



ECONOMIC UPDATE

March 22, 2021

Quote of the week

“The path of the virus continues to be very important. We’re not done, and I’d hate to see us take our eye off the ball before we actually finish the job.”

—[Jerome Powell](#), Federal Reserve Chair

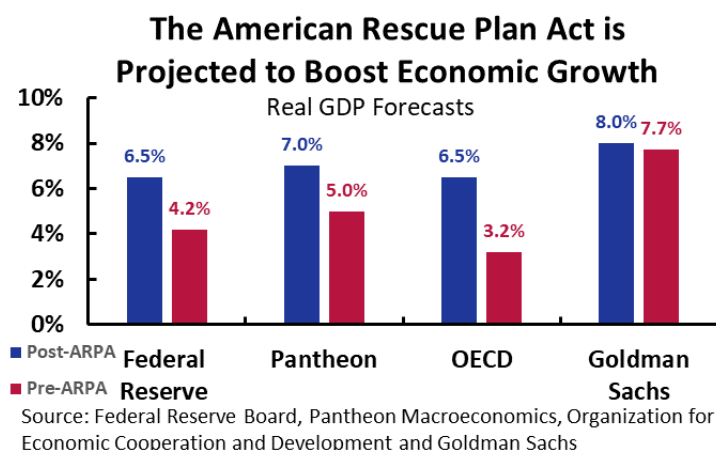
What you need to know

- As part of the rollout of President Biden’s American Rescue Plan Act (ARPA), [the Internal Revenue Service \(IRS\) deposited approximately 90 million Economic Impact Payments](#) into Americans’ bank accounts, amounting to \$242.2 billion, on March 17.
- During last week’s two-day policy meeting, the Federal Reserve raised its forecast for U.S. economic growth to 6.5% in 2021 and estimated that [the unemployment rate would fall to 4.5%](#). This would be the fastest level of growth since 1983, when the economy grew by 7.9%.
- The Federal Reserve forecasts that Core PCE Inflation will be 2.2% in 2021 but fall to 2.0% in 2022 in line with the central bank’s target of 2.0% average inflation, however [bond yields rose on the news, signaling that markets expect higher inflation in the future](#).
- Tax avoidance among the top 1% of households is more widespread than believed, largely due to the increased use of pass-through businesses to avoid taxes, making it harder to detect. IRS Commissioner Charles Rettig contends that [each additional dollar spent on tax enforcement could yield \\$5 to \\$7 in revenue](#), strengthening the case for increasing the agency’s budget.

Chart of the week

Following passage of the ARPA, several forecasters raised their estimates for U.S. economic growth in 2021. The timely provision of Economic Impact Payments is expected to boost consumer spending, which accounts for approximately 70% of the U.S. economy.

The ARPA also allocates over \$15 billion to assist with the manufacturing and distribution of COVID-19 vaccines, as well as with education efforts. Economists recognize that accelerating vaccinations is central to economic growth.



New reports and research

- The Century Foundation finds that since March 2020 [one out of every four American workers has received at least one unemployment payment](#), but the distribution of benefits has not been equitable. For example, Latino workers make up 25% of those who are unemployed, but account for only 7% of unemployment insurance recipients.
- Analysis from the Kaiser Family Foundation finds [the vaccination rate among whites was over twice as high as the rate for Hispanics \(19% versus 9%\)](#) and nearly twice as high as the rate for Blacks (19% versus 11%).
- The Brookings Institution finds that [75% of struggling households that would achieve self-sufficiency as a result of a \\$15 federal minimum wage are single-adult households](#). Brookings defines self-sufficiency as the ability to cover living expenses without relying on public subsidies.

Recommended

- [“Federal Covid-19 Aid Aims to Help Cities, States Avoid Cutting Jobs and Services,”](#) *The Wall Street Journal*
- [“U.S. to Send Millions of Vaccine Doses to Mexico and Canada,”](#) *The New York Times*
- [“The PRO Act Could Do More Than Revive Unions,”](#) *New York Magazine*
- Gizelle George-Joseph of Goldman Sachs Research discusses the economic gaps Black women face in the podcast [“The Case for Investing in Black Women,”](#) *Exchanges at Goldman Sachs*

What to watch during the week

- *Tuesday and Wednesday*: U.S. Treasury Secretary Yellen and Federal Reserve Chair Powell are scheduled to testify before the [House Financial Services](#) and [Senate Banking](#) Committees on Tuesday at 12 p.m. and Wednesday at 10 a.m. respectively.
- *Friday*: The Bureau of Economic Analysis releases the [Personal Consumption Expenditures \(PCE\) Price Index](#) for February. In its latest Summary of Economic Projections, the Federal Reserve estimates Core PCE inflation will be 2.2% in 2021 and 2.0% in 2022.

Selected JEC resources

- [Raise the Wage Would Increase Pay for One in Five U.S. Workers](#)
- [National and State-Level Data on the Economic Status of Black Americans](#)
- [Women's History Month Chart Packet](#)
- [The Shrinking Value of the Federal Minimum Wage](#)

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