

ECONOMIC UPDATE

January 28, 2022

The U.S. Economy Expanded at the Fastest Pace in Almost 40 Years in 2021

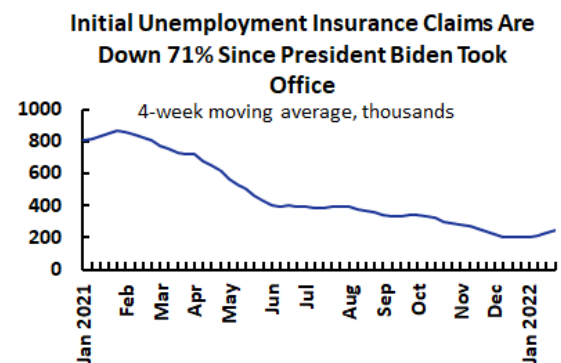
The Bureau of Economic Analysis (BEA) reported its initial estimate of gross domestic product (GDP) growth of 5.7% for 2021 and 6.9% for the 4th quarter of 2021, exceeding expectations. This is the strongest yearly economic growth in nearly 40 years, [capping](#) off a year of record-breaking economic gains: unemployment is down to 3.9%, the largest calendar year decrease in U.S. history; businesses added more than 6 million jobs, the largest single-year job gains ever; and weekly unemployment insurance claims have reached near pre-pandemic levels.

Consumption, the largest contributor to the U.S. economy, rose by 3.3% in the 4th quarter of 2021, indicating that consumers remain confident in the strength of the economy. Investment grew at an annualized rate of 32% in the 4th quarter of the year, up from 12.4% in the 3rd quarter, signaling that businesses are confident that the economy will continue to grow in 2022.

Robust economic growth and the strength of the labor market rebound, including falling unemployment claims are testaments to the effectiveness of the American Rescue Plan and emergency pandemic relief, which buffered households and businesses against the worst impacts of the recession. Passing the America COMPETES Act and the critical investments included in the Build Back Better Act will power long-term economic growth, build shared prosperity, and create high-quality jobs.

Key Economic Indicators to Track

- Unemployment Insurance Claims:** The latest [data](#) released by the Department of Labor show that after dropping to a 50-year low in December 2021, new unemployment claims remain near pre-pandemic levels with 260,000 initial claims filed the week ending January 22. The four-week moving average (which smooths week-to-week volatility in the data) is now 247,000 and down 71% since President Biden took office.
- PCE Inflation:** The Bureau of Economic Analysis released [PCE](#) data (one of the two key measures of inflation along with the Consumer Price Index), which shows that pace of inflation slowed (from 0.6% in November) to 0.4% in December and CPI slowed for the second consecutive month. As was



Source: Department of Labor
Note: Data are seasonally adjusted.

the case with CPI data, annual measures continue to reflect prices recovering from depressed levels during the peak of the pandemic, which is likely to continue into the spring. However, the data do not indicate an inflationary spiral and the Federal Reserve has projected that PCE will stabilize at [2.6%](#) in 2022 and that price spikes and supply side pressures will be temporary.

- **Federal Reserve FOMC Meeting:** Amid economic expansion and an unparalleled labor market recovery, both of which have exceeded expectations, Federal Reserve officials [agreed](#) they would start reducing the Fed's emergency bond-buying, which was deployed to stabilize markets and the macroeconomy during the peak of the coronavirus recession. Provided the economic recovery remains broadly on track, officials are expected to raise interest rates as early as March. As Chair Powell has frequently emphasized, the path of the recovery hinges on the coronavirus, so vaccinations, testing and following public health guidance remain essential. Despite recent spikes in inflation, Fed officials have projected that price pressures are temporary and will ease back to normal levels in 2022.

JEC Spotlight: Closing the Medicaid Coverage Gap Will Improve Health and Well-Being for 2.2 Million Americans While Increasing Their Economic Security

A new JEC [issue brief](#) explains how closing the Medicaid coverage gap would provide health coverage for over 2.2 million low-income Americans who are currently ineligible for any federal health insurance supports. These individuals and families live in the 11 states where Republican state officials have rejected generous federal funding to expand their state Medicaid programs to cover the larger low-income population offered coverage under the Affordable Care Act (ACA).

Expanding Medicaid coverage would narrow racial gaps in health access while also delivering benefits to a broad and diverse low-income population. Analyses of recent and historical coverage expansions for low-income families show that the policy saves lives, improves peoples' health, supports local hospital systems and is a strong investment in long-run socioeconomic well-being.

Selected JEC Resources

- [*State by State Fact Sheets: December Employment Data*](#)
- [*Investments in Preschool Can Generate Nearly 9 Times the Return on Investment*](#)
- [*Direct Investments Are Needed to Improve Upward Social Mobility*](#)
- [*Inaction on Climate Change Will Have Devastating Consequences for the Economy, Families, and Communities*](#)
- [*Work Requirements for the CTC Would Increase Financial Hardship and Childhood Poverty, While Doing Nothing to Boost Employment*](#)

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