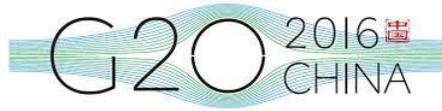


2016

GROWTH STRATEGY

The United States



United States 2016 Growth Strategy Update

A. Economic Context and Objective

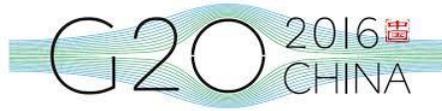
Our main economic objectives are unchanged: to secure a sustained, strong economic expansion with a robust labor market, low inflation, and sustainable public finances.

The U.S. economy grew 2.6 percent in 2015. Domestic demand expanded by a solid 3.3 percent last year, during which private consumption grew 3.2 percent and private fixed investment expanded 4.0 percent. The U.S. economy slowed in the first half of 2016, growing only 0.8 percent at an annual rate in the first quarter and a slightly better 1.2 percent in the second quarter according to the advance estimate. Nonetheless, the U.S. economy continues to be resilient: private consumption grew 4.2 percent in the second quarter and another 405,000 private-sector jobs were added in Q2, raising the total number of private-sector jobs produced since early 2010 to 15 million as of July. Inflation remains low, at approximately 1 percent per year, while the core rate of inflation, adjusted for fuel and food prices, is a bit above 2 percent. The federal budget deficit is projected by the Administration to be 3.3 percent of GDP in FY 2016 and then decline to 2.3 percent in FY 2017; federal spending is projected to add about one quarter of one percent to U.S. economic growth in the current fiscal year. On the downside, consistent with a weak foreign growth environment and a U.S. dollar that has appreciated nearly 15 percent in real terms over the past two years, real exports are roughly the same level in the first half of 2016 as they were in the first half of 2014.

B. Macroeconomic Policy Actions to Support Growth

Since the 2015 Antalya Summit, the Congress passed a bipartisan budget agreement and an omnibus spending package. The budget agreement includes \$80 billion in sequester cap relief over fiscal years 2016 and 2017, plus \$31 billion in additional funding. The appropriations act included funding for Overseas Contingency Operations, natural disasters and emergencies, and program integrity; made permanent a number of tax benefits for households and businesses; and extended tax incentives for renewable energy. It also ended the 40-year ban that existed on the export of crude oil. In addition, the President signed into law a five-year, \$305 billion surface transportation bill that grows Federal investments in U.S. infrastructure by roughly 5 percent – the first long-term infrastructure bill since 2005.

With respect to monetary policy, the Federal Reserve raised the federal funds target rate by 0.25 percentage point on December 16, 2015, following a seven-year period during which the rate was held to near zero. In increasing the rate, the Federal Open Market Committee (FOMC) acknowledged the considerable improvement in U.S. labor market conditions. The current stance of monetary policy remains accommodative and the FOMC currently expects only gradual further changes in the stance of policy.



C. Structural Reform Priorities

The main non-investment structural reform priorities for the United States are comprehensive immigration reform, policies to expand cross-border trade and investment (including the Trans-Pacific Partnership), policies to boost labor force participation and expand access to education, and business tax reform.

C1. Implementation of Past Growth Strategy Commitments

Since the Brisbane summit, the United States has:

- Reached a bipartisan budget agreement to raise federal budget authority by \$111 billion in 2016 and 2017;
- Reauthorized surface transportation investments at \$305 billion over 5 years;
- Made permanent the expansions of the Child Tax Credit and Earned Income Tax Credit originally enacted in 2009, made permanent other important tax provisions including the Research and Experimentation Tax Credit, and extended incentives for renewable energy;
- Concluded negotiations on the Trans-Pacific Partnership; and
- Announced new steps to expand overtime protections and support retirement savings.

The Obama Administration continues to advocate for Congressional action on:

- Additional investments in infrastructure;
- An increase in the federal minimum wage;
- Additional tax credits to support working families and workers without dependent children;
- Approval of the Trans-Pacific Partnership;
- Business tax reform; and
- Comprehensive immigration reform.

C2. New Structural Reform Measures

In 2016, President Obama has proposed a new 21st Century Clean Transportation Plan and finalized new regulations to expand overtime protections and support retirement savings (described in greater detail below).

