

## **U.S. Economic Uptick: A Boon for Foreign Investors**

Almost ten years after the Great Recession, American corporations and consumers alike are finally feeling economic relief. The U.S. economy is headed into the final stretch of 2017 powered by one of sturdiest periods of growth in its nine-year expansion, a vigor that is helping drive stock-market indexes and consumer spending to new highs. Private investment and consumer spending are pointing to a continuing steady expansion. Furthermore, household and business confidence measures remain relatively upbeat.

The numbers speak for themselves. Pantheon Macroeconomics predicts that if the economy performs over the next year as it did in 2017, unemployment will likely fall from the already low level of 4.1% in October 2017 to 3.5% at the end of 2018, a rate not seen since the late 1960s. New-home sales rose in October to a 10-year high, and contracts signed for existing homes rebounded strongly in October after several months of declines. Consumer spending will benefit from continued, though slowing, employment gains and, as the labor market tightens, stronger wage growth. Consumer confidence has also risen for five straight months to a 17-year high, according to the Wall Street Journal Conference Board.

Economic growth is projected to pick up in 2017 and 2018 as headwinds from past exchange rate appreciations abate and support from fiscal policy begins to appear. GDP growth is projected to rise moderately in 2017 and 2018, thanks to the ongoing strength of household spending and fiscal policy support for households and investment.

Economic expansion over the past nine years is making the United States favorable to foreign direct investment. In PwC's 2017 *Global CEO Survey*, four out of 10 CEOs said their companies are targeting the U.S. for their growth prospects. These survey findings are consistent with other analyses, such as a UNCTAD forecast that the U.S. will be the favorite investment destination of global business through 2018, followed by China and India.

As a place to do business, the United States offers a predictable and transparent legal system, low taxes, outstanding infrastructure, and access to the world's most lucrative consumer market. The United States is an important country for international trade, with large multinational enterprises creating a complex web of global supply chains. Additionally, systems of regulation and taxation in the United States give foreign investors ample operational freedom.

Despite the latest economic growth, aggregate economic activity in the U.S. is still depressed. The unemployment rate has been a misleading economic indicator in recent years, primarily falling because workers have been dropping out of the labor force, not because a rising share of the population is employed. The Economic Policy Institute estimates that nearly 6 million workers are still "missing" from the labor force because of the lack of jobs. If these workers were considered unemployed but still in the labor force, the unemployment rate would register 9.7 percent.

By mid-2009, U.S. GDP had fallen 7.4 percent below the Congressional Budget Office's (CBO) measure of potential. Nearly five years later, the U.S. economy was still running at 5.1 percent below potential GDP as of the first quarter of 2014 (exacerbated by a sharp contraction in GDP that quarter), down from averaging 4.5 percent in 2013. Fortunately, the CBO predicts that the difference between actual and potential GDP will close in 2018.

The economy is still picking up regardless – according to the November 2017 report from the Institute for Supply Management, 14 of the 18 tracked manufacturing industries have experienced growth in new orders, inventories and employment. These positive trends are expected to lead to a 7.0% rise in the business sentiment index in 2017. Created to measure the performance of the U.S. business sector, IBISWorld expects this index to remain moderately volatile and rise marginally over the five years to 2023. It is projected to remain above 50.0, indicating a healthy business environment.

The United States has always provided foreign investors with a stable and welcoming market. But given your company's particular needs, what would be the ideal market entry strategy? Mergers and acquisitions? Setting up a U.S.-based sales office?

Each region of the United States presents its own unique advantages and challenges. COGNEGY's experts with 90+ years of combined executive-level business experience have successfully guided foreign firms towards the U.S. for the past 10+ years. Proper planning and a well-researched approach can put companies on the right path for growth and profitability.

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