of people. The reopening of establishments has also played a part in the growth of the GDP. The majority of these factors that have contributed to the GDP growth are related to efforts made to handle the effects of the COVID-19 pandemic.

After a decline in the GDP of the United States from the second quarter, the country has recovered, were during the fourth quarter of 2020, there has been a growth rate increase of 4.3% (The World Bank, 2021). The increase in the GDP from the fourth quarter of 2020 has been contributed by increased expenditures related to personal consumption. Additional reasons for the recovery of the GDP include subsidies by the government and expanded economic benefits. The GDP growth between 2018 and 2019 was facilitated by increased government and consumer spending (Dean et al., 2020). The high government and consumer spending are also evident between 2020 and 2021, but the pandemic undermines its impact.

The recovery of the United States GDP has been slow and uneven. However, the recovery has played a part in the increased dominance of the United States in the global market. One significant factor that has instigated the recovery of the GDP is the increased support by different monetary policies. In addition, the government has focused on increasing the amount of money in supply and holding the interest rates that are in the long term. (Dean et al., 2020) notes that another factor that has played a part in the high growth rates of the GDP is the recovery of the labor market. The employment in the country has, however, returned to the pre-crisis levels.

**GDP Growth, Unemployment Rates, and Inflation Rates**

There exists a relationship between GDP growth, unemployment rates, and inflation rates. The relationship is defined in the monetarist theory. In this theory, the change in money is an important determinant of the growth of the economy (Lagos, Rocheteau & Wright, 2014). Based on the theory, the GDP growth, unemployment rates, and inflation rates are affected by the business cycle behavior. The relationship between the GDP growth and unemployment rates is considered a loose one (Levine, 2012). A high rate of GDP that exceeds the labor productivity growth contributes to a decrease in the unemployment rates from the relationship. The inflation rate, on the other hand, increases.

There is a tradeoff between the unemployment and inflation rates (Lagos, Rocheteau & Wright, 2014). With the decrease in the unemployment rates, the United States experiences an increase in the inflation rates. The aggregate demand in an economy plays an important part in determining the increase or decrease of the GDP, unemployment rates, and inflation rates (Levine, 2012). With an increase in the aggregate demand, the GDP rate also increases while the unemployment rate decreases. The rate of inflation increases as a result of the high aggregate demand. The relationship among the three concepts, GDP growth, unemployment rates, and inflation rates, is evident in the data on USA economic performance.

From 2018 to 2021, the GDP growth rate has changed due to the existence of a variety of factors. From 2018 to 2019, there was a high rate of GDP, which contributed to a decrease in the unemployment rate. From January 2018 to February 2020, the unemployment rate has been below 4.0% (Bureau of Labor Statistics, 2021). During this period, the economy has experienced a growth in the GDP, with the inflation level being high. The increase in the GDP growth and the inflation level are attributed to the increase in the money supply in the economy. However, the relationship of the GDP, unemployment rates, and inflation rates changes since March 2020. From March 2020, the economy experienced an increase in the unemployment rate.

As of March 2020, the estimated unemployment rate was 4.2% (Bureau of Labor Statistics, 2021). During this period, the GDP also decreased, whereas the inflation rate also started decreasing. The reasons for the adjustments in the GDP, inflation rate, and unemployment rate are the closure of establishments and decreased aggregate demand. With the decrease in the aggregate demand, United States experienced a low circulation of money in the economy. The rate of unemployment in 2020 increased, and as of April 2020, the rate was estimated at 14.3%. The high rate characterized a decrease in the GDP rate and a decrease in the rate of inflation. The changes in the unemployment rates from April 2018 to April 2021 are brought out in the graph below.

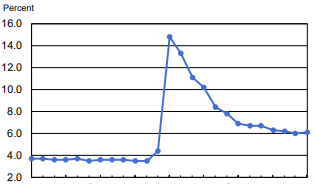


Figure 1.1: Unemployment rates in the USA, April 2018 to April 2021.

April 2020 marked the peak in terms of the high rate of unemployment. This rate decreased to 6.1% in April 2020 (Bureau of Labor Statistics, 2021). The decrease is attributed to the resumption of services by organizations in different sectors and an increase in the money supply. The amount of money in circulation in the economy is increasing, thus contributing to a growth in the GDP. The observation of the interlinkages of the GDP growth, inflation rate, and the unemployment rate from the United States data shows the effect of a variety of factors. Some of the factors include the growth of the pandemic, the lack of government incentives, and decreased demand for products. The current state of the GDP shows growth as the unemployment rate decreases.

**Conclusion**

The United States economy has maintained its powerhouse status, but the current period of turmoil has contributed to slow economic growth. A variety of factors have contributed to the slow economic growth, with the main one being the impact of the pandemic. However, the USA has adopted a variety of measures that have allowed the GDP rate to grow. On analysis of the data presented by the World Bank, the USA remains a strong country in terms of GDP growth, but there needs to be external financial support to ensure its sustainability.

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