



ECONOMIC UPDATE

September 27, 2019

Quote of the week

“Right now one concern I have is the job market does appear to be slowing. It has stepped down pretty markedly from a year or two ago.”—[Neel Kashkari, President of Minneapolis Fed](#)

What you need to know

- [GDP grew 2.0 percent](#) in the second quarter of this year, according to the third and final estimate from the Bureau of Economic Analysis (BEA). That is unchanged from the prior estimate for Q2 and down from 3.1 percent growth in Q1.
- The New York Federal Reserve [intervened strongly and repeatedly last week in the overnight "repo" markets](#). Critics suggest that as the Federal Reserve has wound down its balance sheet in recent years, it underestimated the market’s needs for liquidity and it may have to reverse course and return to holding more long-term securities.
- The Census Bureau published the results of its American Community Survey, which showed that the Gini index (a measure of inequality) [rose to its highest level in over 50 years](#). At the same time, the data also show only a 0.8 percent increase in median household income between 2017 and 2018, a smaller increase than those of the last three years.
- Consumer Confidence, which has been one of the strongest indicators in the recent economy, [dropped this month to the lowest level since January](#), according to one survey. Consumer spending, another strong indicator, [slowed more than expected in August](#).

Happening the week of September 30, 2019

- *Tuesday*: Census releases August [Construction Spending](#) numbers.
- *Wednesday*: The ADP [National Employment Report](#) helps set the stage for official jobs numbers on Friday.
- *Thursday*: The Census Bureau releases the August 2019 Full Report on [Manufacturers’ Shipments, Inventories, & Orders](#). The Institute for Supply Management releases the September [Non-Manufacturing Report on Business](#).
- *Friday*: Jobs Day. The Bureau of Labor Statistics reports on the [unemployment rate and jobs numbers](#) for September. The Bureau of Economic Analysis reports the [trade balance](#).

Good reads

- [“Census: US Inequality Grew, Including in Heartland States,”](#) *Washington Post*, 9/26/2019
- [“The Fed May Have Shrunk Its Balance Sheet Too Much. Does It Matter?”](#) *NYT* 9/23/2019
- [“Carbon Taxes Won’t Do Enough to Slow Global Warming,”](#) *Bloomberg News*, 9/25/2019

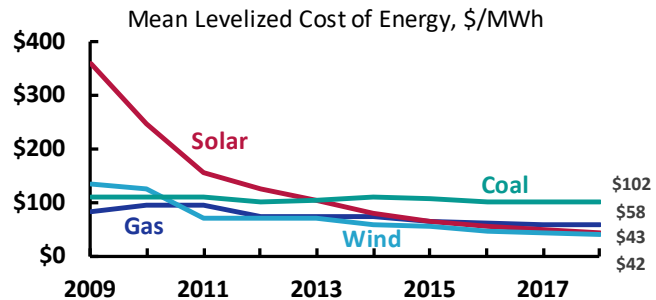
Chart of the week

The price of renewables has dropped and in some cases is below the cost of fossil fuels.

One analysis finds that utility-scale solar and wind energy are already cheaper than coal and on par with or cheaper than natural gas, after accounting for tax preferences.

This is even before factoring in the cost of air pollution and climate change resulting from carbon emissions.

Solar and Wind Energy are Now Less Expensive to Produce than Coal and Gas



Source: Lazard, 2018.

Note: "Gas" refers to Gas-Combined Cycle. Costs for "Gas Peaker" cycles are far higher. "Solar" refers to Solar Photovoltaic Cells-Crystalline.

New research and reports

- Research published this week shows “that market participants believe that the Federal Reserve will succumb to the political pressure from the president, [which poses a significant threat to central bank independence.](#)”
- The National Bureau of Economic Research published a paper finding that [wealth taxes can increase aggregate productivity and reduce inequality](#) because they shift the tax burden from productive to unproductive capital.

Selected JEC resources

- [Macroeconomic Dashboard](#)
- [U.S. Economy by the Numbers](#)
- [Retirement Insecurity](#)
- [A State-by-State Examination of the Economic Costs of Gun Violence](#)
- [Gun Violence in the United States: A Nation in a League of its Own](#)

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