Economic Report of the President

Together with
The Annual Report of the Council of Economic Advisers

March 2019
GDP growth during the four quarters of 2018 was the fastest since 2005. This Administration is the first on record to have experienced economic growth that meets or exceeds its own forecasts in each of its first two years in office.

Administration Real GDP Growth Forecasts vs. Actuals

Growth is Beating Market Expectations

Sources: Office of Management and Budget; Bureau of Economic Analysis; CEA calculations.

Note: Administration growth forecasts are for that year. For example, the 2009 growth forecast is the forecast published by President Obama’s Administration in 2009.
Real GDP grew 3.1 percent during 2018, 0.9 percentage point above the pre-TCJA trend, and 0.8 percentage point faster than the last term of the previous administration.

Growth in Real GDP, 2012:Q4–2018:Q4

- **Actual 2012–16 growth**
- **Actual 2016–18 growth**
- **Trend growth**

**Compound annual growth rate (percent)**

- 2012:Q4 – 2016:Q4: 2.3%
- 2016:Q4 – 2017:Q4: 2.5%
- 2017:Q4 – 2018:Q4: 3.1%

**Sources:** Bureau of Economic Analysis; CEA calculations.

Venture capital deals surged following passage of TCJA, rising nearly $17 billion over the pre-TCJA trend by the end of 2018.

Sources: National Venture Capital Association; Bureau of Economic Analysis; CEA calculations.
Note: Data are non-seasonally adjusted. The trend is calculated for 2009:Q3–2017:Q4 using year-over-year growth rates. Nominal values are deflated using the chain price index for GDP.
TCJA = Tax Cuts and Jobs Act.
Investment by independent businesses rose sharply following passage of TCJA, rising $26 billion above pre-TCJA trend by the end of 2018.

Real Noncorporate Business Fixed Investment, 2010–18

Sources: Federal Reserve Board; Bureau of Economic Analysis; CEA calculations.
Note: The trend is calculated for 2009:Q3–2017:Q4 using compound annual growth rates. Nominal values are deflated using the chain price index for private nonresidential fixed investment. TCJA = Tax Cuts and Jobs Act. SAAR = seasonally adjusted annual rate.
Blue collar employment is surging. There were 215,000 blue collar jobs added in 2018, currently 301,000 above the pre-election expansion period trend.

Sources: Bureau of Labor Statistics, CEA calculations.
Note: Trend is calculated for the compound annual growth rate on a sample period from July 2009 through November 2016, with forecasted levels reconstructed from projected rates.
In 2018, there was an influx of workers coming off the sidelines. In the 4th quarter, 73% of the flows into employment came from out of the labor force rather than from unemployment—the highest share ever recorded.

### Share of Workers Coming Off the Sidelines by Administration, 2009–18

<table>
<thead>
<tr>
<th>Share of workers (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>72</td>
</tr>
<tr>
<td>70</td>
</tr>
<tr>
<td>68</td>
</tr>
<tr>
<td>66</td>
</tr>
<tr>
<td>64</td>
</tr>
<tr>
<td>62</td>
</tr>
<tr>
<td>60</td>
</tr>
<tr>
<td>58</td>
</tr>
</tbody>
</table>

- **Average of President Obama’s full term (2009:Q1 - 2016:Q4)**: 63.0
- **Average of President Obama’s second term (2013:Q1 - 2016:Q4)**: 66.5
- **Average of President Trump’s first term thus far (2017:Q1 - 2018:Q4)**: 71.2

Sources: Bureau of Labor Statistics; CEA calculations.
Nominal hourly wages grew 3.4 percent over the last 12 months—the fastest pace since 2009 and the 7th straight month above 3 percent. In 2018, the lowest wage earners saw the fastest growth.

**Nominal Weekly Wage Growth Among All Adult Full-Time Wage and Salary Workers, 2010–18**

12-month change (percent)

Note: Data are non-seasonally adjusted.
The full-income poverty measure indicates poverty declined to only 2.3 percent in 2017 compared to 12.3 percent with the official poverty measure. Additionally, over 5 million people have been lifted off food stamps since the election.