Annex 1. Past commitment – Brisbane and Antalya commitments

Brisbane and Antalya Key Commitments for Monitoring Purposes

The policy action:	Increase investment in surface transportation and related infrastructure		
Inclusion of the commitment in growth strategies	<p>Brisbane, 2014: Proposed federal investment of \$302 billion over 4 years in surface transportation and related infrastructure.</p> <p>Antalya, 2015: Proposal adjusted to \$478 billion over 6 years.</p>		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	<p>1) Secure Congressional approval of a long-term surface transportation reauthorization proposal.</p> <p>2) Continue to advocate for additional investment in transportation infrastructure.</p> <p>3) Promote public-private collaboration on infrastructure investment through the Build America Investment Initiative launched in July 2014.</p>	<p>1) Completed December 2015.</p> <p>2) Ongoing.</p> <p>3) Ongoing.</p>	<p>1) President Obama signed into law a 5-year, \$305 billion surface transportation reauthorization in December 2015 (FAST Act).</p> <p>2) In February 2016, President Obama proposed the 21st Century Clean Transportation Plan.</p> <p>3) Launched Build America finance centers across multiple agencies in 2015.</p>
Impact of Measure	<p>The FAST Act increases transportation funding by \$17.8 billion over 5 years and provides greater certainty on the path of future funding. The proposed 21st Century Clean Transportation Plan would increase federal transportation investment by \$32 billion per year, or roughly 50 percent, and would support growth while reducing carbon pollution and increasing transportation options for American families. The Build America Investment Initiative promotes public-private partnerships on infrastructure investment.</p>		

The policy action:	Boost incomes of low-wage workers and address inequality by
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raising the minimum wage and expanding selected individual tax credits			
Inclusion of the commitment in growth strategies	<p>Brisbane, 2014: Proposed raising the minimum wage to \$10.10 per hour and making permanent the expansions of the Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) first enacted in 2009.</p> <p>Antalya, 2015: The Obama Administration supports a legislative proposal to raise the federal minimum wage to \$12 an hour by 2020. New proposals to introduce a \$500 second earner credit, triple the child care tax credit for young children to up to \$3,000 per child, and simplify and expand education tax benefits.</p>		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	<p>1) Raise the federal minimum wage to \$12 an hour by 2020.</p> <p>2) Make permanent the expansions of the CTC and EITC first enacted in 2009, which had been scheduled to expire after 2017.</p> <p>3) Seek Congressional approval of proposals to introduce a \$500 second earner credit, triple the child care tax credit to up to \$3,000 for young children, simplify and expand education tax benefits, and expand the EITC for workers without dependent children.</p>	<p>1) Ongoing.</p> <p>2) Completed December 2015.</p> <p>3) Ongoing.</p>	<p>1) The Obama Administration continues to advocate for legislative action. Since 2013, 18 states and the District of Columbia, as well as over 50 cities and counties, have raised the minimum wage.</p> <p>2) President Obama signed into law permanent expansions of the CTC and EITC in December 2015.</p> <p>3) The Obama Administration continues to advocate for legislative action.</p>
Impact of Measures	<p>1) The minimum wage proposal would benefit about 35 million workers, according to the Economic Policy Institute.</p> <p>2) The permanent expansion of the CTC and EITC provide a tax cut of about \$900 on average for 16 million working families a year.</p>		

	3) The President’s tax proposals would altogether benefit over 44 million working families a year.
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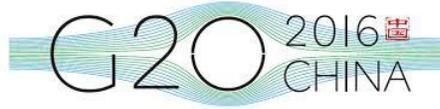
The policy action:	Boost employment and labor force participation by investing in education, training, and skills, and by promoting female labor force participation.		
Inclusion of the commitment in growth strategies	<p>Brisbane, 2014: Proposed to invest in training for the long-term unemployed, reduce child care costs, reduce tax disincentives to work, strengthen workplace flexibility, and provide all four-year-olds from low and moderate income families with access to high-quality preschool.</p> <p>Antalya, 2015: Additional proposals to make two years of community college free for responsible students, implement the Workforce Innovation and Opportunity Act (WIOA), and expand and make permanent the American Opportunity Tax Credit (AOTC).</p>		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	<ol style="list-style-type: none"> 1) Provide technical assistance to help States implement and develop paid parental leave programs. 2) Seek Congressional approval of the Paycheck Fairness Act and Pregnant Workers Fairness Act. 3) Seek Congressional approval of proposals on preschool for all and free community college. 4) Provide technical assistance to help States, cities, and communities propose, pass, and implement legislation and proposals on free community college. 5) Make permanent the AOTC, first enacted in 2009. 	<ol style="list-style-type: none"> 1) Ongoing. 2) Ongoing. 3) Ongoing. 4) Ongoing. 5) Completed December 2015. 	<ol style="list-style-type: none"> 1) In September 2015, the U.S. Department of Labor awarded \$1.55 million to States to study expansions of paid family and medical leave. 2) The Obama Administration continues to advocate for legislative action. 3) The Obama Administration continues to advocate for legislative action. 4) The Obama Administration continues to provide funding and technical assistance to increase the number of programs; about 100 new free community college programs have

