



## ECONOMIC UPDATE

### January 31, 2020

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#### Quote of the week

“Uncertainties about the [economic] outlook remain, including those posed by the new coronavirus.”

—Federal Reserve Chair [Jerome Powell](#)

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#### What you need to know

- [GDP grew at annual rate of 2.1 percent in the fourth quarter of 2019](#), the same rate as in the previous quarter. For the full year, GDP increased 2.3 percent, down from 2.9 percent growth in 2018. In the eight quarters before and after the passage of the Republican tax law, average GDP growth has not changed.
  - At the Federal Open Market Committee meeting this week, the [Fed held interest rates steady](#) at its 1.50-1.75 percent target. Fed Chair Powell discussed stabilizing global growth and diminishing trade uncertainties as good signs for the economy.
  - Some good news: [life expectancy in the U.S. rose for the first time since 2014](#) to 78.7 years in 2018, with lower mortalities from drug overdoses, cancer and accidents.
  - CBO’s new Budget and Economic Outlook projects a [federal budget deficit of \\$1 trillion in 2020](#) with the deficit climbing to an average of \$1.3 trillion between 2021 and 2030. CBO forecasts that the economy will grow at an average annual rate of just 1.7 percent, between 2021 and 2030. The report undermines the administration’s claim that the 2017 tax cuts would supercharge growth and pay for themselves.
  - CBO estimated that the tariffs put in place during the past two years would [reduce real GDP by 0.5 percent](#) and raise consumer prices by 0.5 percent in 2020, reducing average real household income by \$1,277 this year. This is higher than [earlier estimates](#).
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#### Happening the week of February 3, 2020

- *Monday*: ISM releases the [manufacturing index](#). Census releases [December construction spending](#).
- *Wednesday*: Census releases the [December trade balance](#). ISM releases its [nonmanufacturing index](#).
- *Friday*: Jobs day. BLS releases the [number of new jobs](#), the unemployment rate and average hourly earnings for January. Census releases [wholesale trade inventories](#) for December.

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## Good reads

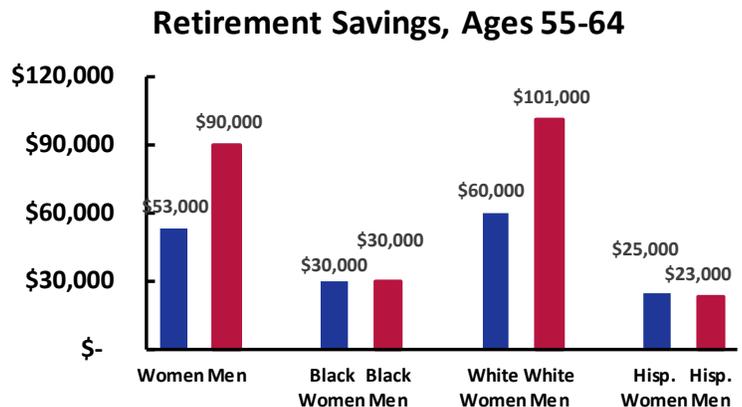
- [“Take the Quiz: Could You Manage as a Poor American?”](#) *New York Times*, 1/28/2020
- [“New Reports Show that Trump’s Economic Promises Were Empty,”](#) *New Yorker* 1/31/2020
- [“The Economic Impact Of An Infectious Disease,”](#) *NPR’s The Indicator from Planet Money*, 1/29/2020

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## Chart of the week

Earnings disparities across gender and race play a major role in gender and racial gaps in retirement readiness. Racial and gender disparities in career earnings stem largely from occupational crowding—women and minorities are overrepresented in low wage jobs and industries, and underrepresented in high wage jobs and industries. Additionally, as much as 40 percent of the gender pay gap can be attributed to gender discrimination in pay.

Closing this gender gap in end-of-career earnings could help close gender disparities in old-age poverty and retirement insecurity.



Source: JEC Democratic staff analysis of Rand Health and Retirement Study Longitudinal File 2016

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## New research and reports

- Recent research on SNAP finds that [“higher participation in SNAP is associated with lower overall and male suicide rates.”](#)
- Researchers at Harvard and MIT find that increases in wages for those who earn a college degree [explain three-quarters of the increase in U.S. wage inequality between 1980 and 2000](#), but only 38 percent of the increase from 2000 to 2017.
- A new working paper at the National Bureau of Economic Research finds that [increases in the minimum wage are associated with large improvements in child health](#), especially for children younger than five.

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## Selected JEC resources

- [Did Trump Create or Inherit the Strong Economy?](#)
- [2017 Tax Cuts Failed to Deliver Promised Economic Boost](#)
- [Macroeconomic Dashboard](#)
- [50 State Economic Snapshot](#)

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