system with a broader tax base and lower rates) has made little progress. Support for immigration reform is elusive and there is no plan to raise the gas tax or to introduce a VAT or a carbon tax.

Housing finance. Staff has stressed policy measures to encourage greater availability of mortgage credit, while clarifying the future role of government in housing finance. Administrative measures have been taken to lessen regulatory uncertainties and to transfer risks from the agencies to private investors through market transactions. Legislative proposals to more fundamentally reshape housing finance have made little headway in Congress.

INTERNATIONAL MONETARY FUND

UNITED STATES

STAFF REPORT FOR THE 2015 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

June 18, 2015

Prepared By | The Western Hemisphere Department

CONTENTS

FUND RELATIONS

(As of May 31, 2015)

Membership Status: Joined 12/27/45; Article VIII

General Resources Account:	**SDR Million**	**Percent Quota**
Quota	42,122.40	100.00
Fund holdings of currency	35,112.94	83.36
Reserve Tranche Position	7,014.33	16.65
Lending to the Fund		
New Arrangements to Borrow	7,077.08	

SDR Department:	**SDR Million**	**Percent Allocation**
Net cumulative allocation	35,315.68	100.00
Holdings	35,853.92	101.52

Outstanding Purchases and Loans: None

Financial Arrangements: None

Projected Payments to the Fund:

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2015	2016	2017	2018	2019
Principal					
Charges/Interest		0.60	0.60	0.60	0.60
Total		0.60	0.60	0.60	0.60

Exchange Rate Arrangements. The exchange rate of the U.S. dollar floats independently and is determined freely in the foreign exchange market. The United States has accepted the obligations under Article VIII, Sections 2(a), 3 and 4 of the IMF's Articles of Agreement and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions, except for those measures imposed for security reasons. The United States notifies the maintenance of measures imposed for security reasons under Executive Board Decision No. 144–(52/51). The last of these notifications was made June 19, 2014 (EBD/14/35).

Article IV Consultation. The 2014 Article IV consultation was concluded on July 23, 2014 and the Staff Report was published as IMF Country Report No. 14/221. A fiscal Report of Observance of Standards and Codes was completed in the context of the 2003 consultation.
The 2015 Article IV discussions took place May 11–May 19, 2015. Concluding meetings with Chair Yellen of the Board of Governors of the Federal Reserve System, and Treasury Secretary Lew occurred on June 1 and June 3 respectively. The Managing Director, Ms. Lagarde, the Deputy Managing Director, Mr. Zhu, and WHD Director, Mr. Werner, participated in the concluding meetings. A press conference on the consultation was held on June 4, 2015. The team comprised Nigel Chalk (head), Stephan Danninger, Ravi Balakrishnan, Ali Alichi, Juan Solé, Jarkko Turunen, and Andrea Pescatori (all WHD); Per Stefan Laseen (SPR); and Deniz Igan (RES). Ian Parry (FAD), Aditya Narain (FSAP head), Martin Cihak and Simon Gray (all MCM) participated in some of the meetings. Mr. Sobel (Executive Director), Mr. Haarsager (Senior Advisor) and Ms. Douglass Kochman (Advisor) attended some of the meetings. Outreach included discussions with Congressional staff, U.S. Chamber of Commerce, AFL-CIO, private sector representatives and think tanks. Unless an objection from the authorities of the United States is received prior to the conclusion of the Board's consideration, the document will be published.

A Financial System Assessment Program involved two missions, during October–November 2014, and February–March, 2015. The Financial System Stability Assessment is scheduled to be discussed at the Board, together with the 2015 Article IV Consultation, on July 6, 2015.

INTERNATIONAL MONETARY FUND
COMMUNICATIONS DEPARTMENT

Press Release No. 16/332
FOR IMMEDIATE RELEASE
July 12, 2016

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes Article IV Consultation with United States

On July 8, 2016, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with the United States.[1]

The U.S. is in its seventh consecutive year of expansion. The unemployment rate has fallen to 4.9 percent and household net worth is close to pre-crisis peaks. Nonetheless, the economy has gone through a temporary growth dip in the last two quarters. Lower oil prices led to a further contraction in energy sector investment and a strong dollar and weak global demand have weighed on net exports. On the upside, real household disposable income is growing at 3 percent, the housing market is growing at a healthy clip, and the current fiscal and monetary policy mix is supporting the economy.

