EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, DC 20502

Joint Press Release of the Council of Economic Advisers, the Department of the Treasury, and the Office of Management and Budget

June 6, 2007

The Administration today released an updated economic forecast that projects a return to solid growth for the rest of 2007 and coming years, and continued strong labor market performance with a low unemployment rate and continued job growth.

"A variety of indicators signal a faster-growing U.S. economy for the rest of this year," said Edward P. Lazear, Chairman of the Council of Economic Advisers. "Unemployment remains remarkably low, business inventories are lean compared with sales, and now industrial production is on the rise."

The Administration releases an economic forecast twice a year. This new economic forecast - which will be used for the Mid-Session Review of the President's budget – is similar to the consensus of private economic forecasters and the Administration's past forecasts.

"This forecast shows strengthening growth, a healthy job market, and contained inflation," said Treasury Secretary Henry M. Paulson. "I'm encouraged by the solid underlying fundamentals of the U.S. economy and I think this bodes well for American families and business."

The forecast revises the projection of real gross domestic product (GDP) down from 2.9 percent growth to 2.3 percent during the four quarters of 2007. This revision incorporates the slower growth that occurred in the first quarter of the year with the expectation that solid growth will resume for the rest of 2007. The economy has now experienced over five years of uninterrupted growth, averaging 2.9 percent per year since the expansion began in 2001. Real GDP is projected to grow at about the historic average in 2008 and for the remaining years of the forecast.

The updated forecast shows a continuing strong labor market in 2007 with slightly higher monthly payroll job growth and a lower unemployment rate. Specifically, the forecast projects in 2007 the economy will add 131,000 jobs per month and the unemployment rate will remain at a low 4.5 percent average for the year. The job growth would come on top of the 8 million jobs added since the turnaround in the labor market began in August 2003.

"Pro-growth policies, including the President's tax relief, have clearly been a driving force behind U.S. economic growth and job creation," said Office of Management and Budget Director Rob Portman. "To sustain growth, we must continue to focus on implementing pro-growth policies, making healthcare more affordable and accessible, reducing our dependence on foreign oil and opening new markets for American farmers, manufacturers and service providers. These policies, combined with government spending restraint, will further push Federal tax receipts up, drive the deficit down and enable us to balance the budget."

Due to higher energy prices, overall inflation as measured by the Consumer Price Index (CPI) has been higher than expected in recent months but core CPI (excluding volatile energy and food prices) has remained moderate. The forecast shows overall CPI should moderate in the long run toward the 2.3 percent rate of increase experienced in core CPI during the past 12 months.

The Administration's forecast of interest rates remains essentially unchanged, and is similar to market expectations and the consensus of professional economic forecasters.

The long-run moderation of job growth reflects solid economic growth coupled with underlying demographic trends, such as slower growth in the working-age population and the retirement of the baby-boom generation.

The forecast was developed by a team from the Council of Economic Advisers, the Department of the Treasury, and the Office of Management and Budget, with assistance from other agencies.

Table 1: —*Administration Forecast <1>*

	Nominal GDP	Real GDP (chain-type)	GDP price index (chain-type)	Consumer price index (CPI-U)	Unemployment rate (percent)	Interest rate, 91-day Treasury bills <2> (percent)	Interest rate, 10-year Treasury notes (percent)	Nonfarm payroll employment (millions)	Nonfarm payroll employment (average monthly change, Q4-to-Q4 thousands)
	Percent change, Q4-to-Q4				Level, calendar year				
2006 (actual)	5.7	3.1	2.5	1.9	4.6	4.7	4.8	136.2	192
2007	5.2	2.3	2.8	3.2	4.5	4.8	4.8	138.0	131
2008	5.4	3.1	2.2	2.5	4.7	4.6	5.0	139.5	130
2009	5.2	3.1	2.1	2.4	4.8	4.4	5.1	141.0	122
2010	5.1	3.0	2.0	2.3	4.8	4.2	5.2	142.4	112
2011	5.0	2.9	2.0	2.3	4.8	4.1	5.3	143.8	116
2012	5.0	2.9	2.0	2.3	4.8	4.1	5.3	145.1	108

<1> Based on data available as of June 4, 2007.
<2> Discount basis.

Sources: Council of Economic Advisers, Department of Commerce (Bureau of Economic Analysis and Economics and Statistics Administration), Department of Labor (Bureau of Labor Statistics), Department of the Treasury, and Office of Management and Budget.