

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
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**Joint Press Release of the Council of Economic Advisers,
The Department of the Treasury, and the Office of Management and Budget**

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The Administration today released an updated economic forecast that shows continued robust economic growth and a strong labor market.

“The forecast is a conservative analysis by three Federal agencies, and it shows the economy is strong,” said Edward P. Lazear, Chairman of the Council of Economic Advisers.

The Administration releases an economic forecast twice a year. This update – which will be used for the preparation of the Mid-Session Review of the Budget – forecasts similar economic numbers as the consensus of professional economic forecasters and the Administration’s previous forecast in December of 2005.

The updated forecast reflects faster than expected economic growth in the beginning of 2006, with growth projected to moderate somewhat in the future and then remain at a robust pace. Specifically, early indicators of activity suggest that growth of real gross domestic product (GDP) during the four quarters of 2006 will be about 3.6 percent, revised up 0.2 percentage point from the last forecast. Real GDP growth is forecasted to be about 3 percent or higher in each of the next five years – similar to the historical average over the last 20 years.

“The President’s successful pro-growth policies have helped to produce the sustained economic growth that has created almost 1.9 million jobs during the past 12 months and over 5.3 million since August 2003. That economic growth is also producing additional revenue that is essential to deficit reduction, and together with spending restraint it will allow us to stay on track to meet our goal of cutting the deficit in half by 2009,” said Rob Portman, Director of the Office of Management and Budget.

The unemployment rate has fallen 0.3 percentage point so far this year and the labor market is expected to remain strong in 2006. The updated forecast shows an average of 156,000 payroll jobs added each month, faster than the average of the last 20 years. It forecasts a 4.7 percent unemployment rate for the year, which is lower than the averages of the 1970s, 1980s, and 1990s.

"We continue to see signs that the U.S. economy is strong and on the right path to sustaining this trend. There can also be no question that well-timed tax relief, combined with responsible leadership from the Federal Reserve Board, has been a key reason for our current economic strength," said Treasury Secretary John W. Snow.

Overall inflation as measured by the consumer price index (CPI) has increased thus far in 2006 more than forecasted by the Administration in December of 2005. Core inflation, excluding volatile and food prices, has remained lower than overall inflation. Therefore, the updated forecast for overall CPI has been revised up from 2.4 percent to 3.0 percent during the four quarters of 2006, but it remains unchanged at 2.4 percent for the next several years.

The Administration's forecast of interest rates is consistent with market expectations and the consensus of professional economic forecasters. The updated forecast of short-term interest rates has been revised up slightly while the forecast of long-term interest rates has remained largely unchanged.

The long-run moderation of recent economic and 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.

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Table 1-1. ---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				
2005 (actual)	6.4	3.2	3.1	3.7	5.1	3.1	4.3	133.5	160
2006	6.6	3.6	2.9	3.0	4.7	4.7	5.0	135.3	156
2007	5.7	3.3	2.3	2.4	4.8	4.6	5.2	137.1	140
2008	5.4	3.2	2.1	2.4	4.9	4.4	5.4	138.7	139
2009	5.3	3.1	2.1	2.4	4.9	4.4	5.5	140.4	132
2010	5.3	3.1	2.1	2.5	4.9	4.3	5.5	141.9	126
2011	5.3	3.0	2.2	2.5	4.9	4.3	5.5	143.4	125

<1> Based on data available as of June 6, 2006.

<2> Discount basis.

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