



ECONOMIC UPDATE

March 16, 2023

Issue in Focus: Silicon Valley Bank's Collapse Roils Financial Markets, 2018 Deregulation Enabled Risky Banking Practices

Following the collapse of Silicon Valley Bank (SVB), the Biden administration and financial regulators [took](#) decisive steps to protect customers' assets without using any taxpayer dollars. The Federal Reserve and other agencies will collect money from other regulated banks to protect the customers who banked with SVB, which include many small businesses. The Fed Vice Chair for Supervision is [leading](#) a review of the oversight and regulation of SVB and the Justice Department followed up by opening an [investigation](#) into possible insider sales.

Silicon Valley Bank, which catered to many tech investors, was taken over by federal regulators, becoming the largest U.S. bank to fail since 2008. Shareholders will not get a bailout, and the bank's management has been fired. JEC Chairman-Designate Heinrich in 2018 [cautioned](#) that rolling back provisions of the Dodd-Frank Act under President Trump would pose risks to the banking sector.

What You Need to Know

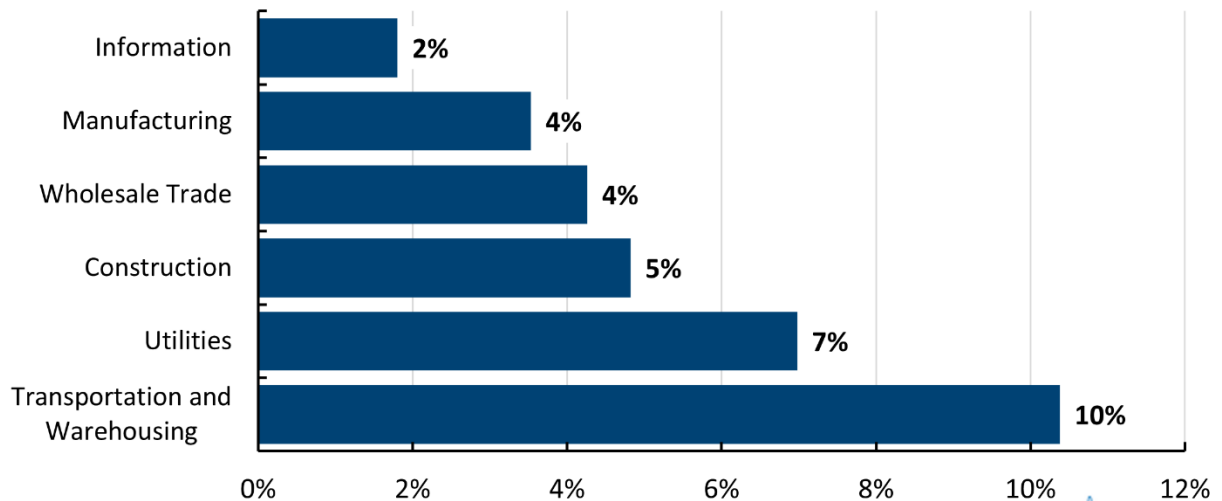
- **The Consumer Price Index shows inflation eased last month.** The Bureau of Labor Statistics (BLS) [reported](#) that the pace of Consumer Price Index (CPI) inflation slowed in February. On a monthly basis, CPI inflation rose by 0.4% in February after increasing by 0.5% in January. Annual inflation increased by 6.0%, significantly below the peak of 9.1% last June.
- **Unemployment rates were stable or lower in 48 states in January 2023.** BLS [reported](#) that state unemployment rates in January decreased in five states and increased in two states plus the District of Columbia. BLS also reported that the number of jobs increased in 20 states and the number of jobs remained the same in 30 states plus D.C.
- **Retail sales fell by 0.4% in February 2023, after the largest increase in almost two years in January.** The Census Bureau reported that retail sales [fell](#) by 0.4% in February 2023 but they are 33% above pre-pandemic levels. January data were revised upward from 3.0% to 3.2%.
- **Following the collapse of Silicon Valley Bank, the Treasury Department announced it was actively reviewing the U.S. financial sector's exposure to foreign banks.** On the heels of Silicon Valley Bank's collapse, some foreign banks have seen record declines in their stock prices. As a result, the Treasury Department announced it would actively review the level of exposure the U.S. financial sector has to foreign banks.

