



ECONOMIC UPDATE

March 27, 2023

This Week in Focus:

Economic news last week was dominated by developments in financial markets and the Federal Open Market Committee's announcement of another 0.25 percentage point rate increase. This week, committees on both sides of the Capitol are holding hearings on the recent [bank failures](#), as well as the usual hearings tied to the [budget cycle](#).

Financial stability remains a concern in the U.S. and Europe, with the House GOP's debt limit brinksmanship casting a shadow over financial and economic conditions. While the exact impacts of debt limit brinksmanship are hard to quantify, new [estimates](#) from the JEC Democrats highlight several potential costs of a Republican default crisis. New fact sheets [available](#) this week with detail at the congressional district level.

Economic Indicators this Week

Below are a series of economic indicators that will be released later this week, along with the consensus estimate from a group of professional forecasters about what the data point will be once it is reported. Oftentimes, news coverage of these indicators will report whether the final number came in above or below the expectations set by the forecasters' consensus.

- **Thursday, March 30:** The level of initial claims for unemployment insurance is expected to have risen to **195,000** for the week ending March 25, up from 191,000 the prior week.
- **Friday, March 31:** The consensus among economic forecasters is that personal spending increased **0.5%** in February, real consumption will have fallen **0.3%** during that month, and the core PCE measure of inflation increased by **0.4%** in February, down from 0.6% in January.

What You Need to Know

- **The era of working from home appears to have largely ended.** Data from the Department of Labor [showed](#) 72.5% of business establishments reported that their employees teleworked rarely or not at all during 2022.
- **The Federal Deposit Insurance Corporation announced First Citizens will be [acquiring](#) all of Silicon Valley Bank's deposits, loans, and branches.** This purchase will include \$56.5 billion in deposits, \$72 billion of SVB's loans at a discount, and around \$90 billion of SVB's securities will remain in receivership. This purchase announcement should calm markets given the ongoing concern around which private financial institution would buy SVB.

- **Analysis conducted by JPMorgan Chase [estimated](#) that \$550 billion have been moved from smaller-sized and regional banks.** The funds have mostly gone to large banks and money markets funds following the collapse of Silicon Valley Bank and Signature Bank.
 - Riskier investments including Bitcoin and gold have become more attractive to investors with a 40% increase in Bitcoin prices and a 10% rise in the price of gold.
- **The Federal Trade Commission [proposed](#) a provision labeled as “click to cancel”.** This proposed provision would require sellers to make it as easy for consumers to cancel their enrollment for subscriptions and recurring payments.

What to Watch This Week

Tuesday

- Senate Committee on Banking, Housing, and Urban Affairs – [Recent Bank Failures and the Federal Regulatory Response](#)

Wednesday

- House Committee on the Budget – [Fiscal State of the Union](#)
- House Committee on Financial Services – [The Federal Regulators’ Response to Recent Bank Failures](#)
- Senate Committee on Health, Education, Labor, and Pensions – [No Company is Above the Law: The Need to End Illegal Union Busting at Starbucks](#)
- Senate Committee on the Budget – [Left Holding the Bag: The Cost of Oil Dependence in a Low-Carbon World](#)

What to Read from the Think Tank World

- Reports from the Center on Budget and Policy Priorities shows that Republican proposals could take [food assistance](#) away from up to 10 million people, and would call for cutting Medicaid and premium tax credits.
- The Tax Policy Center distributional analysis shows that President Biden’s budget would increase average after-tax incomes for the lowest-income households and [raise taxes](#) on high-income households (the average tax change is +\$2,300).
- The Economic Policy Institute analysis shows that [wage growth](#) was the strongest for low-wage workers over the last 3 years (+9% for the 10th percentile).
- Brookings says a [soft-ish landing](#) may still be possible, based on projections from the Federal Reserve and Congressional Budget Office.
- The Council of Economic Advisors takes a look at how [junk fees](#) distort competition.

Latest Academic Articles Selected from NBER

The National Bureau of Economic Research, a private research organization, circulates a series of working papers in Economics every Monday morning. Because it takes a long time for articles to appear in peer-reviewed journals, many economists look to this series for the latest academic research findings. These are our selected recommendations from the latest papers out this morning.

- [The March 2023 Bank Interventions in Long-Run Context – Silicon Valley Bank and beyond](#)
- [The Characteristics and Geographic Distribution of Robot Hubs in U.S. Manufacturing Establishments](#)
- [The Offshore World According to FATCA: New Evidence on the Foreign Wealth of U.S. Households](#)

JEC Resources

- [The Steep Costs of a Republican Default Crisis - State And District Data](#)
- [Despite Making Critical Contributions to the Labor Force, Women Face Obstacles to Economic Prosperity](#)
- [Women's Entrepreneurship Is Growing Rapidly](#)
- [Public Investments Improved the Economic Status of Black Americans, But Significant Barriers to Economic Opportunity and Security Remain](#)

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