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CHAIRMAN JIM SAXTON

PRESS RELEASE

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STATEMENT OF CHAIRMAN JIM SAXTON THE ECONOMIC OUTLOOK

WASHINGTON, D.C. – Chairman Bernanke, it is my pleasure to welcome you this morning before the Joint Economic Committee (JEC). We appreciate your testimony on the economic outlook.

According to the official data, a healthy economic expansion has been underway for several years. The U.S. economy advanced 4.2 percent in 2004, and 3.5 percent in 2005. As I have noted many times, the pick-up in economic growth since the middle of 2003 is mostly due to a rebound in investment activity, which had been weak. This rebound was fostered by a mix of Fed monetary policy and the 2003 tax legislation and its incentives for investment.

The continued economic expansion has created 5.2 million payroll jobs since August of 2003. The unemployment rate, at 4.7 percent, is below its average levels of the 1970s, 1980s, and 1990s. Federal Reserve and private economists forecast that business investment and the overall economy will continue to grow this year.

As the Fed noted in a policy report last February, "the U.S. delivered a solid performance in 2005." The Fed also stated that the "U.S. economy should continue to perform well in 2006 and 2007." Recent data indicate that the economic growth rate for the first quarter of this year will be quite robust when it is released tomorrow.

According to a broad array of economic data, the outlook remains positive. Consumer spending is expected to be solid in 2006. Homeownership has reached record highs. Household net worth is also at a record level. The trend in productivity growth remains strong. Although high oil prices have raised business costs and imposed hardship on many consumers, these prices have not derailed the expansion.

Meanwhile, long-term inflation pressures are contained. As a result, long-term interest rates, such as mortgage rates, are still relatively low, although these rates have edged up in recent weeks. According to the Fed's preferred price index, inflation is well under control.

In sum, current economic conditions are strong. With economic growth expected to exceed 3 percent this year, the economic outlook remains positive.

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