

Key data to illustrate U.S. economy's health

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If the real U.S. economy maintains its current strength, the concern about the country's financial markets will soon recede. Economic indicators like the indus-

trial production index and GDP help us gauge the true state of the U.S. economy's health, and for this reason we should monitor them closely.

The industrial production index for July, to be released on Aug. 15 by the U.S. Federal Reserve Board, should paint a clear indication of the health of the American economy.

The global economy has been expanding rapidly for a long time now. The longer this continues, however, the more anxious people become about the possibility that one of these days it will run out of steam. By extension, many believe that if the global economy is to be dealt a major blow in the near future, it will most likely come from either the U.S. or China.

What is most concerning about the U.S. economy is the growing problem of defaults on subprime mortgage loans and the degree of disruption it will cause the U.S. financial markets. How far will this problem spread through the financial system, and will it cause that country's booming financial markets to start going downhill? What, if anything, will it do to the foreign exchange and stock markets? Many people are paying close attention to these questions.

But the real U.S. economy still maintains its strength thanks to ongoing technological innovations in sectors like information and communications technology, as well as accelerating growth in labor productivity amid globalization. Labor productivity grew an average 1.5% or so annually from the 1970s through 1995, but its average annual growth shot up to around 2.5% in the 10 years since.

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