

JOINT ECONOMIC COMMITTEE



ECONOMIC UPDATE

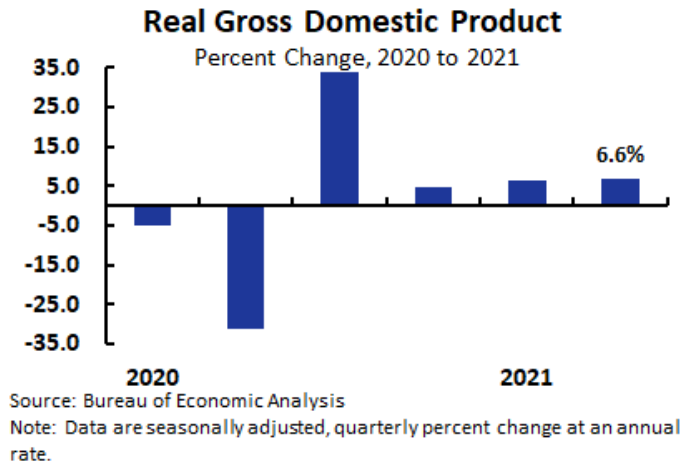
August 27, 2021

Economic Issue in Focus – July Inflation Numbers Show Price Pressures Receding as Personal Income Grew by 1.1 Percent

- New data from the Bureau of Economic Analysis show inflationary pressures receded in July 2021 as [personal income grew by 1.1%](#). The core PCE index grew just 0.3% in July, decelerating from 0.5% in June.
- As the strong economic recovery continues, industries that were particularly hard hit by the pandemic, such as air travel and food services are experiencing surges in consumer demand. Fed Chair Powell explained in a [speech](#) on August 27 that “the spike in inflation is so far largely the product of a relatively narrow group of goods and services that have been directly affected by the pandemic and the reopening of the economy” and those effects “should wash out over time.”
- The Federal Reserve targets inflation that averages 2% over time, so a temporary increase is expected to balance out in the long term. The Fed and CBO expect core PCE inflation will be about 2% in 2022. The central bank has pledged to use the full range of tools to ensure that prices remain stable.
- Investments included in the Build Back Better Act are not expected to affect the inflation rate. Both markets and the Fed expect temporary bumps in core PCE to subside by the time investments from any new legislation go into effect. As the CEA recently [explained](#), investments in infrastructure and families are “an antidote for inflationary pressure.”

Key Economic Indicators to Track

- *Gross domestic product*: The Bureau of Economic Analysis revised upwards its estimate of second quarter GDP growth to [6.6% annualized](#), enabling the economy to surpass its pre-pandemic peak sooner than expected. The first half of 2021 has seen the fastest pace of economic growth in almost four decades, a testament to the effectiveness of the Biden administration’s vaccination campaign and the American Rescue Plan, which provided immediate economic relief to help families, businesses, and state and local governments weather the worst of the economic crisis.



- *Unemployment Insurance Claims:* [Data](#) released by the Department of Labor show that the labor market continues to recover. New unemployment claims remain near a pandemic low at 353,000 for the week ending August 21. The overall decline in claims during August underscores the robustness of the recovery, even as the United States faces uncertainty stemming from the Delta variant.
- *Census Household Pulse Survey:* [Data](#) from the Census Household Pulse Survey shows that there has been a reduction of almost nine percentage points in the share of American households experiencing difficulty in paying for usual household expenses since President Biden took office. This improvement has been driven by successful efforts to bring the pandemic under control and fiscal support measures, including Economic Impact Payments extended to working families during the economic crisis as well as the expansion of the Child Tax Credit.

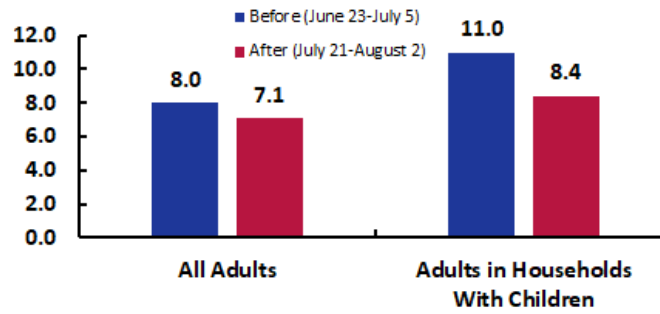
JEC Spotlight – Early Data Show That Family Finances Improved Significantly After the Distribution of the First Monthly Child Tax Credit Payments in July 2021

A new [JEC issue brief](#) explains that the expanded Child Tax Credit (CTC) passed into law under the American Rescue Plan is already having a significant impact on family budgets. The expanded CTC provides a monthly payment worth up to \$300 for each child under age 6 and up to \$250 for each child age 6 to 17. Eligible families received an average payment of \$423 in July 2021, covering 59 million children.

Families used the first round of monthly CTC payments to meet the basic needs of their household: 47% spent their CTC payment on food, 26% spent it on school expenses and 10% spent it on child care. Data from the Census Bureau’s Household Pulse Survey show that following the first round of monthly CTC payments, the share of households that reported having trouble paying for usual household expenses declined by 2.5 percentage points. Similarly, the share of households with children reporting that they sometimes or often did not have enough to eat dropped by 2.6 percentage points. During the same period, households without children reported no significant change in food insufficiency. Overall, the share of families reporting food insufficiency has fallen to its lowest level since the pandemic began. The Census data provide further evidence that the expanded CTC is helping families recover from the economic effects of the COVID-19 pandemic and providing a boon to communities.

*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*

Food Insufficiency Dropped for Households With Children After July CTC Payments Arrived



Source: U.S. Census Bureau, Household Pulse Survey, Weeks 33 and 34

Selected JEC Resources

- [Concentrated Corporate Power Is Holding Back Our Economy and Undermining Shared Prosperity](#)
- [Protecting Renters from Eviction Can Both Keep Families Housed and Ensure an Equitable Economic Recovery](#)

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