JOINT ECONOMIC COMMITTEE
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JOINT ECONOMIC CMTE CHAIR CALLS WEAK HOUSING MARKET AND HIGH TRADE DEFICITS 'BODY BLOWS TO U.S. ECONOMY'

Four Consecutive Quarters of Slower-Than-Expected GDP Growth Call into Question Administration's Economic, Tax, and Trade Policy

Schumer: 'Body Blows to U.S. Economy Must Be Countered by Sound Economic Policy from the Bush Administration'

Washington, DC: Today U.S. Senator Charles E. Schumer (D-NY), the chairman of the Joint Economic Committee (JEC), reacted to the Department of Commerce advance report of slower-than-expected, 1.3 percent growth in the nation's Gross Domestic Product (GDP). The GDP is the most comprehensive measure of our domestic production. While China's GDP growth in the last quarter was 11 percent, the United States experienced its worst quarter of growth in four years, due in part to a continuing serious slowdown in housing investment and a widening trade deficit.

Sen. Schumer stated, "The anemic U.S. economic growth of 1.3 percent this quarter is not surprising given the weak housing market and an increasing trade deficit. These body blows to U.S. economy must be countered by sound economic policy from the Bush Administration. Their economic, tax, and trade policy have been in a tailspin from the start, but it is not too late to shift course. "

"The gross domestic product is the clearest indicator of U.S. economic growth, but in this quarter and for the last four quarters straight, our GDP growth has been weaker than expected," Sen. Schumer continued. "As China experiences break-neck, double-digit GDP growth, this Administration must work with the Congress to reduce U.S. trade and budget deficits and take control of our economic future."

The Joint Economic Committee provided additional analysis of today's economic news:

- ***Gross domestic product (GDP) growth slowed sharply to a 1.3 percent annual***

rate during the first quarter of 2007. That first-quarter growth was 1.2 percentage points below the economy's 2.5 percent pace in the fourth quarter of last year and the slowest quarterly gain since early 2003. In the first quarter, real GDP was 2.1 percent above its level a year earlier.

- ***Economic growth remains below*** the 3 to 3¼ percent pace that most economists believe to be sustainable over the long term. The first quarter is the fourth consecutive quarter of sub par economic growth.

- ***Investment in housing declined 17 percent in the first quarter*** shaving one percentage point off the overall GDP growth rate. Though slightly less than the decline in the fourth quarter of last year, the first-quarter drop was the fourth consecutive double-digit quarterly decline in housing investment.

- ***A widening trade deficit, slower growth in consumer spending, and a decline in federal government spending were significant factors in the first-quarter slowing in economic growth.*** The trade deficit widened in the first quarter (reflecting a downturn in exports and an uptick in imports); real (inflation-adjusted) consumer spending on nondurable goods grew at a 2.9 percent annual rate in the first quarter, as compared with its 5.9 percent pace in the fourth quarter; and real federal government spending decreased at a 3.0 percent annual rate in the first quarter after gaining 4.6 percent in the fourth quarter, reflecting a first-quarter decline of 6.6 percent in real defense spending.

The Department of Commerce releases its advance first-quarter estimate of GDP before March data are available on some components on GDP (particularly, the trade deficit and inventory change). The Department will revise its first-quarter estimates in late May, using more complete data

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

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