With activity indicators for the second quarter of this year rebounding, the economy is expected to grow at 2.2 percent and 2.5 percent in 2016 and 2017, which is above potential. Over this period, the remaining labor market gap should close before growth begins to steadily decline to 2 percent over the medium term. Inflation has remained subdued and wage indicators on the whole have shown only modest acceleration. As the output gap closes, personal consumer expenditure (PCE) inflation is expected to slowly and moderately rise above 2 percent in 2017–19, before returning to the Federal Reserve's medium-term target of 2 percent.

Risks to the growth outlook are tilted to the downside. Given uncertainty surrounding the implications of the U.K. referendum, continued financial market volatility or a further appreciation of the U.S. dollar are possible. There are, however, upside risks from oil—both in terms of a delayed effect on consumption and a lessening drag from oil-related investment. A more complex and harmful downside risk is the possibility that potential growth rate is lower than estimated and a smaller output gap than previously estimated. If true, this would mean the U.S. economy could soon bump up against capacity constraints that would slow growth and generate domestic inflationary pressures with negative global spillovers.

Over the longer term and despite the ongoing expansion, the U.S. faces a confluence of forces

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

that may weigh on the prospects for continued gains in economic well being. A rising share of the US labor force is shifting into retirement, basic infrastructure is aging, productivity gains are scanty, and labor markets and businesses appear less adept at reallocating human and physical capital. These growing headwinds are overlaid by pernicious secular trends in income: labor's share of income is around 5 percent lower today than it was 15 years ago, the middle class has shrunk to its smallest size in the last 30 years, the income and wealth distribution are increasingly polarized, and poverty has risen. If left unchecked, these forces will continue to drag down both potential and actual growth, diminish gains in living standards, and worsen poverty.

The consultation focused on the medium-term challenges of an increasingly polarized income distribution, high levels of poverty, falling labor force participation, and weak productivity growth, and policies to combat these trends.

Executive Board Assessment[2]

Executive Directors welcomed the continued recovery of the U.S. economy, on the back of strong fundamentals and supportive macroeconomic policies. Directors noted that, while the outlook remains broadly favorable, there are important downside risks and uncertainties, in particular slower potential growth, a strengthening of the U.S. dollar further away from levels justified by medium-term fundamentals, and sustained investor risk aversion following the outcome of the referendum in the United Kingdom. Meanwhile, longstanding issues on the supply side continue to weigh on economic prospects, including low productivity growth, falling labor force participation, and rising poverty and wealth inequality.

Directors agreed that the pace of interest rate normalization should remain data-dependent, proceeding cautiously along a gradual upward path. While there may be some merits in accepting a temporary overshooting of the medium-term inflation target until the economic expansion is solidly established, many Directors were concerned over the risks of de-anchoring inflation expectations and eroding monetary policy credibility. Directors welcomed the authorities' commitment to monitor closely economic and financial developments, both domestic and global, and their implications for the Federal Reserve's objectives of maximum employment and price stability. They also underscored the importance of maintaining clear, effective communication of the approach to interest rate adjustment.

Directors noted that near-term fiscal policy remains appropriately geared toward supporting growth and job creation. However, lasting institutional solutions are still needed to enhance the budget process and minimize fiscal uncertainties. Directors also highlighted the urgency of addressing the challenges posed by demographic trends, entitlement spending, and deteriorating infrastructure. In this context, they saw value in calibrating a credible medium-term consolidation plan to help guide the path of fiscal policy toward debt sustainability.

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[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

Directors stressed the need to take a broad range of measures to tackle longer-term challenges. Priorities include boosting federal infrastructure spending; further reforming the health care and pension systems; and reaching agreement on skill-based immigration reform. Directors called for concerted efforts to advance pro-poor policies, particularly expanding tax credits to low-income households, raising the federal minimum wage, and expanding paid-family leave and childcare assistance. Complementary measures to boost long-term growth include a comprehensive reform of the U.S. corporate income taxation, and further progress on trade integration.