			<p>been announced since January 2015, largely from a dual enrollment pilot and grant program.</p> <p>5) The tax and budget agreement President Obama signed into law in December 2015 makes the AOTC permanent.</p>
Impact of Measures	<p>The policies described above will boost labor force participation, wages, health, and civic participation, and improve long-term schooling and labor market outcomes for children.</p>		

The policy action:	<p>Approve the Trans-Pacific Partnership and create a single-window documentation process for the export and import of cargo through completion of the International Trade Data System (ITDS).</p>		
Inclusion of the commitment in growth strategies	<p>These measures were included in the U.S. growth strategy in Brisbane (2014) and Antalya (2015).</p>		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	<p>1) Conclude negotiations on TPP and secure Congressional approval.</p> <p>2) Decommission the legacy system and on-board remaining Partner Government Agencies through interconnection to the ITDS.</p>	<p>1) Ongoing.</p> <p>2) The President's February 2014 Executive Order mandates the completion of ITDS by December 2016.</p>	<p>1) TPP was signed on February 4, 2016. The Obama Administration continues to advocate for Congressional approval of TPP.</p> <p>2) The ITDS system is currently hosting approximately 75 percent of trade filings at the border.</p>
Impact of Measure	<p>1) The U.S. International Trade Commission found that U.S. exports to TPP countries will increase by \$57.2 billion annually by 2032 if</p>		

	<p>TPP is passed and that overall U.S. annual real income will increase annually by \$57.3 billion by 2032. Earlier this year, the Peterson Institute projected that delaying passage of TPP for just one year would cost the U.S. economy \$94 billion.</p> <p>2) The ITDS will streamline the collection of export and import data at the border for over 40 U.S. Government agencies by providing a single window portal to provide data to the Government for processing over \$3.8 trillion worth of commodities in 50 million cargo containers. Prior to ITDS implementation, the mean wait time for a cargo release was 15 hours; a current analysis is projecting the mean time for cargo release will be reduced to less than 1 hour.</p>
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The policy action:	Undertake comprehensive immigration reform.		
Inclusion of the commitment in growth strategies	This measure was included in the U.S. growth strategy in Brisbane (2014) and Antalya (2015).		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	<p>1) Continue to press for passage of comprehensive immigration reform legislation in Congress.</p> <p>2) Implement executive actions to streamline the legal immigration system and promote naturalization.</p>	<p>1) Ongoing.</p> <p>2) Ongoing.</p>	<p>1) The Obama Administration continues to advocate for legislative action.</p> <p>2) The Obama Administration has issued several new regulations and undertaken other steps to address these issues.</p>
Impact of Measure	<p>1) The Congressional Budget Office (CBO) estimates that comprehensive immigration reform would boost real GDP by 3.3 percent after 10 years and 5.4 percent after 20 years.</p> <p>2) The Council of Economic Advisers (CEA) estimates the package of executive actions announced in November 2014, if fully implemented, would boost real GDP by 0.5 to 1.1 percent after 10 years.</p>		



Other Commitments

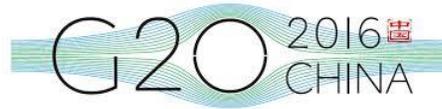
The policy action:	Boost near-term demand with sequester relief.
Implementation path and expected date of implementation	In October 2015, Congress reached a bipartisan budget agreement to raise federal budget authority by \$111 billion over the next two years. The Bipartisan Budget Act of 2015 was signed into law on November 2, 2015, and the Omnibus Appropriations Act of 2016, which provides appropriations for the remainder of fiscal year 2016, was signed into law on December 18, 2015.
Status of Implementation and Impact	The direct effect of the budget agreement will result in an estimated 340,000 additional jobs in 2016 and a total of 500,000 job-years added in 2016 and 2017. The budget agreement includes \$80 billion in sequester cap relief over the next two years, plus \$31 billion in additional funding.

The policy action:	Protect families by requiring retirement advisers to abide by a “fiduciary” standard
Implementation path and expected date of implementation	The U.S. Department of Labor finalized the new regulations in April 2016 and the provisions will begin to take effect in April 2017.
Status of Implementation and Impact	The new rule will ensure that Americans get retirement investment advice in their best interest, in order to reduce the estimated \$17 billion in retirement savings lost annually due to conflicted advice.

