

BUDGET UPDATE – FALL 2006

**Tax Cuts Are Working. The Economy Is Strong.
Revenues Are Up. The Deficit Is Down.**
Budget Deficit Cut in Half Three Years Ahead of Schedule

The Deficit Is Falling Faster Than Expected

- ✓ This year's (FY 2006) budget deficit was \$248 billion, or 1.9 percent of our economy (GDP). This is lower than 18 of the last 25 years.
- ✓ The President met his goal of cutting the deficit in half three years ahead of schedule.

A Strong Economy Continues To Increase Revenues

- ✓ Pro-growth economic policies have fueled a robust expansion which has resulted in increased revenues. Revenue growth accounts for about 70 percent of the improvement in the deficit this year.
- ✓ Revenues grew by a dramatic 14.5 percent last year, and 11.8 percent in 2006.

Spending Restraint Made a Difference

- ✓ Lower-than-expected spending accounted for about 30 percent of the improvement in the 2006 budget deficit.
- ✓ The line item veto can help increase pressure for spending discipline, and also eliminate wasteful spending in the budget.

THE NUMBERS for FY06:

DEFICIT: \$248 billion, 1.9 percent of GDP, a \$175 billion decline from the February forecast of \$423 billion, or 3.2 percent of GDP.

REVENUE: \$2.4 trillion

OUTLAYS: \$2.65 trillion

ECONOMY STRONG

- The economy has created almost **1.8 million new jobs over the last 12 months** – and more than **6.6 million jobs since August 2003**.
- The **unemployment rate is low** with more Americans at work than ever before.
- **Real, after inflation, disposable personal income has grown 3.9 percent over the past year**. On a per person basis, real disposable income has increased **\$2,663** since 2000.
- **Wages and salaries** for the 12 months through September have **increased 7.6 percent**.
- **The Dow has set record highs** showing investors have confidence in the market and the future.
- **Gas prices have fallen 82 cents** nationwide since early August.
- **Productivity** increased at a strong annual rate of **2.5 percent over the past four quarters**, well ahead of average productivity growth during the decade of the 1990s.
- **Inflation has declined**. The personal consumption price index increased less than 2 percent over the past year.

10-30-2006