Directors noted that recent regulatory reforms and improved capital positions have strengthened the U.S. banking system. Nevertheless, there remain pockets of vulnerabilities that warrant continued vigilance, particularly in the asset management and insurance industries, although at the current juncture risks are unlikely to be systemic. To preserve hard-won gains on financial stability, Directors called on the authorities to continue implementing the recommendations of the 2015 Financial Sector Assessment Program. It will be particularly important to complete the regulatory reforms under the Dodd-Frank Act. Directors also recommended close monitoring and placing the insurance sector under consolidated national regulation and supervision. They supported efforts to improve data collection and reporting in the nonbank sector, strengthen requirements on beneficial ownership, and maintain dialogue and support capacity building in countries affected by the withdrawal of correspondent banking relationships.

United States: Selected Economic Indicators 1/

(percentage change from previous period, unless otherwise indicated)

	2015	2016	2017	2018	2019	2020	2021
		Projections					
National production and income							
Real GDP	2.4	2.2	2.5	2.3	2.0	1.9	2.0
Net exports 2/	-0.6	-0.3	-0.5	-0.3	-0.2	-0.2	-0.1
Total domestic demand	3.0	2.4	2.9	2.5	2.2	1.9	2.0
Final domestic demand	2.8	2.5	2.8	2.5	2.2	2.0	2.0
Private final consumption	3.1	2.7	2.7	2.3	2.0	2.0	2.0
Public consumption expenditure	0.4	1.2	1.4	1.4	1.5	1.0	1.3
Gross fixed domestic investment	3.7	2.4	4.3	3.8	3.1	2.5	2.3
Private fixed investment	4.0	2.5	5.0	4.2	3.1	2.3	2.2
Equipment and software	3.1	0.5	4.4	3.8	3.1	2.4	2.4
Intellectual property products	5.7	2.0	4.1	3.8	3.1	2.4	2.0
Nonresidential structures	-1.5	-1.9	4.2	3.4	2.2	1.8	2.2
Residential structures	8.9	10.0	7.3	5.9	3.7	2.4	2.0
Public fixed investment	2.3	2.2	1.3	1.7	3.1	3.8	3.1
Change in private inventories 2/	0.2	0.0	0.1	0.1	0.0	0.0	0.0
Nominal GDP	3.5	3.2	4.4	4.6	4.2	4.0	4.2
Personal saving rate (% of disposable income)	5.1	5.4	5.1	4.7	4.4	4.5	4.6
Private investment rate (% of GDP)	16.8	16.7	17.1	17.3	17.3	17.3	17.4
Unemployment and potential output							
Unemployment rate	5.3	4.9	4.8	4.6	4.7	4.9	5.1
Labor force participation rate	62.6	62.8	62.9	62.7	62.5	62.3	62.1
Potential GDP	1.8	1.9	1.9	1.9	2.0	2.0	2.0
Output gap (% of potential GDP)	-1.1	-0.8	-0.3	0.2	0.2	0.1	0.0
Inflation							
CPI inflation (q4/q4)	0.4	1.1	2.5	2.6	2.4	2.4	2.3
Core CPI Inflation (q4/q4)	2.0	2.2	2.4	2.5	2.4	2.4	2.3
PCE Inflation (q4/q4)	0.5	1.0	2.2	2.3	2.1	2.1	2.0
Core PCE Inflation (q4/q4)	1.4	1.8	2.1	2.2	2.1	2.1	2.0
GDP deflator	1.0	1.0	1.8	2.2	2.2	2.1	2.2
Government finances							
Federal government			(budget, fiscal years)				
Federal balance (% of GDP)	-2.6	-3.0	-2.8	-2.5	-3.0	-3.2	-3.4
Debt held by the public (% of GDP)	73.6	76.0	76.0	75.6	75.9	76.4	77.0
General government			(GFSM 2001, calendar years)				
Net lending (% of GDP)	-3.4	-3.8	-3.6	-3.4	-3.7	-3.7	-3.9
Primary structural balance (% of potential GDP)	-1.0	-1.6	-1.5	-1.4	-1.6	-1.5	-1.5
Gross debt (% of GDP)	105.7	107.9	107.8	107.4	107.5	107.7	107.8
Interest rates (percent)							
Fed funds rate	0.1	0.5	1.0	1.8	2.6	2.9	2.9
Three-month Treasury bill rate	0.1	0.3	0.8	1.6	2.4	2.7	2.7
Ten-year government bond rate	2.1	1.9	2.2	2.8	3.1	3.3	3.3
Balance of payments							
Current account balance (% of GDP)	-2.6	-2.9	-3.5	-3.8	-4.0	-4.0	-4.1
Merchandise trade balance (% of GDP)	-4.2	-4.3	-4.6	-4.7	-4.8	-4.8	-5.0
Export volume (NIPA basis, goods)	-0.2	1.2	5.8	6.1	5.3	5.1	3.9
Import volume (NIPA basis, goods)	4.8	3.2	8.2	6.4	5.6	5.6	5.1
Net international investment position (% of GDP)	-41.0	-44.2	-47.9	-51.7	-55.8	-59.4	-63.0
Saving and investment (% of GDP)							
Gross national saving	18.8	17.6	16.9	16.8	16.7	16.7	16.7
General government	-1.1	-1.3	-1.1	-0.9	-1.1	-1.1	-1.2
Private	19.9	18.9	18.0	17.8	17.8	17.9	17.9
Personal	3.8	4.1	3.8	3.5	3.3	3.4	3.4
Business	16.1	14.8	14.2	14.2	14.5	14.5	14.5
Gross domestic investment	20.2	20.1	20.4	20.6	20.7	20.7	20.8
Private	16.8	16.7	17.1	17.3	17.3	17.3	17.4
Public	3.4	3.4	3.3	3.3	3.3	3.4	3.4

