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JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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STATEMENT OF CHAIRMAN JIM SAXTON

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Economic Outlook

WASHINGTON, D.C. – I am pleased to welcome Chairman Greenspan before the Joint Economic Committee today. Chairman Greenspan's testimony will provide useful insights on the current economic expansion and the potential for further economic progress.

A broad array of standard economic data indicates that the economic expansion is on a solid footing. The U.S. economy grew 4 percent in 2004, and advanced at a 3.5 percent rate in the first quarter of 2005. A rebound in business investment has played an important role in explaining the pick-up in the economy since early 2003. Equipment and software investment has been strong over this period.

The improvement in economic growth is reflected in other economic figures as well. Over the last 24 months, 3.5 million jobs have been added to business payrolls. The unemployment rate stands at 5.1 percent. Consumer spending continues to grow. Homeownership has hit record highs. Household net worth is also at a high level.

Meanwhile, inflation pressures appear to be contained. Interest rates remain at historically low levels, with long-term interest rates, including mortgage rates, actually declining recently. This decline of long-term interest rates, even as the Fed is increasing short-term rates, is very unusual.

In short, overall economic conditions remain positive. It is clear that accommodative monetary policy and tax incentives for investment have made important contributions to the improvement in the economy in recent years. Recently released minutes from the Federal Reserve suggest that the central bank expects this economic strength to continue.

As always, there are some aspects of the economy that should be monitored closely. There appears to be speculative pressures in some local housing markets, but these seem unlikely to pose a significant threat to the national economic expansion. The increase in oil prices has had an impact on certain sectors of the economy, but has not severely undermined overall economic growth.

The consensus of Blue Chip forecasters projects that the economic expansion will continue through 2005 and 2006. This is consistent with Federal Reserve forecasts for economic growth through 2006. In summary, the current economic situation is solid, and the outlook remains favorable.

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