

ECONOMIC UPDATE

October 15, 2021

Economic Issue in Focus – Inflationary pressures stabilized in August and core CPI grew by only 0.2% in September 2021

The latest inflation [data](#) from the Bureau of Labor Statistics show that core inflation is stabilizing, although volatility in energy and food prices pushed up headline CPI. Core CPI measures inflation other than food and energy prices, which are known to be volatile even in normal economic times, making it the more useful measure for understanding temporary fluctuations and making long-term policy decisions. Core CPI grew at just 0.1% in August and 0.2% in September, down significantly since briefly hitting 0.9% in June, and average hourly wage growth in September outpaced price increases.

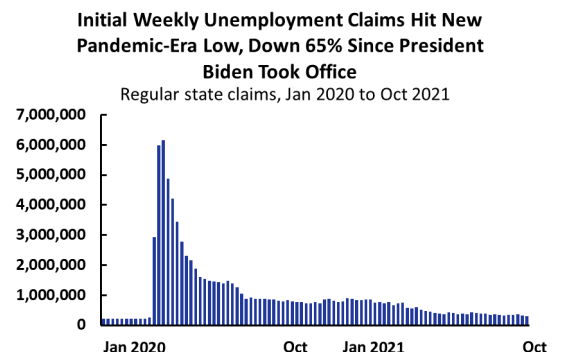
September's headline CPI inflation grew by 0.4% as the Delta variant peaked in communities across the country and disruptions from the pandemic echo through global supply chains, leading to higher prices on goods like groceries and gas. The impact of the Delta variant continues to make clear that economic recovery hinges on controlling the spread of the coronavirus.

The Fed remains confident that short-term spikes are largely driven by pent-up demand in sectors that were hit hard by the pandemic and temporary supply chain backlogs. Some sectors that surged in early summer are already experiencing major price decreases. For example, used car prices dropped by 1.5% in August and 0.7% in September, and hotel prices dropped by 3.3% in August and 0.6% in September.

Investments in physical infrastructure and care infrastructure will reduce costs for Americans, increase economic growth and ease long-term inflationary pressure. Markets and the Fed expect recent temporary bumps in inflation to subside by the time investments from any new legislation go into effect.

Key Economic Indicators to Track

- **Unemployment Insurance Claims:** [Data](#) released by the Department of Labor show that new unemployment claims fell to 293,000, a new pandemic-era low, beating analysts' estimates for the week ending October 9. Initial claims are now 65% lower than when President Biden took office and 95% lower than during the peak of the pandemic. The four week moving average, which smooths week-to-week volatility in the data, also fell to a pandemic-era low of 334,250.



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

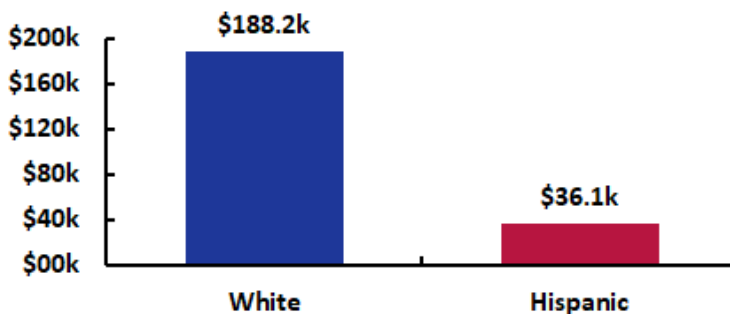
- **Federal Reserve FOMC Meeting Minutes:** As the recovery continues, Federal Reserve officials [agreed](#) last month they would start gradually reducing the Fed’s emergency bond-buying, which was deployed to stabilize markets and the macroeconomy during the peak of the coronavirus recession. Provided the economic recovery remains broadly on track, officials are targeting mid-November or mid-December to begin the process known as “tapering.” As Chair Powell has frequently emphasized, the path of the recovery hinges on the coronavirus, so continued rollout of vaccines and practicing of public health recommendations remain important. Despite recent spikes in inflation, Fed officials have projected that price pressures are temporary and would ease back close to their goal next year.
- **Child Tax Credit:** The [Treasury Department](#) distributed advance CTC payments for October to the families of 61 million children, totaling more than \$15 billion. Based on the August advance payments data, the Joint Economic Committee [estimates](#) that monthly CTC payments will inject nearly \$19.3 billion into local economies each month.
- **Retail Sales:** [Data](#) released by the Census Bureau showed that retail sales rose by 0.7% during the month of September—exceeding analysts’ expectations—and are now 19% above pre-pandemic levels. This indicates that American consumers have a high level of confidence in the strength of the U.S. economy.

JEC Spotlight – Investing in infrastructure, reducing the cost of higher education and expanding access to retirement savings can help reduce the wealth gap for Hispanic families

A new [JEC issue brief](#) released during Hispanic Heritage Month highlights that 19% of the total U.S. population identifies as Hispanic, and yet Hispanic Americans own just a fraction of the nation’s wealth. The median wealth, or net worth, of white families is more than five times higher than the median net worth of Hispanic families. These families face disadvantages across a broad measure of wealth metrics. Hispanics are generally less financially prepared for retirement than any other racial or ethnic group: only about one in four Hispanic families have a retirement account. Hispanic families are also overburdened by student debt. Over a decade after college entry, the typical Hispanic borrower with a four-year degree still owes nearly 80% of what they originally borrowed. The very wealth disadvantage of these families make the price of a college education more intimidating.

The Wealth of the Median White Family Is Five Times That of the Median Hispanic Family

Median net worth by race and ethnicity, 2019



Source: Federal Reserve Board, 2019 Survey of Consumer Finances

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Despite notable progress in some areas such as homeownership—which increased among Hispanic Americans for five consecutive years before the pandemic—these disparities in wealth threaten the economic security of Hispanic families, and overcoming these barriers will require a broad set of policy solutions. Policies that would help address Hispanic wealth disparities include (1) facilitating financing for homes and businesses and investing in infrastructure, including housing stock, (2) reducing the costs of higher education and (3) expanding access to retirement savings vehicles. Together, these measures would also help pave the way for economic growth that is stronger, stable and more broadly shared.

Selected JEC Resources

- [*Universal Paid Family and Medical Leave Will Generate Economy-Wide Benefits and Spur Economic Growth*](#)
- [*Education Can Help Narrow the Racial Wealth Gap, but Structural Solutions Are Needed to Close It*](#)
- [*National and State Level Data on the Economic Situation of Hispanic Americans*](#)
- [*Strong Care Infrastructure Is Critical to Increasing Labor Force Participation and Driving Future Economic Growth*](#)
- [*Hispanic Workers Kept the U.S. Economy Moving During the Coronavirus Pandemic but Face Lower Wages and Poor Working Conditions*](#)

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