Sources: BEA; BLS; FRB; Haver Analytics; and IMF staff estimates

1/ Components may not sum to totals due to rounding

2/ Contribution to real GDP growth, percentage points

INTERNATIONAL MONETARY FUND

IMF Country Report No. 15/168

UNITED STATES

July 2015

2015 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2015 Article IV consultation with the United States, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its July 6, 2015 consideration of the staff report that concluded the Article IV consultation with the United States.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 6, 2015, following discussions that ended on June 3, 2015, with the officials of the United States on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 18, 2015.
- An **Informational Annex** prepared by the IMF staff.
- A **Staff Statement** updating information on recent developments.

The documents listed below have been or will be separately released.

Selected Issues
Financial Stability System Assessment

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

Press Release No. 15/322
FOR IMMEDIATE RELEASE
July 7, 2015

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes Article IV Consultation with United States

On July 6, 2015, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with the United States.[1]

The U.S. economy's momentum in the first quarter was sapped by unfavorable weather, a sharp contraction in oil sector investment, and the West Coast port strike. But the underpinnings for a continued expansion remain in place. A solid labor market, accommodative financial conditions, and cheaper oil should support a more dynamic path for the remainder of the year. Despite this, the weaker outturn in the first few months of this year will unavoidably pull down 2015 growth, which is now projected at 2.5 percent. Stronger growth over the next few years is expected to return output to potential before it begins steadily declining to 2 percent over the medium term.

Inflation pressures remain muted. In May headline and core personal consumption expenditure (PCE) inflation declined to 0.2 and 1.2 percent year on year, respectively. Long-term unemployment and high levels of part-time work both point to remaining employment slack, and wage indicators on the whole have shown only tepid growth. When combined with the dollar appreciation and cheaper energy costs, inflation is expected to rise slowly staring later in the year, reaching the Federal Reserve's 2 percent medium-term objective by mid 2017.

An important risk to growth is a further U.S. dollar appreciation. The real appreciation of the currency has been rapid, reflecting cyclical growth divergences, different trajectories for monetary policies among the systemically important economies, and a portfolio shift toward U.S. dollar assets. Lower oil prices and increasing energy independence have contained the U.S. current account deficit, despite the cyclical growth divergence with respect to its main trading partners and the rise in the U.S. dollar. Nevertheless, over the medium term, at current levels of

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the real exchange rate, the current account deficit is forecast to widen toward 3.5 percent of GDP.

Despite important policy uncertainties, the near term fiscal outlook has improved, and the federal government deficit is likely to move modestly lower in the current fiscal year. Following a temporary improvement, the federal deficit and debt-to-GDP ratios are, however, expected to begin rising again over the medium term as aging-related pressures assert themselves and interest rates normalize. In the near-term, the potential for disruption from either a government shutdown or a stand-off linked to the federal debt ceiling represent important (and avoidable) downside risks to growth and job creation that could move to the forefront, once again, later in 2015.

