



ECONOMIC UPDATE

May 1, 2023

This Week in Focus:

It takes a lot to upstage “jobs day” on Friday, but this week’s big economic news will be the Fed’s decision this Wednesday on whether or not to hike rates again. Inflation readings from last Friday reinforced expectations that the Fed will hike rates this week, though uncertainty remains about the following month. Hopefully, the regulator-assisted takeover of First Republic Bank by J.P. Morgan Chase will shore up the recently-stressed regional banking system such that it can withstand another interest rate increase.

The Senate is in this week, and Senate Budget hearings will provide background on the costs of carbon emissions and the dangers posed by the GOP’s Default on America Act (DOA) that passed last week. See below for the JEC Democrats’ recent resources on how the DOA harms the economy. A separate [analysis](#) from the non-partisan group Moody’s Analytics found that the spending cuts in the Republican DOA would cost the United States 780,000 jobs, reduce real GDP growth by over 0.5 percentage points, and increase the chance of a recession.

JEC Resources

- [How The GOP’s Debt Legislation 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](#)
- [How the Recovering America’s Wildlife Act Benefits Our Planet and Our Economy](#)
- [State by State Fact Sheets: March Employment Data](#)

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.

- **Tuesday, May 2:** Job Openings and Labor Turnover Survey - The number of job openings is expected to fall to **9,725,000** from 9,913,000.
- **Wednesday, May 3:** According to consensus estimates, the FOMC will vote to raise the federal funds rate by **0.25%**.
- **Thursday, May 4:** Weekly Jobless Claims - The consensus forecast is that initial jobless claims rose to **240,000** for the week ending April 29, up from last week’s 230,000.

- **Friday, May 5:** Jobs and Employment Numbers - Economic forecasts predict **180,000** jobs were added in April, the unemployment rate changed little at **3.6%**, and hourly earnings ticked up by **0.3%**.

What You Need to Know

- **Despite challenges, data show the U.S. economy has continued to grow.** Last Thursday, the Bureau of Economic Analysis released its preliminary estimate for gross domestic product (GDP) in the first quarter of 2023, which showed the economy [grew](#) by 1.1%. Although the pace of growth has slowed, data showed that the economy grew and that incomes [increased](#).
- **Federal regulators took decisive action to facilitate the swift sale of First Republic Bank to JPMorgan Chase.** The Federal Deposit Insurance Corporation (FDIC) seized First Republic Bank and [sold](#) its assets and deposits to JPMorgan Chase Bank, which will assume responsibility for all deposits including those above the \$250,000 threshold for federal insurance but will not assume First Republic's corporate debt or preferred stock.
- **Reports released by federal regulators cite weak risk management practices and a watering down of financial regulations as contributing to recent bank failures.** Reports released by the Fed and FDIC on Friday cited failures on the part of the Fed and FDIC and a lack of robust risk management as contributing factors to the failures of Silicon Valley Bank and Signature Bank. The Fed also strongly suggested that a reversal of the 2018 rollback of financial regulations [played](#) a part in SVB's demise.
- **Congressional Democrats are pressing for stricter penalties for the most serious violations of child labor law protections.** In the wake of recent violations in child labor laws, Congressional Democrats introduced a bill in the House which would [raise](#) penalties from \$15,000 to \$700,000 per violation for breaches of child labor practices that result in death or serious injury.
- **Double taxation of Taiwanese businesses operating in the United States could impact plans to bolster U.S. supply chains by reducing dependence on materials from China.** Due to the [lack](#) of a formal tax treaty and a formal diplomatic relationship with Taiwan, Taiwanese businesses operating on American soil are subject to a "double tax." This puts a strain on business ties between the U.S. and Taiwan, which is viewed as an important country in the Biden administration's plan to bolster U.S. supply chains by reducing dependence on materials sourced from China.

What to Watch This Week

Tuesday

- [Senate Committee on Homeland Security and Government Affairs](#) – Improving Access to Federal Grants for Underserved Communities

Wednesday

- [Senate Committee on the Budget](#) – Who Pays the Price: The Real Cost of Fossil Fuels

Thursday

- [Senate Committee on the Budget](#) – The Default on America Act: Blackmail, Brinkmanship and Billionaire Backroom Deals

- [Senate Committee on Banking, Housing, and Urban Affairs](#) – Holding Executives Accountable After Recent Bank Failures

What to Read From the Think Tank World

- The Congressional Budget Office finds that [Medicaid work requirements](#) “would have a negligible effect on employment status or hours worked”.
- The Center for American Progress says the Republican debt-ceiling bill would undo the clean-energy transition, job creation, and energy [savings of the Inflation Reduction Act](#).
- The Center on Budget and Policy Priorities finds that the Republican SNAP proposal would [take food away](#) from 900,000 older adults, while the TANF provisions give states incentives to [take cash benefits away](#) from families with the most significant needs.
- Kaiser Family Foundation data show that [91% of adults receiving Medicaid](#) are working, caring for family members, attending school, or have an illness or disability.

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.

- [Mortality Differentials, the Racial and Ethnic Retirement Wealth Gap, and the Great Pandemic](#)
- [Applications or Approvals: What Drives Racial Disparities in the Paycheck Protection Program?](#)
- [Building the Prototype Census Environmental Impacts Frame](#)

*More information for Members and staff: www.jec.senate.gov/resources
Sign up to receive JEC publications at bit.ly/JointEconMailingList
Contact: nita_somasundaram@jec.senate.gov*