Trump's Economy: A Brief Macroeconomic Analysis

Năstase Luiza Loredana
University of Craiova, Faculty of Economics and Business Administration
nastase.luiza@yahoo.com

Abstract

The present paper wants to present the current situation of the United States economy, under the aegis of Donald Trump. For this, we will analyze the main macroeconomic indicators, as well as the relationship with the trading partners, in terms of trade policies adopted. While the current US president initiated 102 investigations of various anti-dumping and countervailing duties from the beginning of his official term and until the beginning of March 2018, several additional customs duties have been proposed or applied in the relationship with various partners. And these aspects will be analyzed in the following, with all the related implications.
Its mandate officially started in January of 2017, so we will try to capture the data for this period, in comparison with the previous years.

Key words: U.S. economy, trade policy, macroeconomic analysis, investment
J.E.L. classification: E01, E20, E66

1. Introduction

From our point of view, it is very interesting to analyze the situation of the current indicators, given that the President of the United States of America has always argued that the elements specific to the international liberal order did not favor his state, or even diminished its importance, both by decreasing the power manufacturing in relation to China, and by breaking the sovereignty; and all this in a world where the defining elements of globalization are international cooperation and the spread of economic integration.

We know that the US President, in his campaign, wants to impose a 45% punitive tariff on importing goods from Mexico and China, but even withdrawing from various agreements, organizations such as the WTO or NAFTA (see also Rashish, 2017 and Villarreal, 2015). Even if they have not yet happened, a number of other measures that may affect trading relationships with partners have been set out.

For example, considering that the Chinese state has violated a number of practices, with alleged intellectual theft in the information technology industry, innovation and technology transfer, The U.S. The Trade Representative proposed an additional 25 percent customs duty for certain Chinese products. So the US has published a list of no more than 1,300 Chinese goods worth $ 50 billion, which will be subject to the additional import tariff; the list includes goods such as medicines, cars, electronics, etc. Can there be retaliation after such a decision? If these measures are applied or not, we will see in the second part of this year. Of course, China's representatives have the assurance that they have the capacity to respond to this protectionist attitude, which is in contradiction with the World Trade Organization's policies. In fact, the US can be charged by China for products like that machines or soya beans. This list is a continuation of the measures taken by Trump over the Chinese state, after signing in March for the imposition of additional duties on the import of steel and aluminum (at the level of 2016, the US State imported Chinese aluminum foil of $ 389 million). The immediate result was an extra-duty Chinese tax of up to 25% for 128 US imported goods (worth $ 3 billion), such as frozen pork, wine, fruit, etc.

In such commercial wars, no one wins. Neither the respective governments, nor the consumers of the countries involved, nor manufacturers; will increase prices, global supply chains will increase for some transnational corporations and, why not, will be affected other trading partners.

However, we must mention that the US is not foreign to the application of protectionist measures (see Morrison, 2016).

2. Methodology

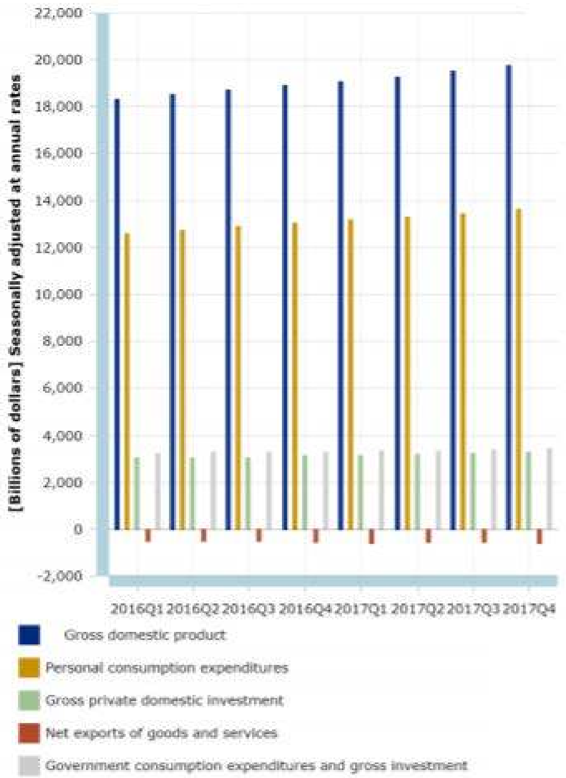
The present paper uses as a method of research, both descriptive and exploratory. At the same time, the deductive nature was followed, the presentation and explanation of the cause-effect relationships, with the exposure of some solid statistical data, and as the inductive nature, the various interconnection relations with direct and indirect involvement factors were followed.

