



# JOINT ECONOMIC COMMITTEE

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## U.S. ECONOMY OUTPERFORMED THE CANADIAN, EUROPEAN, AND JAPANESE ECONOMIES SINCE 2001

Although some people have expressed dissatisfaction about the performance of the U.S. economy, the economic data show that since 2001 the United States has outperformed every other large developed economy. This report examines the performance of a peer group of large developed economies from 2001 to the present.<sup>1</sup> The peer group includes Canada, Japan, the United States, and the twenty-five member-states of the European Union,<sup>2</sup> but excludes the smaller developed economies of Australia, Iceland, South Korea, New Zealand, Norway, Singapore, Switzerland, and Taiwan. Together, the peer group produced 78 percent of the world's GDP in 2003.

### Real GDP Growth

Among its peer group, the United States ranks first in economic growth with an average annualized seasonally adjusted real GDP growth rate of 2.7 percent from the first quarter of 2001 through the third quarter of 2005.

### Employment and Unemployment

Among its peer group, the United States tied the European Union-15 for first place in job creation, adding 4.98 million jobs from

January 2001 to the present.<sup>3</sup> Among its peer group, the United States had the second lowest average unemployment rate of 5.4 percent from January 2001 to the present and the second lowest end-of-period unemployment rate of 5.0 percent in October 2005.

### Industrial Production

Among its peer group, the United States had the largest cumulative increase in industrial production of 4.6 percent.<sup>4</sup>

### Productivity<sup>5</sup>

Among its peer group, the United States ranks first in labor productivity growth. Output per employed person rose cumulatively by 9.4 percent in the United States.<sup>6</sup> The United States had the lowest increase in unit

<sup>1</sup> This report defines a large developed economy as one that produced 2 percent or more of the world's GDP in 2003 based on market exchange rates.

<sup>2</sup> The twenty-five member-states of the European Union are Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

<sup>3</sup> This report uses monthly employment data for Canada and the United States from January 2001 through November 2005 and monthly employment data for Japan from January 2001 through October 2005. Because monthly or quarterly employment data for the European Union-25 and monthly employment data for the European Union-15 are not currently available, this report uses quarterly employment data for the European Union-15 from the first quarter of 2001 through the second quarter of 2005.

<sup>4</sup> Monthly industrial production data are from January 2001 through September 2005 for Canada, the European Union-25, and the European Union-15 and from January 2001 through October 2005 for Japan and the United States.

<sup>5</sup> Productivity data are not currently available for the European Union-25.

<sup>6</sup> Data on output per employed person is from the first quarter of 2001 through the second quarter 2005 for the European Union-15 and from the first quarter of 2001 through the third quarter 2005 for Canada, Japan, and the United States.

labor cost, increasing cumulatively by 3.4 percent.<sup>7</sup>

### **Prices**

Inflation was generally tame among the peer group. From the first quarter of 2001 to the second quarter of 2005, the annualized inflation rate as measured by the GDP deflator averaged 2.4 percent in the United States.

### **Stock Market**

The performance of the U.S. stock market was in the middle of its peer group. Higher commodity and energy prices benefited the Toronto stock exchange, whose listed corporations are heavily concentrated in primary industries. Consequently, the Toronto Composite 300 Index grew by 23.2 percent from the last trading day of 2000, December 29, 2000, to December 5, 2005. In Tokyo, the Nikkei 300 Index increased by 16.5 percent.

In the United States, major indices yielded mixed results. The Dow Jones Industrial Average edged up by 0.4 percent, but the Standard & Poor's 500 Composite Index slipped by 4.4 percent, and the NASDAQ Composite Index declined by 8.6 percent. However, the assessment period began just after the peak of a huge bubble in the U.S. stock market.

Average share prices fell significantly in major stock exchanges in Europe. In London, the FT 100 Index declined by 11.4 percent. In Frankfurt, the Xetra Dax Index dropped by 18.1 percent. In Milan, the Mib 30 Index plunged by 20.5 percent. In Paris, the CAC 40 Index plummeted by 21.5 percent

### **Conclusion**

U.S. economic performance was clearly superior to the economic performances of

Canada, the European Union-25, and Japan. The United States ranks first in real GDP growth, job creation, increase in industrial production, and productivity growth.