Much has been done over the past several years to strengthen the U.S. financial system. However, search for yield during the prolonged period of low interest rates, rapid growth in assets in the nonbank sector, and signs of stretched valuations across a range of asset markets point to emerging pockets of vulnerabilities. The more serious risks are likely to be linked to: (1) the migration of intermediation to the nonbanks; (2) the potential for insufficient liquidity in a range of fixed income markets that could lead to abrupt moves in market pricing; and (3) life-insurance companies that have taken on greater market risk. But several factors mitigate these downsides. In particular, the U.S. banking system has strengthened its capital position (Tier 1 capital as a ratio of risk-weighted assets is at about 13 percent) and appears resilient to a range of extreme market and economic shocks. In addition, overall leverage does not appear excessive, household and corporate balance sheets look generally healthy, and credit growth has been modest.

The consultation focused on the prospects for higher policy rates and the outlook for, and policy response to financial stability risks, integrating the findings of the latest IMF Financial Sector Assessment Program for the U.S.

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They noted that the economic recovery continues to be underpinned by strong fundamentals, despite a temporary setback, while risks remain broadly balanced. Directors observed that considerable uncertainties, both domestic and external, weigh on the U.S. economy, with potential repercussions for the global economy and financial markets elsewhere. These include the timing and pace of interest rate increases, prospects for the dollar, and risks of weaker global growth. Directors stressed that

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

managing these challenges, as well as addressing longstanding issues of public finances and structural weaknesses, are important policy priorities in the period ahead.

Directors agreed that decisions on interest rate increases should remain data-dependent, considering a broad range of indicators and carefully weighing the trade-offs involved. Specifically, they saw merit in awaiting clear signs of wage and price inflation, and sufficiently strong economic growth before initiating an interest rate increase. Noting the importance of the entire path of future policy rate changes, including in terms of the implications for outward spillovers and for financial markets, Directors were reassured by the Federal Reserve's intention to follow a gradual pace of normalization. They welcomed the Federal Reserve's efforts, and commitment to continue, to communicate its policy intentions clearly and effectively. Directors acknowledged that financial stability risks could arise from a protracted period of low interest rates. In this regard, they underscored the importance of strong regulatory, supervisory, and macroprudential frameworks to mitigate these risks.

Directors commended the authorities for the progress in reinforcing the architecture for financial sector oversight. They concurred with the main findings and recommendations of the Financial Sector Assessment Program assessment. Directors highlighted the need to complete the regulatory reforms under the Dodd-Frank Act and to address emerging pockets of vulnerability in the nonbank financial sector. They encouraged continued efforts to monitor and manage risks in the insurance sector, close data gaps, and improve the effectiveness of the Financial Stability Oversight Council while simplifying the broader institutional structure over time. Directors looked forward to further progress in enhancing cross-border cooperation among national regulators, and the framework for the resolution of cross-jurisdiction financial institutions.

Directors noted that there remain a range of challenges linked to fiscal health, lackluster business investment and productivity growth, and growing inequality. They agreed that reforms to the tax, pension, and health care systems will help create space for supporting near-term growth, including through infrastructure investment. Directors reiterated the need for a credible medium-term fiscal strategy that would anchor ongoing consolidation efforts, underpin debt sustainability, and reduce fiscal uncertainties. They called for renewed efforts to implement structural reforms to boost productivity and labor force participation, tackle poverty, address remaining weaknesses in the housing market, and advance the multilateral trade agenda.

It is expected that the next Article IV consultation with the United States will be held on the standard 12-month cycle.

INTERNATIONAL MONETARY FUND

COMMUNICATIONS DEPARTMENT

Press Release No. 18/274
FOR IMMEDIATE RELEASE
July 3, 2018

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes Article IV Consultation with the United States

On June 29, 2018, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with the United States.[1]

The near-term outlook for the U.S. economy is one of strong growth and job creation. Unemployment is near levels not seen in 50 years, and growth is set to accelerate, aided by a fiscal stimulus, a recovery of private investment, and supportive financial conditions. These positive outturns have supported, and been reinforced by, a favorable external environment. The balance of evidence suggests that the U.S. economy is beyond full employment.