For data collection, they were used studies and reports published by various institutions, international bodies and organizations, but also with universal vocation, to obtain a comprehensive description of the issues addressed (both qualitatively and quantitatively).

3. Brief presentation of various macroeconomic indicators and data analysis

In the following, we will present gross domestic product, quarterly, for the years 2016 and 2017, so before and after the arrival of Trump:

Figure no. 1. U.S. Gross domestic product



Source: Processed data by the author on the platform Interactive Data, Bureau of Economic Analysis, U.S. Department of Commerce

As seen in the chart above in the first quarter of 2017, Gross Domestic Product was \$ 19,057.7 billion, \$ 732.5 billion higher than in the same period of the previous year (when it represented \$ 18,325.2 billion). For the second quarter, the US recorded a gross domestic product of \$ 19,250.0 billion, the third \$ 19,500.6 billion, and \$ 19,754.1 billion in the last quarter of 2017. The trend is rising over all the previous year's periods.

On the main categories: - personal consumption expenditures, increased from \$ 13,056.9 billion in the last quarter of 2016 to \$ 13,654.3 billion in the same period of the following year; - gross private domestic investment rose from \$ 3,126.2 billion (Q4 2016) to \$ 3,295.3 billion (Q4 2017); - government consumption expenditures and gross investment increased from \$ 3,286.8 billion to \$

3,406.6 billion (for the same period); - net exports of goods and services (the only component that has a negative value) reached $ -602.0 billion at the end of 2017 versus $ -564.3 billion compared to the same period of the previous year. The US Gross Domestic Product, expressed in billions, current dollars, has been steadily rising in recent years, from 10,284.8 in year 2000 to 14,964.4 in year 2010 and 18,624.5 and 19,390.6 in 2016 and 2017.

For the first quarter of 2018, Bureau of Economic Analysis experts estimated an increase in real gross national product slightly more than two percent (2.3%), 0.6 percentage points less than in the last quarter of last year. Although, as a whole, components such as exports, non-residential fixed investment, personal spending, or government spending are factors that have led to annual growth, all of them have fallen over the previous period. Specifically, the percentage points, expressed in annual rates brought by the main components of the real GDP of the United States in the first quarter of 2018, were:

- *0.73 - Personal consumption expenditures* (from 2.75 for the previous quarter, 1.32 for the same period of the last year or 1.23 for the first quarter of 2016). By category, personal consumption of goods declined, having the value of -0.24 and those with services were 0.97.
- *1.19 - Gross private domestic investment* (compared to 0.78 when it was recorded in the previous quarter, -0.20 in the first quarter of 2017 or -0.68 in the first quarter of 2016)
- *0.20 - Net exports of goods and services* (versus -1.16 in the previous quarter or 0.22 and respectively, -0.28 against similar periods of 2017 and 2016). By categories, the value of exports was 0.59 in this quarter, and imports of -0.39.
- *0.20 - Government consumption expenditures and gross investment* (compared with 0.51 for the previous quarter, -0.11 and 0.32 for the same quarter of 2017 and 2016).

All of the above data was synthesized in the following table:

Table no. 1: Contributions to Percent Change in Real Gross Domestic Product (for the first quarter of 2018 compared to the similar periods of 2017 and 2016)

Percentage points at annual rates	**Q1 2018**	**Q1 2017**	**Q1 2016**
Personal consumption expenditure	0.73	1.32	1.23
Gross private domestic investment	1.19	-0.20	-0.68
Net exports of goods and services	0.20	0.22	-0.28
Government consumption expenditures and gross investment	0.20	-0.11	0.32
Gross domestic product (% change at annual rate)	**2.3**	**1.2**	**0.6**

Source: Processed data by the author on the platform Interactive Data, Bureau of Economic Analysis, U.S. Department of Commerce

So, if we look at the quarterly data of this indicator, we can see that the data are favorable for the quarter under review, but also for 2017 (when the percentage change was 2.3 percent) compared to 2016 (when the percentage change was only 1.5 percent). However, the year 2015 brought a higher percentage increase in GDP of 2.9. If, in the last quarter of 2017, GDP in current US dollars increased by more than 5 percent (about $ 253 billion and a half); January to March 2018, brought 4.3 percent (about $ 211 billion).

Regarding unemployment, there is a downward trend over the years under review, thus, if in January 2016 it was 4.9%, in the same period of 2017 it was 4.8%, in 2018 to reach a level of 4.1%.