Sources: Burkhauser et al. (2019); Census Bureau; National Bureau of Economic Research; CEA calculations.
Note: Shading denotes a recession for at least four months of a given year.
Decreasing regulatory burden and overturning costly regulations from previous administrations is unlocking economic potential. For every significant regulatory action in FY 2018, there were 12 deregulatory actions. Net regulatory cuts and their savings of $3.2 billion will continue each year, translating to $49 billion in present value savings.

Real Annualized Costs of Major New Rules, Fiscal Years 2001–2019

Sources: Office of Information and Regulatory Affairs (OIRA); CEA calculations.
Note: The cost estimates for years 2001 through 2016 are taken from the most recent OIRA Report to Congress with an estimate for that year. Negative costs indicate cost savings. The real cost estimate for 2019 is a projected estimate from the OIRA Regulatory Budget for fiscal year 2019. Annual cost estimates include all major rules published that year for which both benefits and costs have been estimated.
The United States is the largest producer of crude oil and natural gas in the world—surpassing Saudi Arabia and Russia. We are also a net natural gas exporter for the first time since 1957.

U.S. and Saudi Arabia Crude Oil Production, 2008–19

Barrels per day (millions)

Source: Energy Information Administration.
Note: U.S. data are a 4-week moving average of daily field production. Saudi Arabian production data are reported at a monthly frequency and are projected by the EIA for December 2018 and later months.
Drug Prices are Declining

In February 2019, prescription drug prices had the slowest growth in 46 years. The price of prescription drugs relative to the CPI has fallen 11 percent below its pre-inauguration trend.

Inflation-adjusted CPI for Prescription Drugs, 3-Month Centered Moving Average, 2010–2019

Sources: Bureau of Labor Statistics, CEA calculations.
Note: CPI covers retail transactions, which are about three-fourths of all Rx drug sales. Inflation adjustments are calculated using the ratio of the CPI of prescription drugs relative to the CPI-U for all items. Trend is calculated for the compound annual growth rate on a sample period from July 2009 through December 2016.
Businesses are investing and taking out more loans. C&I loans now exceed $2 trillion and total loans exceed $10 trillion—both the highest ever recorded.

### Commercial and Industrial Loans Held by FDIC-Insured Institutions

<table>
<thead>
<tr>
<th>Year:Qtr</th>
<th>Dollars (trillions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015:Q1</td>
<td>1.7</td>
</tr>
<tr>
<td>2015:Q2</td>
<td>1.7</td>
</tr>
<tr>
<td>2015:Q3</td>
<td>1.8</td>
</tr>
<tr>
<td>2015:Q4</td>
<td>1.9</td>
</tr>
<tr>
<td>2016:Q1</td>
<td>2.0</td>
</tr>
<tr>
<td>2016:Q2</td>
<td>2.0</td>
</tr>
<tr>
<td>2016:Q3</td>
<td>2.1</td>
</tr>
<tr>
<td>2016:Q4</td>
<td>2.1</td>
</tr>
<tr>
<td>2017:Q1</td>
<td>2.2</td>
</tr>
<tr>
<td>2017:Q2</td>
<td>2.2</td>
</tr>
<tr>
<td>2017:Q3</td>
<td>2.3</td>
</tr>
<tr>
<td>2017:Q4</td>
<td>2.3</td>
</tr>
<tr>
<td>2018:Q1</td>
<td>2.4</td>
</tr>
<tr>
<td>2018:Q2</td>
<td>2.4</td>
</tr>
<tr>
<td>2018:Q3</td>
<td>2.5</td>
</tr>
<tr>
<td>2018:Q4</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Source: Federal Deposit Insurance Corporation.
Workers worry that AI and technology may eliminate jobs. The example of the ridesharing “gig-economy” suggests this is not the case—Ridesharing has increased the surplus for drivers, lowered the cost to customers, and increased flexibility for both drivers and platform users.

**Share of Respondents Reporting Income from Ridesharing Platforms in the Past Year, 2013–2018**

*Monthly share of respondents (percent)*

Production declines substantially when socialist regimes take over—sometimes by more than 50 percent. In contrast, capitalism spurs growth.

Production Decreases Under Socialism


Note: USSR livestock refers to horses. Percent changes for Maoist China are calculated from 1957 to 1962; the percent changes for Castro’s Cuba are calculated from 1959 to 1963; percent changes for Stalin’s USSR are calculated from 1928 to 1932; lastly, percent changes for Venezuela are calculated from June 1998 to June 2018.