A slow but steady rise in wage and price inflation is expected as labor and product markets tighten. Core PCE inflation is expected to rise modestly above 2 percent by mid-year. Wages have been growing broadly in line with (relatively weak) labor productivity growth, leaving unit labor costs virtually unchanged over the past 2 years. In the next several months, wages and unit labor costs are anticipated to increase at a modest pace.

Despite good near-term prospects, a number of vulnerabilities are being built-up. The planned expansion in the federal deficit at this stage of the cycle could trigger a faster-than-expected rise in inflation. That would be accompanied by a more rapid rise in interest rates that could increase market volatility both in the U.S. and abroad. There is a risk of a marked reversal of capital flows, particularly from emerging markets with weaker macroeconomic fundamentals. The net effect of U.S. budget and tax policy choices will exacerbate an already unsustainable upward dynamic in the public debt and leave few budget resources available to invest in a range of urgently needed supply-side reforms, including infrastructure spending. It will also contribute to a rise in global imbalances. These risks are added to by recent actions by the U.S. to impose tariffs on imports.

The consultation focused on the policies needed to address these risks, rebuild fiscal space,

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preserve financial stability, support low- and middle-income households, incentivize work, and raise medium-term living standards.

Executive Board Assessment[2]

Directors welcomed the strong performance of the U.S. economy, with accelerating growth, low unemployment, and muted inflation. They also welcomed the favorable near-term outlook and the prospect of marking the longest economic expansion in its recorded history. At the same time, Directors observed heightened policy uncertainty and medium-term vulnerabilities, including rising public debt, trade tensions, and income inequality. They stressed that developments and policy actions in the United States have significant implications for the rest of the world, and encouraged the authorities to take that consideration into account in their policy decisions.

Directors recognized the objectives of the fiscal strategy and tax reform, with its many positive features, in supporting growth and promoting structural changes to unleash the economic potential. They observed that, at the current stage of the business cycle, the expansionary fiscal policy stance, while boosting U.S. and global output in the near term, could increase risks and uncertainties in the medium term. Specifically, Directors cautioned that the procyclicality of the budget and tax policy plans would adversely affect the fiscal deficit, debt sustainability, and global imbalances. They encouraged the authorities to rebalance fiscal policy, increase the revenue-to-GDP ratio through a greater reliance on indirect taxes, and prioritize infrastructure spending. Directors also saw scope for targeting personal income tax relief at lower-income households, and improving the compliance of tax provisions with the international obligations.

Directors commended the Federal Reserve for pursuing monetary policy normalization in a gradual, data-dependent, and well-communicated manner. They stressed the importance of continued adherence to these principles, while being mindful of potential global spillovers as monetary policy tightens. Directors concurred that, given the sizable fiscal stimulus, achieving the dual mandate of maximum employment and price stability would likely require a faster pace of policy rate increases. They pointed to an inflation surprise as an important risk that, if realized, could create volatility in financial markets, with negative global consequences.

Directors raised significant concerns over recent trade policy proposals that could have damaging effects beyond the U.S. economy, trigger retaliatory responses, and undermine the open, fair, rules-based multilateral trading system. Directors urged the authorities to work constructively together with their trading partners to reduce trade barriers and resolve trade and investment disagreements without resorting to harmful unilateral actions.

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[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

Directors noted medium-term risks to financial stability, including those related to high equity market valuations, rising leverage, weakened underwriting standards, and cyber risks. Managing these risks would require high-quality and independent supervision. Directors stressed the need to preserve the current risk-based approach to regulation, supervision, and resolution; strengthen the oversight of nonbank financial institutions; and remain committed to agreed international standards. They looked forward to further progress in implementing the remaining recommendations of the 2015 FSAP.

