

## ECONOMIC UPDATE

April 29, 2022

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### Economic Issue in Focus: Q1 2022 Headline GDP Number Masks the Strength of the U.S. Economy

The headline GDP number masks the strength of the U.S. economy. The data underlying the topline figure of -1.4% growth continue to show robust demand and inflationary pressures easing.

In the first quarter, consumer spending increased significantly at 2.7%—which reflects robust household finances. Levels of spending on services compared to goods are also returning to normal. The lopsided spending on goods instead of services during the height of the pandemic contributed to supply chain bottlenecks, so a normalization suggests further progress on inflation is ahead.

Businesses investment in the first quarter was also up significantly at 7.3%, contributing more to headline GDP than in the previous two quarters. This indicates that American businesses believe in—and are contributing to—the continued recovery.

The two biggest drags on the headline GDP number were an imbalance between imports and exports—with high imports and low exports—and the normalization of inventory investments. However, these two changes indicate that supply chains are improving and that we are continuing to experience strong domestic demand, even while the pandemic and Putin’s war contributed to weaker demand abroad. High imports indicate high demand and robust household finances in the U.S., and low exports reflect weaker demand for U.S. goods in other countries, which have not experienced the same record-breaking recovery.

What the data show is an economy that is continuing to rebound, buffeted by the continued effects of the pandemic, especially abroad, and Putin’s invasion of Ukraine. This underscores the need to prioritize additional funding to overcome the coronavirus worldwide and support Ukraine in its fight for democracy.

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### Key Economic Indicators To Track

- **Unemployment Claims Fell to the Lowest Level Since 1970:** [Data](#) show new unemployment claims fell by 5,000 to 180,000 for the week ending April 23. The four-week moving average (which smooths week-to-week volatility in the data) was to 179,750, down by 78% since President Biden took office. Unemployment claims reached a 50-year low under President Biden in March 2021.
- **Putin’s War Continues to Drive Headline PCE:** The Bureau of Economic Analysis released [PCE](#) data, the Federal Reserve’s preferred measure of inflation, which shows that pace of core inflation—excluding food and energy—remained stable at 0.3% in March. Headline PCE inflation, however, which includes food and energy, rose by 0.9% in March and is up by 6.6% on a year-on-year basis.

This reflects the impact of Putin’s war with Ukraine—which is pushing up prices on gas and food—on inflation. Increases in food and gas prices continue to drive overall inflation figures, as energy prices increased by 33.9% and food prices increased 9.2%.

- **Federal Reserve FOMC Meeting is Scheduled for May 3-4:** The Federal Reserve’s Federal Open Market Committee is [scheduled](#) to meet on May 3-4, where the Committee is expected to raise interest rates due to rising inflation.

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## JEC Spotlight: Wages Grew Substantially in 2021, Especially for Low-Income Workers

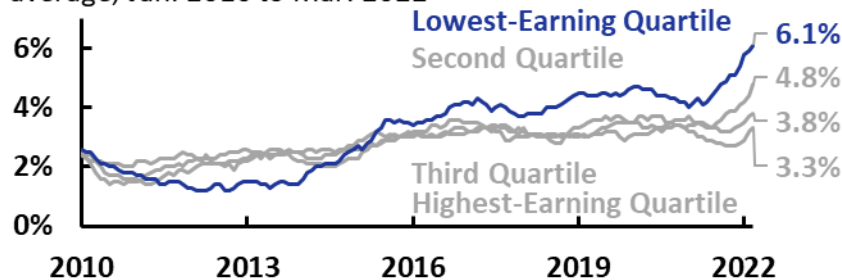
A new Joint Economic Committee [analysis](#) highlights how wages in 2021 grew by 4.5%, the fastest rate in almost four decades. Data show low-wage workers are seeing the strongest wage growth: Over the last 12 months, median wages for the lowest-income workers, those in the first and second quartiles of the income distribution, saw their wages increase an average of [6.1%](#) and [4.8%](#), respectively. By contrast, the highest earners saw their wages rise just 3.3%. Sustained high labor demand, as seen in today’s market, benefits the lowest-income workers most.

Wage growth has also been supported by actions taken by the Biden Administration. The Biden Administration raised the minimum wage for federal contract workers from \$10.95 to \$15 per hour, raising the wages of 300,000 federal contract workers and aid many more. Additionally, by improving the guidelines for when employers can apply tips to meet minimum wage laws, the Labor Department is helping to raise the wages of more than 11 million U.S. workers. The Biden administration has also been working to raise wages and protect low-income workers by encouraging workers’ bargaining power and using the United States-Mexico-Canada Agreement (USMCA) agreement to encourage wage equality.

The recently-passed bipartisan Infrastructure Investment and Jobs Act will support the creation of 772,000 jobs per year over the next decade. These jobs will be subject to the Davis-Bacon Act, which ensures construction workers supported through federal contracts receive wages and benefits in line with existing market levels.

### Wage Growth Has Been Fastest for the Lowest Earners

Median wage growth by wage quartile, 12-month moving average, Jan. 2010 to Mar. 2022



Source: Atlanta Fed Wage Tracker

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## Selected JEC Resources

- [\*Earth Day Resources Round-Up\*](#)
- [\*Senator Rick Scott's Plan to Raise Taxes on Working Families and Slash Essential Programs Would Cost Jobs and Reduce Economic Growth\*](#)
- [\*The Bipartisan Innovation Bills in Congress Invest in Critical Supply Chains, Support Manufacturing Jobs and Maintain America's Competitive Edge\*](#)
- [\*Direct Investments Are Needed to Improve Upward Social Mobility\*](#)
- [\*The U.S. Economy Experienced a Record Rebound During President Biden's First Year in Office\*](#)

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