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ECONOMIC UPDATE

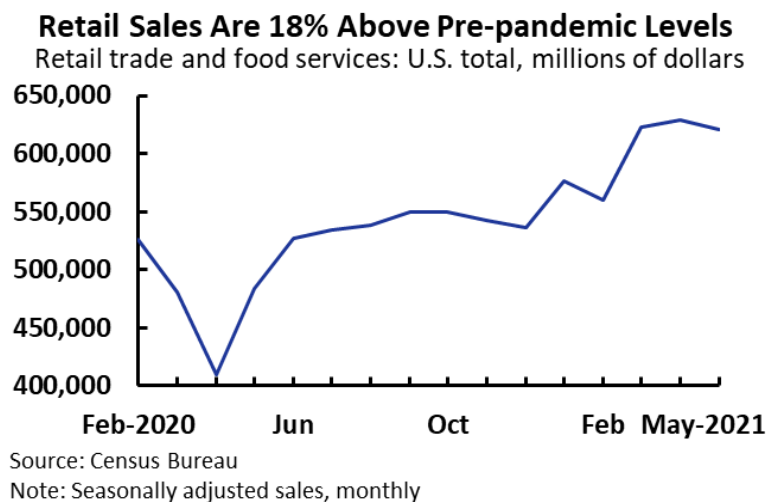
June 17, 2021

Economic Issue in Focus

- At this week's meeting, the Federal Open Market Committee (FOMC) held interest rates steady and revised upward their forecasts for real GDP growth to 7% from 6.5% for the year, which would be the highest level of growth in almost four decades. Predicting continued high growth over the next two years, the FOMC revised estimates of core inflation up to 3%. Federal Reserve Chair Powell emphasized market expectations of future inflation to be "well-anchored" at a level consistent with the goals of full employment and an average of 2% inflation.

Key Economic Indicators to Track

- June 15:* The Census Bureau May data release showed [retail sales](#) are now 18% above pre-pandemic levels and 28% above the May 2020 level, demonstrating that the economy continues to recover, largely due to increased vaccine rates and critical investments provided by the American Rescue Plan.



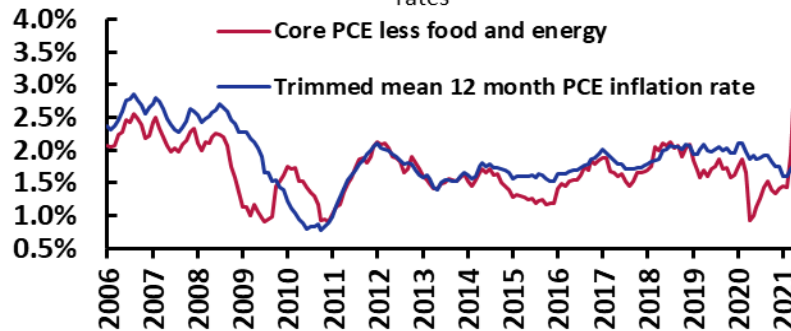
- June 25:* The Bureau of Economic Analysis will release [personal consumption expenditures \(PCE\)](#) for May. As the economy reopens, pent-up demand and base effects are expected to create short term pressure on inflation, but these trends are transitory, a view shared by 72% of respondents to Bank of America's June Global Fund Manager Survey.

JEC Spotlight: Trimmed Mean Inflation Rates Are Lower than Headline Inflation Rates

Unusual volatility in a few sectors is causing standard measures of inflation to appear artificially elevated – a more appropriate measure shows that overall inflation is still in the normal range. The Federal Reserve usually tries to ignore particularly volatile prices by excluding Food and Energy prices from its preferred “Core PCE” measure of inflation, but this year it is necessary to exclude transitory price movements in some other sectors as well. “Trimmed mean PCE” is a measure which excludes the most volatile sectors, whichever they happen to be, and by this measure inflation appears to still be in the normal range. This means that recent increases in core PCE aren’t representative of overall inflationary pressures, they are being driven by bottlenecks and imbalances in individual supply chains and markets.

Trimmed Mean Inflation Rates Are Lower Than Headline Inflation Rates

Core PCE less food and energy and Trimmed Mean 12 month PCE inflation rates



Source: Bureau of Economic Analysis and Federal Reserve Bank of Dallas
Note: Data are seasonally adjusted

Selected JEC resources

- [Local Economies Stand to Lose More than \\$12 Billion Due to Early Cancellation of Enhanced Unemployment Benefits](#)
- [The Economic Legacy of the 1921 Tulsa Race Massacre: Today’s Racial Wealth Gap](#)
- [Investing in the IRS to Close the Tax Gap](#)
- [Infrastructure and its Impact on the U.S. Economy](#)

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