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<sup>7</sup> Unit labor cost data are from the first quarter of 2001 through the second quarter 2005 for the European Union-15 and from the first quarter of 2001 through the third quarter 2005 for Canada and the United States. Current unit labor cost data for Japan are not available.

<b>Key Economic Performance Statistics for Large Developed Economies from 2001 to Present</b>					
	<i>Canada</i>	<i>European Union-25</i> <sup>8</sup>	<i>European Union-15</i> <sup>9</sup>	<i>Japan</i>	<i>United States</i>
<i>Real GDP Growth (average annualized rate)</i> <sup>10</sup>	2.6%	1.6%	1.5%	1.2%	2.7%
<i>Employment Growth (in thousand)</i>	1,378 <sup>11</sup>	N/A	4,980 <sup>12</sup>	-790 <sup>13</sup>	4,980 <sup>14</sup>
<i>Unemployment Rate (average)</i>	7.3% <sup>15</sup>	8.8% <sup>16</sup>	7.8% <sup>17</sup>	5.0% <sup>18</sup>	5.4% <sup>19</sup>
<i>Unemployment Rate (end of period)</i>	6.4% <sup>20</sup>	8.5% <sup>21</sup>	7.6% <sup>22</sup>	4.5% <sup>23</sup>	5.0% <sup>24</sup>
<i>Industrial Production (cumulative)</i>	4.3% <sup>25</sup>	1.2% <sup>26</sup>	-0.1% <sup>27</sup>	0.0% <sup>28</sup>	4.6% <sup>29</sup>
<i>Productivity - Output per Employed Person (cumulative)</i>	3.2% <sup>30</sup>	N/A	3.2% <sup>31</sup>	7.1% <sup>32</sup>	9.4% <sup>33</sup>
<i>Productivity - Increase in Unit Labor Cost (cumulative)</i>	8.8% <sup>34</sup>	N/A	5.9% <sup>35</sup>	N/A	3.4% <sup>36</sup>
<i>Inflation - GDP Deflator (average annualized rate)</i> <sup>37</sup>	2.4%	1.7%	1.6%	-1.2%	2.4%
<b>Addendum</b>					
<i>Percent of World GDP in 2003 (at market exchange rates)</i>	2.5%	31.8%	30.3%	12.3%	31.3%

<sup>8</sup> The European Union-25 consists of the twenty-five member-states of the European Union since its expansion on May 1, 2004. See footnote 2.

<sup>9</sup> The European Union-15 consists of the fifteen member-states of the European Union prior to its expansion on May 1, 2004. These member-states are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

<sup>10</sup> First quarter of 2001 through third quarter of 2005.

<sup>11</sup> January 2001 through November 2005.

<sup>12</sup> First quarter of 2001 through second quarter of 2005.

<sup>13</sup> January 2001 through October 2005.

<sup>14</sup> January 2001 through November 2005.

<sup>15</sup> January 2001 through November 2005.

<sup>16</sup> January 2001 through October 2005.

<sup>17</sup> January 2001 through October 2005.

<sup>18</sup> January 2001 through October 2005.

<sup>19</sup> January 2001 through November 2005.

<sup>20</sup> November 2005.

<sup>21</sup> October 2005.

<sup>22</sup> October 2005.

<sup>23</sup> October 2005.

<sup>24</sup> November 2005.

<sup>25</sup> January 2001 through September 2005.

<sup>26</sup> January 2001 through September 2005.

<sup>27</sup> January 2001 through September 2005.

<sup>28</sup> January 2001 through October 2005.

<sup>29</sup> January 2001 through September 2005.

<sup>30</sup> First quarter of 2001 through third quarter of 2005.

<sup>31</sup> First quarter of 2001 through second quarter of 2005.

<sup>32</sup> First quarter of 2001 through third quarter of 2005.

<sup>33</sup> First quarter of 2001 through third quarter of 2005.

<sup>34</sup> First quarter of 2001 through third quarter of 2005.

<sup>35</sup> First quarter of 2001 through second quarter of 2005.

<sup>36</sup> First quarter of 2001 through third quarter of 2005.

<sup>37</sup> First quarter of 2001 through third quarter of 2005.