

## Could U.S. Economic Growth Increase More than China's this Year?

By Katherine Konczak

Though the U.S. economy has experienced the worst economic downturn since the Great Depression, economists are extremely bullish on U.S. economic growth. They predict that the U.S. will not only completely rebound in 2021, but also experience some of the fastest GDP growth [since 1965](#). Goldman Sachs is predicting 2021 [GDP growth of about 7%](#), while Morgan Stanley estimates [7.3% growth](#). If forecasters are accurate about the U.S.'s economic outlook, this means that means that U.S. GDP growth has the potential to exceed China's – which has not happened [since 1976](#). So, why are economists so bullish about U.S. economic growth despite recovering from one of the worst recessions in U.S. history? How is the U.S. in a position to surpass China's GDP growth? I believe that strong stimulus packages and an increasing rate of vaccination rollout are the reason why the U.S. can see a V-shaped economic recovery. Though there is much optimism to be found in the U.S. economy rivaling China's growth this year, I do not believe this feat will be repeated in 2022.

Initial economic forecasts, when President Biden was first elected in November, underestimated the impact of the stimulus package. Even when it was announced that Democrats swept the Senate races in Georgia, Goldman Sachs estimated a stimulus package of around [\\$1.5 trillion](#). President Biden's \$1.9 trillion American Rescue Plan was more than many economists expected. The \$600 stimulus checks from earlier this year and increased unemployment benefits led to an increase in personal income of [10%](#) at the beginning of 2021. With the additional \$1,400 stimulus checks from this most recent stimulus package, translating to [\\$242 billion sent to 90 million American households](#), household wealth is expected to increase even more. According to a survey conducted by Bloomberg, [more than one-third of respondents plan to save their stimulus money](#). Excluding the American Rescue Plan, the U.S. government has issued [\\$3.7 trillion in federal funds since last March](#). This, combined with the Federal Reserve promising to [maintain interest rates near zero even if inflation rises above the target of 2%](#), will stimulate economic growth as businesses and consumers will have more of an incentive to borrow.

With the accelerated vaccine rollout, and President Biden issuing a deadline of [May 1](#) for states to open vaccine appointments for all adults, Americans are able to spend the money they have saved – specifically, [\\$4 trillion](#). The increase in vaccination distribution, especially with Johnson & Johnson’s single-dose COVID-19 vaccine have allowed state governors to ease COVID-19 restrictions that have devastated restaurants and indoor entertainment venues. Most states have allowed restaurants to resume indoor dining and allowed movie theatres, and other entertainment venues to reopen with varying capacity limits per state regulations. Some Americans are already eager to travel and plan summer activities, such as sporting events and concerts, after a year of restrictions. In fact, U.S. airports have recently experienced the [most traffic over a four-day period](#) than it has been since the start of the pandemic. Retail sales in January increased more than [5%](#). It is clear that there is pent-up demand for consumer spending on activities outside of the home. As the vaccination rate increases, more Americans should feel comfortable doing more outdoor events. President Biden has also expressed optimism that Americans can have [in-person 4<sup>th</sup> of July celebrations](#).

Even more surprising than U.S. being in a position for such massive GDP growth may be the potential for the U.S. to surpass China’s growth rate. The Chinese economy has grown at a faster rate compared to the U.S. for decades; the last time that each country’s growth rate were somewhat similar was in [1999, but there was still a significant enough gap: the U.S. economy expanded by 4.8% whereas China’s expanded by 7.7%](#). However, with many economists in consensus that the U.S. economy could grow by at least 7% this year, this means that U.S. economic growth could surpass the Chinese government’s GDP growth target of [6%, recently announced by Chinese Premier Li Keqiang](#). While I do not doubt that the U.S. economy will experience significant economic growth this year, I question whether it would exceed China’s growth. Many economists, such as those at the EIU and those polled by Refinitiv, estimate China’s GDP growth to be [8.5%](#) and [8.4%](#), respectively. If these forecasters’ estimations are true, then the China’s GDP target of 6% would be too conservative. Though this would mean that U.S. economy would not grow more than China’s, it would increase the gap that China needs to close to overtake the U.S. as the world’s largest economy. Additionally, there is additional optimism to be found in knowing that it does not seem that the U.S.

economic fallout from the COVID-19 pandemic did not give China as much of an advantage in the GDP rivalry as previously expected.

Although the U.S.'s rebound from this recession seems to be in contrast to its recovery from the Great Recession – where the Chinese economy grew by [10.6%, quadrupling that of the U.S.](#) – this is dependent on maintaining strong vaccine rollout. If vaccination rates decrease, or if the Covid variants pose a threat to the efficacy of current vaccines, I would expect GDP growth to significantly slow down. In addition, it is possible that the unemployment rate is higher than the official rate of [6.3%](#). The Fed and Secretary of the Treasury Janet Yellen report that the [unemployment rate could be as high as 10%](#). It is not reassuring that unemployment claims rising to a [one-month high of 770,000](#) in the week ended March 13, though it could be possible that a portion of these claims are fraudulent as widespread unemployment fraud is still an issue. This could cause more consumers to be wary of spending. Still, even if the U.S. is able to reclaim the position of the largest global economic growth driver from China, I do not believe the U.S. will be able to in 2022. The Chinese economy's potential GDP growth is higher than the U.S.'s: China's relatively younger economy and favorable demographics and productivity advantages place China in a position to experience a sustained faster growth rate than other advanced economies long-term. However, the strong GDP growth that is expected from the U.S. is a promising sign that the U.S. can rise and respond to the challenges China imposes.