United States: Selected Economic Indicators 1/

(percentage change from previous period, unless otherwise indicated)

	2017	2018	2019	2020	2021	2022	2023
		Projections					
National production and income							
Real GDP	2.3	2.9	2.7	1.9	1.7	1.5	1.4
Net exports 1/	-0.2	-0.4	-0.6	-0.5	0.0	-0.1	0.0
Total domestic demand	2.4	3.3	3.2	2.3	1.7	1.6	1.3
Private final consumption	2.8	2.8	2.5	1.9	2.1	2.1	1.9
Public consumption expenditure	0.1	1.3	3.0	1.4	0.1	-0.3	-0.6
Gross fixed domestic investment	3.4	5.7	6.0	4.3	1.3	0.8	0.7
Private fixed investment	4.0	6.3	6.9	4.6	1.0	0.4	0.2
Public fixed investment	0.1	2.7	1.6	2.6	2.8	3.2	3.1
Change in private inventories 1/	-0.1	0.1	0.0	0.1	0.0	0.0	0.0
Nominal GDP	4.1	5.4	5.6	4.0	3.8	3.7	3.5
Personal saving rate (% of disposable income)	3.4	2.5	2.5	2.7	3.0	3.3	3.7
Private investment rate (% of GDP)	16.6	17.2	17.7	18.1	18.0	17.8	17.6
Unemployment and potential output							
Unemployment rate	4.4	3.8	3.5	3.4	3.6	3.6	3.8
Labor force participation rate	62.8	62.8	62.6	62.4	62.2	62.0	61.8
Potential GDP	1.8	2.0	2.0	1.9	1.8	1.7	1.7
Output gap (% of potential GDP)	0.3	1.2	1.9	1.9	1.8	1.5	1.2
Inflation							
CPI inflation (q4/q4)	2.1	3.2	2.7	2.3	2.2	2.2	2.3
Core CPI Inflation (q4/q4)	1.7	2.4	2.6	2.5	2.3	2.3	2.3
PCE Inflation (q4/q4)	1.7	2.8	2.4	2.0	1.9	1.9	2.0
Core PCE Inflation (q4/q4)	1.5	2.0	2.3	2.2	2.0	2.0	2.0
GDP deflator	1.8	2.4	2.8	2.0	2.1	2.2	2.1
Government finances							
Federal government							
Federal balance (% of GDP) 2/	-3.5	-4.1	-4.6	-4.5	-4.7	-5.0	-4.8
Federal debt held by the public (% of GDP)	76.5	76.9	77.2	78.5	80.5	82.5	84.6
General government							
Primary structural balance (% of potential GDP)	-2.7	-3.5	-3.8	-3.3	-3.2	-3.0	-2.3
General government budget balance (% of GDP) 2/	-4.5	-5.3	-5.5	-5.3	-5.4	-5.4	-4.9
General government gross debt (% of GDP)	105.6	106.0	106.5	108.1	109.9	111.6	113.1
Interest rates (percent; period average)							
Fed funds rate	1.0	1.9	3.0	3.6	3.2	2.9	2.9
Three-month Treasury bill rate	0.9	2.0	3.0	3.4	3.0	2.7	2.7
Ten-year government bond rate	2.3	3.0	3.5	3.8	3.7	3.6	3.6
Balance of payments							
Current account balance (% of GDP)	-2.4	-3.0	-3.2	-3.6	-3.4	-3.2	-3.0
Merchandise trade balance (% of GDP)	-4.2	-4.6	-4.7	-5.2	-5.1	-5.1	-5.0
Export volume (NIPA basis, goods)	4.5	5.2	2.7	2.1	3.5	2.9	4.4
Import volume (NIPA basis, goods)	4.3	7.2	7.0	5.9	3.3	3.6	2.9
Net international investment position (% of GDP)	-40.5	-41.4	-42.5	-44.4	-46.2	-47.8	-49.2
Saving and investment (% of GDP)							
Gross national saving	17.5	17.3	17.6	17.6	17.7	17.8	17.8
General government	-1.6	-3.6	-4.1	-4.0	-4.0	-3.7	-3.2
Private	19.0	21.0	21.7	21.6	21.7	21.5	21.1
Personal	2.5	1.9	1.8	2.0	2.2	2.4	2.8
Business	16.5	19.1	19.9	19.6	19.5	19.1	18.3
Gross domestic investment	19.8	20.4	20.8	21.2	21.1	21.0	20.9
Private	16.6	17.2	17.7	18.1	18.0	17.8	17.6
Public	3.2	3.2	3.1	3.1	3.1	3.2	3.2

Sources: BEA; BLS; FRB; Haver Analytics; and IMF staff estimates.
1/ Contribution to real GDP growth, percentage points.
2/ Includes staff's adjustments for one-off items, including costs of financial sector support.