

Fed chief: Rate hikes possible

By JEANNINE AVERSA
THE ASSOCIATED PRESS

WASHINGTON

Federal Reserve Chairman Ben Bernanke, delivering his first economic report to Congress, declared Wednesday that the economy has snapped smartly out of an end-of-year lull, although inflation and other risks remain. He left the door open to higher interest rates in the future.

Recent economic barometers on jobs, production, retail sales and other business activity in January suggests the economic expansion remains on track, Bernanke told the House Financial Services Committee. The expansion, he said, does have staying power.

The economy in the final quarter of last year hit a rough patch, growing by an anemic rate of just 1.1 percent, the slowest in three years, as lingering fallout from Gulf Coast hurricanes and the toll of high energy prices led to belt tightening by consumers and businesses. Most private economists are expecting good growth in the current January-to-March quarter.

High energy prices, a strengthening labor market where unemployment dipped to a 4½-year low, and a solidly growing economy could fan inflation pressures, forces that the Fed will need to keep a close eye on, Bernanke said.

Bernanke, whose first day on the job was Feb. 1, said he

agreed with Fed policy-makers' assessment at their Jan. 31 meeting that interest rates may need to move higher.

"The Fed judged that some further firming of monetary policy may be necessary, an assessment with which I concur," he said.

At the January meeting, then-Fed chairman Alan Greenspan's final piece of business was to boost a key interest rate to 4.5 percent, the highest in nearly five years to fend off inflation. It marked the 14th increase since the Fed began to tighten credit in June 2004.

Before Bernanke became Fed chief, Fed policy-makers had differed on how much higher interest rates need to go but still signaled

that the nearly two-year rate-raising campaign would probably be drawing to a close this year.

Decisions on the future course of interest rates will depend more heavily on what upcoming reports say about economic activity and inflation, Bernanke said.

"In coming quarters, the (Fed) will have to make ongoing, provisional judgments about the risks to both inflation and growth, and monetary policy actions will be increasingly dependent on incoming data," Bernanke said.



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State hopes to attract Toyota plant

The Associated Press

INDIANAPOLIS

Indiana has bid for a high-tech Toyota engine assembly line that could employ several hundred workers, joining two other states and Canada vying for the plant.

Indiana Economic Development Corp. spokesman Weston Sedgwick said state officials began discussing the engine plant with Toyota several months ago.

A Toyota spokesman said the company is gathering information about sites throughout North America and was not ready to select a location.

The bid comes as the Indiana development group tries to win a separate Toyota Camry assembly line. Toyota officials said in Japan weeks ago that they might put a sedan line in the underused Subaru plant in Lafayette.

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Floor 2nd Row: Megan Schmoll, Jessica Davis, Amy Hatfield, Carrie Syberg
Riser 1: Melanie Heazeltine, Ruth Higgins, Melissa Wood, Zach Gromar, Krista Langferman, Laura Montel
Riser 2: Beth Richmond, Ben Miller, Brian Phelps, Roma Bose, Adam Rochford, Erin Massengale
Riser 3: Mariah Roller, Melissa Hollowell, Chris Swift, Kelly Loman, Amanda Adams
Not Pictured: Adam Swift

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