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CHAIRMAN JIM SAXTON

PRESS RELEASE

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PROSPECTS FOR THE ECONOMIC EXPANSION

It is a pleasure to welcome Chairman Lazear of the President's Council of Economic Advisers (CEA) before the Joint Economic Committee (JEC) this morning. The CEA and the JEC share a common history, and we value the good relationship that we have had over many years. I would also like to welcome the members of the second panel, Dr. Mickey Levy, and Dr. Brad Setser.

The U.S. economy has grown at a healthy pace in recent years. According to the official data, the U.S. economy advanced 4.2 percent in 2004 and 3.5 percent in 2005. The pick-up in economic growth since 2003 is largely due to the rebound in investment, including equipment and software spending. A combination of accommodative monetary policy and investment tax incentives enacted in 2003 helped to boost investment and improve economic growth in recent years.

Since August of 2003, 5.3 million new jobs have been created, and the unemployment rate has fallen to 4.6 percent. As the Fed noted in a policy report last February, "the U.S. delivered a solid performance in 2005." In the first quarter of 2006, the U.S. economy expanded at a blistering pace of 5.3 percent. This performance is all the more remarkable considering the impact of high oil prices and a tightening of monetary policy by the Federal Reserve. Though there is some weakness in the real estate sector, it appears as though a soft landing is the most likely outcome. The overall economy has proven to be quite resilient.

Very recent data suggest that the U.S. economy is no longer growing at an unsustainable pace in excess of 5 percent, but advancing at a more moderate rate of about 3 percent. According to the Blue Chip consensus of economic forecasters, this trend will continue through most of the next six quarters.

The Fed has stated that, "the U.S. economy should continue to perform well in 2006 and 2007." A variety of forecasts suggest that economic growth in 2006 will be about 3.5 percent, and that the economic expansion will continue into 2007.

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