Table no. 2. U.S. total unemployment rate 2016-2018

Year	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
2016	4,9	4,9	5,0	5,0	4,7	4,9	4,9	4,9	5,0	4,9	4,6	4,7
2017	4,8	4,7	4,5	4,4	4,3	4,3	4,3	4,4	4,2	4,1	4,1	4,1
2018	4,1	4,1	4,1									

Source: Processed data by the author on the platform Data Tools, Bureau of Labor Statistics, United States Department of Labor

In March of this year, the total unemployment rate reached 4.1%, with a rate of 2.1% for Hawaii, 2.7% for Maine, North Dakota and New Hampshire (2.6% each); the highest unemployment rate was in Alaska, 7.3%. Anyway, from the third month of 2017 to the same month of 2018, all unemployment rate changes decreases.

The US investment position has grown by more than $ 472.5 billion (from -8.318 trillion dollars in 2016 to -7.845 trillion dollars at the end of 2017). Both US assets and liabilities increased 3.7 trillion dollars to 27.6 trillion dollars and with 3.3 trillion dollars to 35.4 trillion dollars; coupled with a decline in financial derivatives (decreased $553.5 billion), according to information provided by the US Bureau of Economic Analysis.

Table no. 3.U.S. Net International Investment Position (billions of dollars)

Type of investment	**2016**	**2017**	**Change 2016:IV to 2017:IV**
	IV	**IV p**	
U.S. net international investment position:	-8.318,4	-7.845,8	472,6
- Net international investment position excluding financial derivatives	-8.379,7	-7.874,1	505,6
- Financial derivatives other than reserves, net	61,3	28,3	-33,0
U.S. assets	23.849,4	27.632,8	3.783,4
U.S. liabilities	32.167,8	35.478,6	3.310,8

Source: Data selected by the author from the U.S. Bureau of Economic Analysis

Synthesizing the above, we also notice that the annual gross domestic product change was 0.6% for the first quarter of 2016, to 2.3% for the same period in 2018. According to data provided by the Economic Analysis Bureau, spending on personal consumption has fallen, but has increased investment, improving the net exports of goods and services. And the unemployment rate has diminished, from 4.9% in 2016 (January) to 4.1% in 2018.

The last aspect of the US economy is that of international trade in goods and services. Total exports in 2016 amounted to $ 2,208,072 million (of which $ 1,455,704 million for goods and $ 752,368 million for services), and $ 2,712,866 million (of which the goods were $ 2,208,211 million and $ 504,654 million), a trade balance of $ 504,793 million. The year 2017 brought a larger trade deficit of $ -568.442 million. For the year 2017, US total exports amounted to $ 2,331,599 million (of which $ 1,550,720 million for goods), and imports amounted to $ 2,900.041 million (of which $ 2,361,932 million for goods). This indicator has not registered a favorable trend this time; the US trade balance is growing. Between January and February 2018, the balance was -114.256 million dollars, compared to -93.116 million dollars in the same period last year or compared to - 88.699 million dollars in the similar period of 2016. In the year 2018, the US exported and imported the most to / from the OECD and APEC states.

4. Conclusions

Why would commercial action be taken that does not do well for the United States of America, the trading partners and the global economy as a whole? As I have stated in the above, any action has a reaction. That is, whenever the US will call for protectionist measures, to hinder the development of free trade, to violate the principles of the World Trade Organization, the states concerned will respond the same.

In the same time, although the main US indicators appear to have a favorable trend lately (in the last 9 months, the american economy grew at a rate of about 3% and the Dow Jones industrial average increase more than 40%), it is very important for US trade policy to treat D. Trump of the NAFTA renegotiation round, which should end this year. What we consider to be important is that the US trade deficit is not necessarily emerging from bilateral exchanges, but rather a global amount that includes several elements, including the low volume of national savings that can be used as investment.

5. References

- Morrison, Spencer P., 2016. *America's Protectionist Past: The Hidden History Of Trade,* National Economics Editorial
- Rashish, P. S., 2017. *US trade policy in the age of Trump: What role for Europe in the "New Nationalism"*?, European Policy Centre
- Villarreal A.M., 2015. *North American Free Trade Agreement* (NAFTA), CRS In Focus IF10047
- ***, *Monthly U.S. International Trade in goods and services-february 2018*, United States Census Bureau
- ***, International Trade Administration, Department of Commerce, High Level Economic Dialogue, Fact Sheet, http://trade.gov/hled
- ***, U.S. Bureau of Economic Analysis interactive statistics, at http://www.bea.gov
- ***, www.census.gov