



## TREASURY ECONOMIC UPDATE 9.5.08

*"Today's labor market data reflect the headwinds the U.S. economy faces from the housing correction and financial market strains. At the same time, exports have been a source of strength, while the recent decline in oil prices will help relieve some of the pressures facing consumers. We expect the U.S. economy to grow at a moderate pace this year."*

Assistant Secretary Phillip Swagel, September 5, 2008

### Employment Fell in August:

**Job Growth:** Payroll employment fell by 84,000 in August, following a decrease of 60,000 in July. The United States has added about 7.7 million jobs since August 2003. Employment increased in 29 states and the District of Columbia over the year ending in July. *(Last updated: September 5, 2008)*

**Unemployment:** The unemployment rate was 6.1 percent in August, up from 5.7 percent in July. *(Last updated: September 5, 2008)*

### Growth Was Solid in Q2:

**Real GDP:** Real GDP growth in Q2 was 3.3 percent at an annual rate, up from 0.9 percent growth in Q1. Consumer spending added 1.3 percentage points to growth in the first quarter and net exports added 3.0 percentage points. These positives were partly offset by the continued drag from housing and a large inventory reduction. *(Last updated: August 28, 2008)*

### Signs of Economic Strength Include Exports and Low Core Inflation:

**Exports:** Strong global growth is boosting U.S. exports, which grew 11.2 percent over the past 4 quarters. *(Last updated: August 28, 2008)*

**Inflation:** Core inflation remains contained. The consumer price index excluding food and energy rose 2.5 percent over the 12 months ending in July. *(Last updated: August 15, 2008)*

### The Economic Stimulus Package Will Provide a Temporary Boost to Our Economy:

The package will help our economy weather the housing correction and other challenges. The Economic Stimulus Act of 2008, signed into law by President Bush has two main elements—stimulus payments so that working Americans have more money to spend and temporary tax incentives for businesses to invest and grow. Together, the legislation will provide about \$150 billion of stimulus for the economy in 2008, providing a meaningful boost to the U.S. economy in 2008. *(Last updated: February 29, 2008)*

### Pro-Growth Policies Will Enhance Long-Term U.S. Economic Strength:

We made significant progress on the deficit. The FY07 budget deficit was down to 1.2 percent of GDP, from 1.9 percent in FY06. Much of the improvement in the deficit reflects strong revenue growth, which in turn reflects strong economic growth. The economic stimulus package and the slowing economy contribute to the near-term budget deficit. The Mid-Session Review of the Budget projects that the deficit will be 2.7 percent of GDP in FY08 and 3.3 percent of GDP in FY09. Looking ahead, higher spending on entitlement programs dominates the future fiscal situation; we must squarely face up to the challenge of reforming these programs.

[www.treas.gov/economic-plan](http://www.treas.gov/economic-plan)