

ECONOMIC UPDATE

September 17, 2021

Economic Issue in Focus – August numbers show the inflation rate fell for the second consecutive month, with core CPI rising just 0.1% and real wages rising by 0.4%

New CPI data show that inflation fell significantly in August, with some sectors seeing major price decreases, as real wages went up. [Data](#) from the Bureau of Labor Statistics show that core CPI, which measures inflation other than volatile food and energy prices, grew at just 0.1% in August—the smallest increase since February 2021. Core CPI dropped for the second consecutive month and is down significantly since June. Similarly, headline CPI inflation grew at just 0.3%, below expectations.

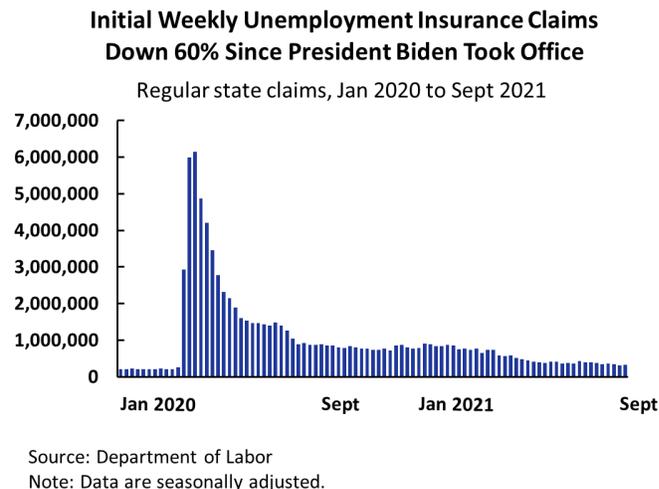
Used car and truck prices, a major contributor to June’s CPI bump, actually declined by 1.5% in August as supply chain pressures eased. Hotel prices declined by 3.3%. As the U.S. continues to experience a strong economic recovery, demand in the sectors most affected by the pandemic and short-term supply issues led to a temporary bump in inflation numbers that is now subsiding.

Real wages grew in August by 0.4%, with increased compensation outpacing price increases. The 12-month moving average of median wage growth among low-skill workers grew by 3.8% over the past year, outpacing wage growth among high-skill workers. Recent data from the Commerce Department’s Bureau of Economic Analysis similarly showed personal income grew by 1.1% in July.

Key Economic Indicators to Track

- **Poverty rate:** New Census Bureau [data](#) show the effectiveness of federal emergency measures to alleviate economic hardship during the worst recession since the Great Depression. Despite the impact of the pandemic, the Supplemental Poverty Measure (SPM), which takes into account many government income support programs, fell to 9.1% in 2020. This is the lowest rate on record and a significant decline from the SPM of 11.8% in 2019. By contrast, the Census Bureau’s official poverty rate, which does not include many types of government support, increased 1 percentage point, from 10.5% in 2019 to 11.4% in 2020. The difference between the official poverty and SPM demonstrates the positive impact of government support: Amid widespread job disruption and loss of income, the emergency fiscal support measures enacted by Congress kept 8.5 million of Americans out of poverty.

- **Unemployment Insurance Claims:** [Data](#) released by the Department of Labor show that the labor market recovery continues, even as the United States faces uncertainty stemming from the Delta variant. Although new unemployment claims ticked up slightly to 332,000, they remain 60% lower than when President Biden took office and 95% lower than during the peak of the pandemic, when 6.1 million displaced workers filed claims. The four-week moving average, which is used to smooth week-to-week volatility in the data, declined for the fifth consecutive week to 336,000, reaching a new pandemic-era low.



- **Retail Sales:** Retail Sales [data](#) released by the Census Bureau showed that retail sales rose by 0.7% during the month of August, exceeding analysts' expectations, and are now 18% above pre-pandemic levels. This indicates American consumer confidence in the strength of the U.S. economy.
- **Child Tax Credit:** The [Treasury Department](#) distributed advance CTC payments for September to 35 million households, totaling \$15 billion. Based on the August advance payments data, the Joint Economic Committee [estimates](#) that monthly CTC payments will inject nearly \$19.3 billion into local economies each month. The JEC also [estimated](#) the number of qualifying children, total number of payments and total payment amount by congressional district in August 2021, when the second round of CTC payments was distributed.
- **Consumer Confidence:** The University of Michigan Consumer Sentiment index rose to [71.0](#) in September from 70.3 in August, reversing part of the drop that was triggered by the Delta wave. This suggests that Americans are slowly starting to feel more optimistic about the U.S. economy, as the rollout of vaccinations continues and economic activity returns to normal levels. However, this is a reminder that the economic recovery depends on controlling the spread of the coronavirus.

JEC Spotlight – Hispanic American Workers Play a Vital Role in Driving the U.S. Economic Recovery and Future Economic Growth

To commemorate the start of Hispanic Heritage Month, the JEC released a new [issue brief](#) that highlights the vital contributions of Hispanic workers to the U.S. economy. There are more than 62 million Hispanic Americans in the United States and their total economic output is estimated to be well over \$2 trillion and growing rapidly. Despite being hit hard by the pandemic and the ensuing economic contraction, Hispanic workers have been quick to lead the economic recovery by returning to work.

The relative youth and high growth rate of the Hispanic population means that they will remain integral to future economic growth. Hispanic Americans alone accounted for over half of all the population growth in the U.S. over the last 10 years. Hispanic Americans are also helping diversify the labor force—nearly a third of Hispanics identify as having more than one race, and their ethnic origins are just as diverse—enriching the United States' cultural capital.

More information for Members and staff: www.jec.senate.gov/resources

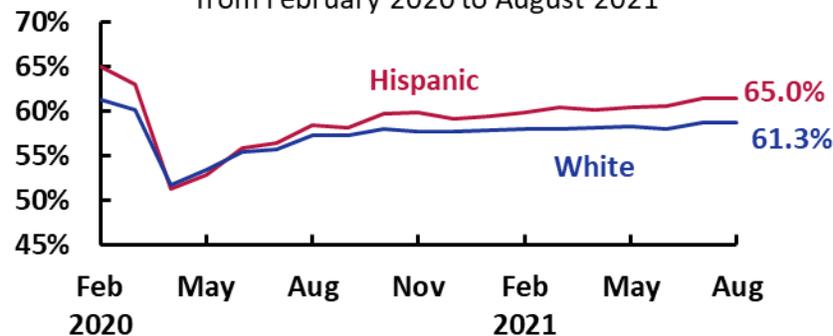
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Despite these important contributions, Hispanic workers disproportionately earn lower wages, suffer from poor working conditions and experience a lower quality of life. Hispanic workers are underrepresented in high-paying occupations and overrepresented in low-paying ones, which are also disproportionately subjected to wage theft and hazardous working conditions. Hispanic women are directly affected by this occupational segregation and are disproportionately harmed by the gender wage gap.

Hispanics Are Driving the Pandemic Recovery by Returning to Work at Faster Rates

Employment to population ratio by race and ethnicity,
from February 2020 to August 2021



Source: Bureau of Labor Statistics

Selected JEC Resources

- [National and State Level Data on the Economic Situation of Hispanic Americans](#)
- [Updated SNAP Benefit Levels Will Help 42 Million People and Add \\$31.8 Billion in Local Economic Activity Every Year](#)
- [Expanding the Housing Choice Voucher Program to Improve Housing Affordability and Economic Security for the Lowest-Income Families](#)

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