Chart of the Week: In the Economic Recovery, More Women Are Joining Traditionally Male-Dominated Industries

Since the COVID-19 pandemic, women have made considerable progress in male-dominated industries. The Biden administration has also taken steps that will encourage women to enter these industries, including a requirement that semiconductor manufacturers provide high-quality child care to receive funding under the bipartisan CHIPS and Science Act. While labor force participation for women aged 25-54 has now recovered to pre-pandemic levels, job growth has been stronger in industries that are traditionally male-dominated.

Since the Pandemic, Women Have Made Progress in Traditionally Male-Dominated Industries

Percent change in share of employed women, by industry, Apr. 2020 to Feb. 2023



Source: Bureau of Labor Statistics
Note: Data are seasonally adjusted.



What to Watch Next Week

- *Tuesday, March 21:* BLS [releases](#) employment data for Veterans during 2022. In [2021](#), the unemployment rate for veterans was 4.4%, which was lower than the unemployment rate for non-veterans. Some other notable findings included declines in the unemployment rates for both male and female veterans, as well as declines in the unemployment rates for veterans of all service periods.
- *Wednesday, March 22:* Federal Reserve Chair Powell is [scheduled](#) to announce the Federal Open Market Committee's (FOMC) decision about raising the federal funds rate, following the conclusion of the FOMC's second meeting this year. The collapse of Silicon Valley Bank and Signature Bank and subsequent turmoil in the banking sector have added another layer of complexity to the Fed's interest rate decision, but analysts currently expect the Fed will either hold the rate steady or raise it by a quarter-of-a-point.
- *Friday, March 24:* BLS [releases](#) state-level jobs data for February 2023. The national jobs [report](#) released on March 10th showed that the economy added 311,000 jobs in February with the unemployment rate rising slightly to 3.6%.

New Reports and Research

- A new [fact sheet](#) released by the Institute for Women’s Policy Research found that in 2022 women earned less than men for full-time work across almost all occupations. In 19 of the 20 most common occupations for women—with the exception of teaching assistants—men earned more. Among all of the 20 most common jobs for men, men received higher wages than women.
- A recent [analysis](#) from the Washington Center for Equitable Growth finds that wage disparities, which are the unequal distribution of earnings among workers by sex, race or ethnicity, are no longer narrowing, despite a strong labor market. The authors find that wage growth in the second half of 2022 slowed for workers, especially for those in low-paying sectors like leisure and hospitality. They also find signs of employer competition for labor cooling over recent months.
- A new [report](#) from the Center on Budget and Policy Priorities calls on Congress to reject Republican proposals to cut non-defense discretionary spending. The authors find current non-defense discretionary spending relative to the size of the economy is 0.4 percentage points below its 2010 level and 0.2 percentage points below the long-term average, reflecting unmet needs that have negative impacts on people and communities. They find no evidence that non-defense funding is too high or rising too rapidly.

Recommendations

- [“It’s Equal Pay Day. The Gender Pay Gap Has Hardly Budged in 20 Years. What Gives?”](#) *NPR*
- [“How Silicon Valley Turned on Silicon Valley Bank,”](#) *The Wall Street Journal*
- [“Silicon Valley Bank Collapse Could Slow the Transition to Clean Energy,”](#) *The Washington Post*
- [“Colleges Have Been a Small-Town Lifeline. What Happens as They Shrink?”](#) *The New York Times*

JEC Resources

- [Women’s Entrepreneurship Is Growing Rapidly](#)
- [National and State-Level Data on the Economic Status of Black Americans, 2023](#)
- [Public Investments Improved the Economic Status of Black Americans, But Significant Barriers to Economic Opportunity and Security Remain](#)
- [The Economic State of Black Workers and Families in the United States](#)

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