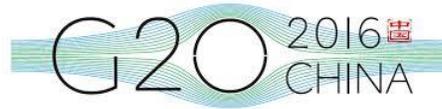
The policy action:	Update regulations regarding who qualifies for overtime protection
Implementation path and expected date of implementation	The U.S. Department of Labor finalized the new regulations in May 2016 and the provisions will take effect December 1, 2016.
Status of Implementation and Impact	The rule is projected to extend overtime protections to 4.2 million more Americans not currently eligible under federal law and boost wages for workers by \$12 billion over the next 10 years.

Annex 2. New and Adjusted Policy Commitments since Antalya

The new or adjusted policy action:	21st Century Clean Transportation Plan
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Implementation path and expected date of implementation	Requires Congressional action.
What indicator(s) will be used to measure progress?	Not yet approved by Congress. Key indicator will be increased investment in clean transportation infrastructure
Explanation of additionality or adjustment (where relevant)	The 21 st Century Clean Transportation Plan would increase Federal transportation investment by \$32 billion per year, or roughly 50 percent, and would support growth while reducing carbon pollution and increasing transportation options for American families.



Annex 3. Past commitment – St. Petersburg fiscal commitment

The United States has made substantial progress toward strengthening the sustainability of federal government finances. The federal government budget deficit has declined from a high of 9.8 percent of GDP in FY2009 to 2.5 percent in FY 2015. Publicly held debt as a share of GDP was 73.6 percent as of fiscal year 2015. The President’s fiscal strategy emphasizes continued support for the economy while achieving sustainable public finances in a balanced manner. The deficit and debt paths below are contingent on the evolution of domestic and foreign economic developments and the adoption by Congress of the President’s proposed spending and revenue policies.

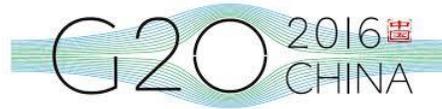
Estimate Projections (FY Basis)

	2014-15*	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Gross Debt (% GDP)	73.6	77.0	77.1	76.0	75.5	74.8	74.3
Net Debt	66.7	68.0	67.8	66.6	65.9	65.2	64.6
Deficit (% of GDP)	2.5	3.3	2.3	1.7	2.1	2.0	2.1
Primary Balance	-1.2	-2.0	-1.0	-0.3	-0.4	-0.0	0.1
Structural Balance	-2.2	-3.3	-2.8	-2.3	-2.7	-2.5	-2.5

The debt-to-GDP ratio is for publicly-held federal debt. Both the debt ratio and deficit projections are contingent on the following assumptions for growth:

Estimate Projections (CY Basis)

	2014-15*	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Real GDP growth	2.6	1.9	2.5	2.4	2.3	2.2	2.2
<i>ppt change</i>							
Nominal GDP growth	4.1	3.5	3.1	4.1	4.5	4.2	4.3
<i>ppt change</i>							



Annex 4. Pre-Brisbane commitments

Pre-Brisbane structural reform commitments have been completed.

Annex 5. Key Economic Indicators

Please update table of key indicators as follows:

Key Indicators

	2015***	2016	2017	2018	2019	2020
I. Macroeconomic Indicators						
Real GDP (% yoy)	2.6	1.9	2.5	2.4	2.3	2.2
Nominal GDP (% yoy)	3.5	3.1	4.1	4.5	4.2	4.3
Output Gap (% of GDP)*	-2.2	-1.3	-0.5	-0.1	-0.2	-0.4
Inflation (% yoy)	0.4	1.6	2.1	2.2	2.3	2.3
Fiscal Balance (% of GDP)**	-2.5	-3.3	-2.3	-1.7	-2.1	-2.0
Unemployment (%)	5.3	4.8	4.7	4.6	4.6	4.7
Savings (% of GDP)	19.1	17.8	17.5	17.5	17.5	17.5
Investment (% of GDP)	20.3	20.9	21.1	21.3	21.4	21.5
Public Fixed Capital Investment (% GDP)	3.4	n/a	n/a	n/a	n/a	n/a
Private Fixed Capital Investment (% GDP)	16.4	n/a	n/a	n/a	n/a	n/a
Total Fixed Capital Investment (% GDP)	19.8	20.6	21.1	21.3	21.4	21.5
Current Account Balance (% of GDP)	-2.6	-3.1	-3.6	-3.8	-3.9	-4.0

*A positive (negative) gap indicates an economy above (below) its potential.

