

ECONOMIC UPDATE

August 12, 2022

Economic Issue in Focus: Inflation Decreased in July, as Overall Prices Were Unchanged and Gas Prices Dropped Significantly

Data from the Bureau of Labor Statistics on the July Consumer Price Index [showed](#) inflation decreased significantly last month, and overall prices were flat at 0.0%—down from the 1.3% increase in June. This deceleration slowed annual inflation to 8.5% from a year ago.

A significant drop in gas prices has contributed to the slowdown of inflation. Actions by the Biden administration have helped bring gas prices down for 58 days straight, declining by more than a dollar from their peak in June. According to AAA, the cost of a gallon of gas is now below \$4 in the U.S.

The Inflation Reduction Act, passed by the Senate this past weekend, will continue to bring down costs for families and [reduce](#) inflationary pressure. Investments in clean energy production and manufacturing will help stabilize energy prices, saving the average household more than [\\$300 a year](#). Lowering prescription drug costs will [bring down](#) health care costs for millions and slow the pace of inflation.

Thanks to the American Rescue Plan and pandemic relief measures, all the jobs lost during the pandemic recession have been recovered. The U.S. added 528,000 jobs last month alone, with 9.5 million jobs recovered under President Biden. Congress and the Biden administration are bringing down the deficit and inflation, while pursuing pro-growth investments to lower costs for families and promote shared prosperity.

Key Economic Indicators To Track

- **Inflation Expectations Show A Notable Decline at the Short and Long-Term Horizons:** The New York Federal Reserve's Survey of Consumer Expectations for July [showed](#) expectations for the pace of inflation over the next year declined from 6.8% in June to 6.2%. This decrease was seen across income groups, but was largest among respondents with annual household incomes under \$50,000 and respondents with no more than a high school education. Expectations for inflation over the next five years also fell to 2.3% from 2.8% in June. Expectations about price increases for gas and food over the next year fell sharply, and home price growth expectations also declined.
- **Initial Unemployment Insurance Claims Are Returning to Pre-Pandemic Levels:** The [number](#) of Americans who filed new claims for unemployment insurance was 262,000 for the week ending August 6. While this number has ticked up recently, the four-week moving average of Americans receiving unemployment insurance benefits remains near the lowest level since March 1970.

JEC Spotlight: The Inflation Reduction Act Will Save Billions Per Year by Allowing Medicare to Negotiate Prescription Drug Prices

A new JEC [issue brief](#) highlights how the Inflation Reduction Act will save billions of dollars per year by [allowing](#) Medicare Part D to negotiate drug prices for the first time ever.

Currently, the U.S. [consistently](#) pays significantly more for the same medications than peer countries. While other countries' health authorities are allowed to negotiate with drug makers to get the best prices for vital medications, the United States' largest national health insurance program, Medicare, was previously [prohibited](#) from bargaining with prescription drug makers.

While critics argue that this policy will reduce innovation by pharmaceutical companies, CBO [concluded](#) that the bill would affect just 1% of the 1,300 drugs expected to come on the market over the next 30 years. Letting Medicare negotiate for the costliest drugs is a common-sense way to lower costs for Medicare beneficiaries and increase access for low-income seniors who might otherwise be unable to afford their medications.

Selected JEC Resources

- [*The Inflation Reduction Act Would Fight Inflation and Lower Costs for Americans*](#)
- [*The Inflation Reduction Act Lowers Healthcare Costs, Fights Inflation While Cutting the Deficit*](#)
- [*Democrats Are Working to Fight Inflation, Lower Costs and Address Supply Shortages*](#)
- [*Oil Companies Are Enjoying Market Influence and Record Profits, While U.S. Families Foot the Bill for High Gas and Energy Prices*](#)
- [*Inaction on Climate Change Will Have Devastating Consequences for the Economy, Families and Communities*](#)
- [*The Bipartisan Infrastructure Investment and Jobs Act Will Create Jobs, Strengthen the Economy and Reduce Inflationary Pressures*](#)
- [*Abortion Access Is Key to Economic Freedom*](#)

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