



ECONOMIC UPDATE

May 22, 2023

This Week in Focus

As we enter the last full week before the estimated “X-date”, the Senate is in a state work period, while the House remains in session. See below for our materials on the default crisis, and video of our hearing last week on the potential costs of a default and of the House GOP’s proposals.

JEC Resources

- [Update: The Steep Costs of a Republican Default Crisis](#)
- [The GOP’s Reckless DOA Act Would Threaten Green Energy Jobs, Increase Emissions, And Harm The Planet](#)
- [How The Default on America Act Hurts the U.S. Economy - State and District Data](#)
- [How the Default on America Act Threatens Public Safety](#)
- [Debt Prioritization Would Pay Foreign Borrowers Over Critical Programs That Help All Americans](#)
- [The State Employment Situation in April](#)

Economic Indicators This Week

Below are a series of economic indicators that will be released later this week, along with the consensus estimates 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, May 25**
 - **Weekly Jobless Claims** - The consensus forecast is that initial jobless claims rose to **250,000** for the week ending May 20, up from last week’s **242,000**.
 - **GDP (Q1 2023 Second Estimate)**: According to consensus forecasts, there will be no significant revisions to the initial annualized estimate of **1.1%** growth.
- **Friday, May 26**
 - **Personal Income and Spending** - The consensus estimate is an increase of **0.4%** in incomes, an increase of **0.3%** in real consumption and a **0.3%** increase in the core PCE deflator.

What You Need to Know

- **Federal Reserve survey underscores how economic conditions that arose due to the pandemic have affected Americans’ economic well-being**: The share of American adults who [reported](#) being in a worse financial position in 2022 than during the previous year rose to 35%

with inflation being the financial burden cited by most respondents, according to the Survey of Household Economics and Decisionmaking conducted by the Federal Reserve.

- **Recent labor force participation data underscore the economic importance of immigrant workers:** The share of the U.S. labor force comprised of foreign-born workers [rose](#) to 18.1% in 2022, the highest level in 27 years, following a surge in demand and the easing of the pandemic.
- **The IRS has agreed to review audit algorithms to identify and address racial bias.** IRS Commissioner, Daniel Werfel, [acknowledged](#) that the agency audits Black taxpayers at higher rates than other taxpayers and said the IRS would review the current audit algorithms for anti-poverty tax credits in an attempt to identify racial bias.
- **Recently announced plans for a research facility aimed at producing more powerful semiconductor chips continue to highlight the importance of the CHIPS Act.** The largest maker of machines that manufacture semiconductors, Applied Materials, [announced](#) that it plans to build a large research facility in Santa Clara, CA, to enable chip makers and universities to work together to find ways to produce more powerful chips. This announcement marks the latest in a series of chip-related projects which have been driven by the passage of the CHIPS Act.

What to Watch This Week

Wednesday

- House Budget Committee - [Reigniting American Growth and Prosperity Series: Removing the Burdens of Government Overreach](#) - 10:00 AM
- House Oversight and Accountability Subcommittee - [A Failure of Supervision: Bank Failures and The San Francisco Federal Reserve](#) - 2:00 PM

What to Read From the Think Tank World

- The Center for American Progress estimates that [15 million veterans](#) and their families could be harmed by default.
- The Center on Budget and Policy Priorities' (CBPP) interactive lets you see how much [programs must be cut](#) after protecting other programs under Republican spending caps.
- The Institute on Taxation and Economic Policy says the Republicans' Default on America Act gives cover for [tax cuts for the rich](#).

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.

- [Climate Policy and the Economy: Evidence from Europe's Carbon Pricing Initiatives](#)
- [Children's Indirect Exposure to the U.S. Justice System: Evidence from Longitudinal Links between Survey and Administrative Data](#)
- [Economic Implications of the Climate Provisions of the Inflation Reduction Act](#)