**A positive (negative) balance indicates a fiscal surplus (deficit).

Source: Administration's Mid-Session Review of the Budget, July 15, 2016; internal estimates of current account. CBO for the output gap estimates.

Investment Strategy

The United States has been making steady progress on its investment commitments. The most significant accomplishment was securing Congressional approval for a five-year \$305 billion plan to fund surface infrastructure investment. Other initiatives to enhance private-sector collaboration on infrastructure investment and to improve federal processes for infrastructure projects are also underway. For example, the federal government has recently created a new Permitting Council to help streamline construction projects while maintaining strong environmental standards. Additionally, the President continues to call for more infrastructure funding and recently released a 21st Century Clean Transportation Plan that would increase American investments in clean transportation infrastructure by roughly 50 percent while reforming the investments we already make to help reduce carbon pollution, cut oil consumption, and create new jobs.

	Facilitators	Safeguards
Investment Ecosystem	<p>1 Supporting Improvements in Investment Climate</p> <ul style="list-style-type: none"> Macroeconomic stability Competition strategy and regulatory reforms Removing restrictions on FDI Strengthening public investment efficiency Promoting R&D and business startup <p>2 Facilitating Financial Intermediation</p> <ul style="list-style-type: none"> Promoting domestic financial savings Private sector financing tools (local debt market and capital market) Respective role of different actors (banks, inst. investors, corporate finance) 	<p>3 Enabling Appropriate Legal and Institutional Settings</p> <ul style="list-style-type: none"> Rule of Law and public governance Preconditions for long-term investment Governance and incentives of financial intermediaries Adequate regulatory framework Openness and information sharing Responsible business conduct

Infrastructure	<p>4 Supporting Improvements in Investment Climate Regulatory framework for infrastructure Strengthening Public Investment Inflation and foreign exchange risk management alternatives</p> <p>5 Facilitating Financial Intermediation Promoting long term financing environment Developing financing vehicles Private Equity/ project bonds Develop secondary markets Tax incentives</p> <p>6 Mobilizing MDB Resources and Role of NDBs Country led MDB programs Technical assistance and experience sharing Role of National Development Banks</p>	<p>7 Enabling Appropriate Legal and Institutional Settings Develop an adequate PPP framework Stable and consistent regulation Sustainable and clean energy</p> <p>8 Project Spectrum: Project Planning, Prioritization and Process Development Project identification and prioritization Project preparation / Execution Procurement and contract management Ensuring Quality of Infrastructure</p> <p>9 Addressing Data Gaps Project availability Sharing project information</p>
SMEs	<p>10 Facilitating Financial Intermediation Movable collateral laws and registries Insolvency regimes Asset based instruments Securitization Banking sector competition Tax incentives</p> <p>11 Mobilizing MDB Resources and Role of NDBs Role of National Development Banks Technical assistance and experience sharing</p>	<p>12 Enabling Appropriate Legal and Institutional Settings Product development Non-bank SME financing settings Availability of early stage capital (seed, angel, etc.) Incentives to formality</p> <p>13 Addressing Data Gaps Information sharing (standardized data set) Payment system information SME data gap dissemination</p>

Investment Strategy Commitments

	Facilitators	Safeguards
Investment Ecosystem	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Establish a new Interagency Infrastructure Permitting Improvement Council. <ul style="list-style-type: none"> ○ Established a new National Surface Transportation and Innovative Finance Bureau that includes improving the efficiency

		<p>of the permitting process as well as providing a one-stop shop for state and local governments to receive federal funding, financing, or technical assistance.</p> <ul style="list-style-type: none"> • Permanently Reauthorize the Transportation Investment Generating Economic Recovery (TIGER) program. <ul style="list-style-type: none"> ○ In December 2015, \$500 million was approved for TIGER through FY 2019. • Permanently create America Fast Forward Bonds. <ul style="list-style-type: none"> ○ Awaiting Congressional approval. • Permanently establish the qualified public infrastructure bonds program <ul style="list-style-type: none"> ○ Established. • Create the Build America Transportation Investment Center. <ul style="list-style-type: none"> ○ Established. • Exempt foreign pension funds from the foreign investment real property tax – to remove differential tax treatment between U.S.-based and foreign-based pension funds. <ul style="list-style-type: none"> ○ Signed into law December 2015. • Establish mission specific investment centers. <ul style="list-style-type: none"> ○ Created the EPA Water Finance Center, DOI Finance Center, and the USDA Rural Opportunity Investment Initiative.
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