



ECONOMIC UPDATE

February 17, 2023

Fact of the Week

The federal government has allocated nearly \$9 billion to states and Tribes across the country as part of the Home Energy Rebate Program under the Inflation Reduction Act, with [\\$87 million](#) going to New Mexicans. The program aims to help save households money on energy bills, upgrade to clean energy equipment, and reduce indoor and outdoor air pollution.

What You Need to Know

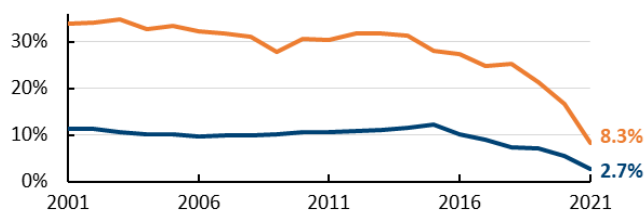
- **New data show the annual inflation rate continued to cool, even as January's inflation rate ticked up.** The Bureau of Labor Statistics [reported](#) that on a monthly basis, prices increased by 0.5% in January 2023. On an annual basis, CPI inflation increased by 6.4%, which is considerably lower than the peak of 9.1% in October 2021.
- **The Congressional Budget Office expects inflation to continue falling this year and next.** New projections from CBO [estimate](#) that in 2023 personal consumption expenditures (PCE) inflation will be 3.3% and fall to 2.4% in 2024.
- **Retail sales rose by 3% in January 2022, the largest gain in almost two years.** The Census Bureau reported that retail sales [rose](#) by \$697 billion, an increase of 3% from December 2022. Most of the increase was driven by higher volumes of sales across multiple categories rather than by higher prices, underscoring continued consumer confidence in the economy.
- **The Internal Revenue Service (IRS) provided tax relief to tens of millions of Americans who received state tax rebates.** The agency [announced](#) that residents of New Mexico and 16 other states will not have any taxes collected against state-issued inflation relief payments or tax refunds and are not required to report them on their returns.
- **The U.S. Department of Agriculture (USDA) announced its continued commitment to preparing the next generation of agriculture professionals in Indian country.** USDA has [renewed](#) its partnership with the American Indian Higher Education Consortium to make USDA programs and services more accessible to tribal colleges and universities.


Chart of the Week- *Policies like the expanded CTC brought child poverty to a record low in 2021 but racial disparities remain*

Black poverty rates have fallen significantly over recent decades, as a result of public investments. The Black child poverty rate reached an all-time low in 2021, falling to 8.3% from 25.3% in 2018.

The American Rescue Plan’s one-year expansion of the Child Tax Credit and other pandemic assistance helped to bring these rates down. Despite recent progress, Black children are still three times as likely to live in poverty than white children, and such disparities affect children throughout their lives.

Child Poverty Fell to a Record Low in 2021, But Black Children Remain Three Times as Likely to Live in Poverty
Child poverty rates after government assistance and tax credits, by race and ethnicity, 2001-2021




Source: Center on Budget and Policy Priorities
Notes: Data are anchored to 2021 poverty lines & exclude Hispanic populations. 

What to Watch Next Week

- *Tuesday, February 21:* The Institute for Economic Equity at the Federal Reserve Bank of St. Louis will host an [event](#) on the importance of higher education’s role in advancing racial equity.
- *Thursday, February 23:* The Bureau of Economic Analysis (BEA) releases its [second estimate](#) of gross domestic product (GDP) in the fourth quarter of 2022. According to the consensus forecast, BEA’s estimate is expected to remain unchanged showing strong economic growth of 2.9%.
- *Friday, February 24:* BEA is expected to [release](#) personal income, spending and personal consumption expenditures (PCE) data for January 2023. Economic forecasters expect these data to show that inflation remained stable, personal income increased by 0.7 percentage points, and spending increased by 1.5 percentage points.

New Reports and Research

- New Mexico Voices for Children released its 2022 New Mexico KIDS Count Data Book which showed the rate and number of children in New Mexico living in poverty [declined](#) from 2019 to 2021, and without pandemic-era economic support the state is likely to have seen a considerable increase in poverty rates.
- Analysis from the Center for American Progress (CAP) finds that the Fair Tax Act would [perpetuate](#) existing wealth gaps by enabling the wealthiest Americans to amass more wealth.
-  Research conducted by the Tax Policy Center indicates that across all income brackets, itemized deductions [benefit](#) tax units classified as white more than those classified as Black or Hispanic.

Recommendations

- “[Electric Vehicles Could Match Gasoline Cars on Price This Year](#),” *The New York Times*
- “[The Dismal State of Paid — and Unpaid — Leave in America](#),” *Vox*
- “[Can Individuals Solve Climate Change? New Federal Cash Makes It More Possible than Ever](#),” *The Washington Post*
- Podcast: Tony Pipa of the Brookings Institution discusses the state of rural policy with key officials from the executive branch serving rural America in the episode “[A Visit to Washington, DC: The State of Federal Rural Policy](#),” *Reimagine Rural*

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