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### Treasury Economic Update

Phillip Swagel

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# U.S. DEPARTMENT OF THE TREASURY

## Press Center

### Treasury Economic Update

9/7/2007

HP-549

*"Hiring in August came in below where anyone would want it to be, but a broad view of the economy reveals many sources of strength. The unemployment rate remains low, wages are rising, core inflation is contained, business investment has picked up, and strong global growth is boosting U.S. exports. Recent developments in housing and financial markets will affect economic growth, but the U.S. economy is fundamentally healthy."*

Assistant Secretary Phillip Swagel, September 7, 2007

#### Job Creation Has Slowed:

**Job Growth:** Employment edged down by 4,000 in August partly due to a large drop in government jobs. Private-sector job growth continued for a 48<sup>th</sup> straight month, with 24,000 new jobs added in August. The United States has added 1.6 million jobs in the past 12 months and over 8.2 million since August 2003. Employment increased in 48 states and the District of Columbia over the year ending in July. *(Last updated: September 7, 2007)*

**Low Unemployment:** The unemployment rate of 4.6 percent is close to the lowest reading in 6 years. Unemployment rates have decreased or held steady in 23 states and the District of Columbia over the year ending in July. *(Last updated: September 7, 2007)*

#### There are Still Many Signs of Economic Strength:

**Economic Growth:** Real GDP growth was 4.0 percent in the second quarter of 2007, supported by strong gains in business investment and exports. *(Last updated: August 30, 2007)*

**Household Spending:** Consumer spending has been affected by increased energy and food prices and weakness in the housing sector, but incomes are growing and should continue to support household consumption. *(Last updated: August 30, 2007)*

**Business Investment:** Business spending on commercial structures and equipment strengthened in the second quarter. Strong corporate profits and healthy balance sheets bode well for continued investment growth. *(Last updated: August 30, 2007)*

**Exports:** Strong global growth is boosting U.S. exports, which grew by 7.1 percent over the past 4 quarters. *(Last updated: August 30, 2007)*

**Inflation:** Core inflation remains contained. The consumer price index excluding food and energy rose 2.2 percent over the 12 months ending in July.

**Tax Revenues:** Tax receipts rose 11.8 percent in fiscal year 2006 (FY06) on top of FY05's 14.6 percent increase. As a share of GDP, FY07 receipts are projected to be above their 40-year average. *(Last updated: July 13, 2007)*

#### Americans Are Keeping More of Their Hard-Earned Money:

**Real Wages Increased 1.7 percent Over the Past 12 Months** (ending in July). This translates into an additional \$553 above inflation for the average full-time production worker over the last year.

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

**We are on track to balance the budget by 2012.** The Mid-Session Review of the FY 2008 Budget shows that we are on track to achieve a small surplus in 2012. This year, the deficit is projected to be down to 1.5 percent of GDP. Much of the improvement in the deficit reflects strong revenue growth, which in turn reflects the continued strength of the U.S. economy. 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)

