

ECONOMIC UPDATE

August 19, 2022

Economic Issue in Focus: Fighting Inflation, Lowering Costs and Addressing Climate Change— How the Inflation Reduction Act Benefits the Environment and Economy

President Biden signed the [Inflation Reduction Act](#) into law this past week, putting in place the largest investment in clean energy in American history. This landmark legislation will generate significant economy-wide benefits while taking aggressive action to fight the devastating consequences of climate change. Under the Inflation Reduction Act, many Americans will be eligible for consumer rebates to subsidize the installation of more efficient home energy sources, such as heat pumps and solar panels, which will save households thousands of dollars over the life of these appliances and help speed up the clean energy transition by allowing more households to participate sooner. Many will also qualify for a \$7,500 tax credit for the purchase of a new electric vehicle or a \$4,000 tax credit for a used electric vehicle—making these energy efficient vehicles more affordable and accessible. These investments will accelerate the transition to clean energy in the near term and will lower gas prices, make homes and buildings safer, improve peoples' health, reduce household spending on health care and boost workforce productivity.

In addition to these immediate benefits, investments to [electrify](#) the economy with clean energy will provide savings and benefits that extend far beyond lower energy bills for decades to come. Preliminary independent analyses of the Inflation Reduction Act estimate energy cost savings for the average household ranging [from \\$300 to over \\$1,000](#) by 2030. Electrification will also dramatically cut commuting costs and reduce oil dependence: Electric vehicles and cleaner conventional cars could help cut [U.S. oil use](#) by more than 13% by 2030. Since renewable energy can be sourced domestically and purchased in fixed price contracts, it is more protected from long-term inflationary pressures and future energy market shocks. Furthermore, transitioning to renewable energy will promote a more stable climate and help reduce the frequency of extreme weather events, which will cut the costs of property insurance and [reduce inflation](#).

Key Economic Indicators To Track

- **Retail Sales Hold Steady at Record Highs:** On Thursday, the Census Bureau released [retail sales](#) data for July that showed sales held steady between June and July. Core sales—which excludes volatile gasoline and auto sales—were up 0.7% since last month, indicating that as gas prices have fallen, consumers have increased their spending in other categories. Overall retail sales and core sales were up 10.3% and 9.3%, respectively, from this time last year, demonstrating strong consumer demand and spending power.
- **FOMC Minutes Show Further Interest Rate Hikes Likely:** [Minutes](#) from the Federal Reserve Open Market Committee's July meeting, which were released on Wednesday, indicate a 50 basis point increase in interest rates in September is likely, continuing the trend of increasing rates. Inflation remains high and a primary concern for the Fed, which raised interest rates 75 basis points during each of its last two meetings. The latest FOMC minutes also indicated that members are

continuing to monitor a range of economic indicators in order to effectively fight inflation and maintain the health of the labor market as they consider future changes.

JEC Spotlight: Electrifying Commercial Transportation Will Generate Significant Climate Benefits and Reduce Dependence on Foreign Oil

A new JEC [issue brief](#) highlights how policies that promote electrifying commercial vehicles, which drive the largest share of total miles driven, are key to rapidly cutting transportation emissions. Prioritizing the electrification of commercial vehicles would accelerate emissions reductions most efficiently, as commercial vehicles spend more time in motion, travel more miles overall and use [significantly more](#) fuel than household cars and trucks.

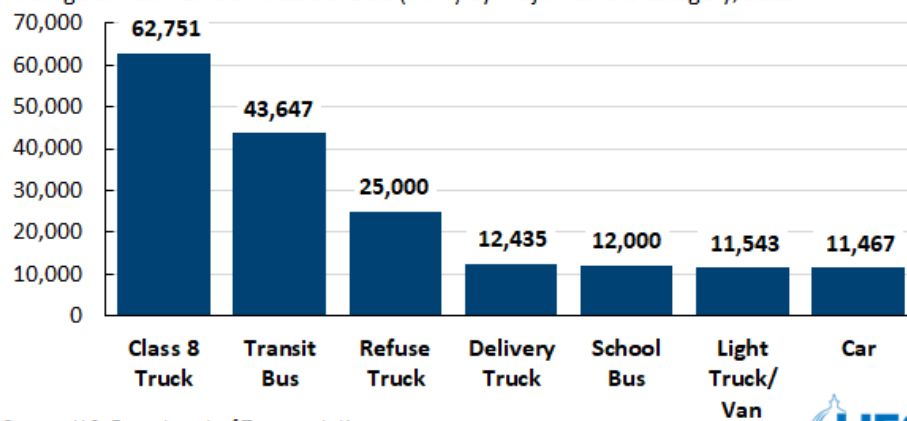
Converting commercial vehicle fleets to electric vehicles (EVs) has additional, lesser-known benefits. For [example](#), electric engines are more efficient than gasoline engines. They do not require oil changes and have fewer moving parts whose maintenance could require downtime. Because they do not run on gasoline or diesel, fluctuations in gas prices have less impact on the bottom lines of businesses that use them.

The United States Postal Service (USPS), which holds [one-third](#) of the federal vehicle fleet, is well poised to play a key role in the transition to electric vehicles and set the standard for speedy commercial fleet electrification. According to a recent report from the USPS Office of Inspector General, 98.5% of USPS routes could be covered by EVs along with significant operational advantages.

In addition to prioritizing the electrification of its own fleet, the federal government should incentivize the electrification of commercial vehicles in order to reap the swiftest climate benefits. Continued legislation to incentivize commercial EV purchases at a large scale, building on the Inflation Reduction Act's \$1 billion for zero-emissions truck and bus purchases and more than \$3 billion in commercial EV tax credits, would help businesses transition away from higher-cost fossil fuels, accelerate the creation of national EV infrastructure, reduce dependence on foreign oil and offer outsized gains for climate and public health.

Commercial Vehicles Drive Further Than Passenger Vehicles

Average annual vehicle miles traveled (VMT) by major vehicle category, 2020



Source: U.S. Department of Transportation



- [*Democrats Are Working to Fight Inflation, Lower Costs and Address Supply Shortages*](#)
- [*Oil Companies Are Enjoying Market Influence and Record Profits, While U.S. Families Foot the Bill for High Gas and Energy Prices*](#)
- [*Abortion Access Is Key to Economic Freedom*](#)

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