

ECONOMIC UPDATE

January 14, 2022

Economic Issue in Focus: Even as inflation remains elevated, December's CPI numbers show that inflation is slowing and gas prices are decreasing

Monthly inflation trended lower for a second consecutive month, as monthly CPI increased 0.5% in December (down from 0.8% in November and 0.9% in October), straining household budgets. Higher-than-normal inflation around the world reflects ongoing supply chain bottlenecks caused by the pandemic. In the United States, decades of declining infrastructure investment and private sector cost-cutting—like widespread outsourcing and just-in-time inventory—rendered U.S. supply chains particularly vulnerable to disruptions. Annual measures, which continue to reflect prices recovering from depressed levels during the peak of the pandemic, came in at 7%, which was expected, and are forecast to decline in 2022.

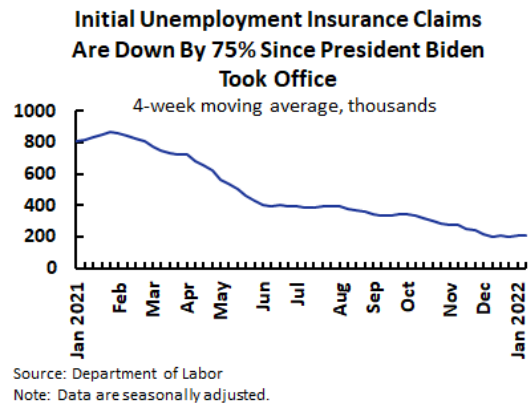
Despite the ongoing supply chain challenges globally, U.S. gas and food prices—the two largest contributors to current levels of inflation—show signs of stabilizing. Gas prices fell by 0.5% in December, and [weekly price data](#) show gas prices declined in each of the last seven weeks of 2021. While gas prices remain above the depressed levels of a full year ago, consumers are starting to see some relief at the pump. Food prices also improved: The pace of price increases slowed to 0.5% in December, down from 0.7% in November. Prices for meats, poultry, fish and eggs, which were the largest contributors to food price increases over the past year began falling in December and are down 0.4% since November.

The United States is making progress to address supply chain disruptions that are contributing to higher prices and passing the bipartisan Infrastructure Investment and Jobs Act was a critical first step to strengthening domestic supply chains. But the pandemic exposed entrenched economic vulnerabilities and investing in U.S. families, manufacturing and infrastructure and climate resilience will strengthen supply chains, bring back jobs and lower prices for workers and families. Together, the Build Back Better Act, the bipartisan Infrastructure Investment and Jobs Act and the bipartisan U.S. Innovation and Competition Act (USICA) would constitute the biggest investment in American supply chains, manufacturing and innovation in modern history, lowering inflationary pressure long-term and promoting sustained equitable growth.

Key Economic Indicators to Track

- **Unemployment Insurance Claims:** The latest [data](#) released by the Department of Labor show that after dropping to a 50-year low, new unemployment claims remain near pre-pandemic levels with

230,000 claims filed the week ending January 8. The four-week moving average (which smooths week-to-week volatility in the data) is now 210,750, below pre-pandemic levels and down 75% since President Biden took office.



- **Retail Sales:** [Data](#) released by the Census Bureau showed that retail sales declined by 1.9% during the month of December, but are 19% above pre-pandemic levels and are up by 17% since December 2020. This decline comes amid a surge of coronavirus cases due to the Omicron wave, which likely contributed to lighter consumer foot traffic in stores. However, macroeconomic forecasters expect there to be a strong rebound in retail spending once the Omicron wave subsides.
- **Federal Reserve Survey of Economic Activity:** The most recent [release](#) of the Federal Reserve's Beige Book, which provides qualitative information from each of the Fed's 12 regional reserve bank districts, indicates that the economic growth continued in the final weeks of 2021, with solid consumer spending despite global supply chain disruptions. Some districts reported that expectations for growth over the next several months among businesses cooled somewhat during the last few weeks as a result of the rapid spread the Omicron variant. The Fed estimates the U.S. economy grew by [5.5%](#) in 2021 and will grow by 4.0% in 2022.

JEC Spotlight: Access to Abortion Is Key for Economic Opportunity and Racial Equity

A new JEC [issue brief](#) explains how access to safe and legal abortion is an economic issue in addition to an issue of bodily autonomy and individual agency. Access to abortion has improved the economic security and opportunity of women in addition to narrowing some of the long-standing inequities experienced by communities of color. For example, the legalization of abortion increased women's probability of graduating [college](#) by 72%. The effect was even larger for Black women, whose college completion rates increased 2- to 3-fold. In addition, being able to delay motherhood by one year due to access to legal abortion [increased women's wages by 11%](#) on average. Research shows that unnecessary restrictions on abortion access have no basis in medical science and actively harm the wellbeing and financial security of pregnant people and their families.

If Roe v. Wade was overturned, analysis finds that abortion would be likely to quickly become illegal in 22 states. These 22 states are concentrated in the South and Midwest, and are disproportionately economically disadvantaged, together accounting for only 35% of national GDP. On average, women in these states have median earnings only 88% of the national median, limiting their financial resources to be able to travel to obtain an abortion if it were to become illegal in their state.

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- [*The U.S. Economy Experienced a Record Rebound During President Biden's First Year in Office*](#)
- [*Investments in Preschool Can Generate Nearly 9 Times the Return on Investment*](#)
- [*The Build Back Better Act Will Create Jobs, Reduce Costs for Working Families, Spur Innovation in Clean Energy and Asks the Wealthy and Corporations to Pay Their Fair Share*](#)
- [*Estimates of Advance Child Tax Credit Distribution by Congressional District \(December 2021\)*](#)
- [*Inaction on Climate Change Will Have Devastating Consequences For the Economy, Families, and Communities*](#)
- [*Work Requirements for the CTC Would Increase Financial Hardship and Childhood Poverty, While Doing Nothing to Boost Employment*](#)