

ECONOMIC UPDATE

December 3, 2021

Economic Issues in Focus

Despite Slower Jobs Growth in November, New Data Underscore That Recovery Is Strong Under President Biden

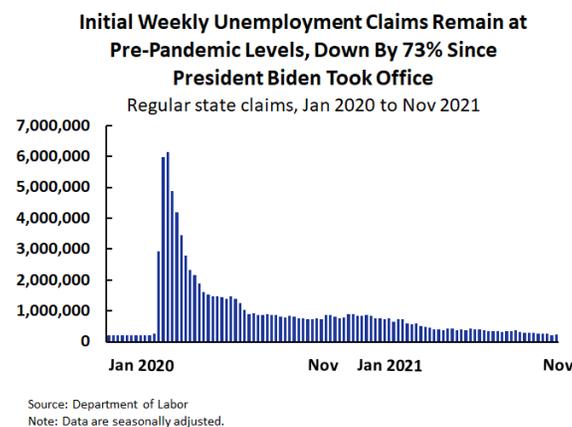
- The Bureau of Labor Statistics (BLS) [reported](#) that nonfarm payroll employment increased by 210,000 in November. Although overall job growth was lower than hoped, the unemployment rate declined to 4.2%, a new pandemic-era low that outperformed the Federal Reserve’s expectations. In September, the Fed predicted that the unemployment rate would reach 4.8% by the end of 2021, but the labor market reached this level by the end of September and has declined further since then. Notably, the unemployment rate declined for marginalized workers, who were particularly harmed by the pandemic. For example, the unemployment rate fell considerably for Black workers, from 7.9% to 6.7%, and for Black women in particular, falling from 7.0% to 5.0%. While this indicates clear progress, these rates remain above the overall unemployment rate and indicate we still have more work to do to ensure workers can fully participate in the economy.

Supply Chain Bottlenecks Begin To Ease Following Biden Administration Actions

- Data announced this week show signs that pressure on supply chains is beginning to ease. Notably, the number of long-dwelling containers—those on the docks for 9 days or more—in the ports of Los Angeles and Long Beach is down by [41%](#), from November 1st. This shift helps free up space on the docks, enabling ships to unload faster, trucks to maneuver faster and goods to get to stores more efficiently. Additionally, the number of loaded containers processed through the ports of New York-New Jersey and Savannah, as well as Los Angeles and Long Beach, is 21% higher than during the same period in 2018 and U.S. retail inventories are up by almost 3% from one year ago. This substantial progress in easing supply chain constraints follows action the Biden Administration took in October, including operating the ports of Los Angeles and Long Beach around the clock, to address bottlenecks. Strong job gains in November in industries that are crucial to addressing supply chain bottlenecks further underscore the progress toward smoothing demand pressures to combat price spikes. For example, transportation and warehousing are now 210,000 jobs above February 2020 levels, including particularly strong gains in trucking, which has now recovered 96% of jobs lost during the pandemic.

Key Economic Indicators to Track

- **Unemployment Insurance Claims:** After dropping to a 50-year low last week, new [data](#) released by the Department of Labor show that new unemployment claims remain at pre-pandemic levels at 222,000, for the week ending November 27. This level of claims is 73% lower than when President Biden took office and 96% lower than at the height of the pandemic. The four-week moving average, which smooths week-to-week volatility in the data, fell to a new pandemic-era low of 238,750.



- **Gross Domestic Product:** The Bureau of Economic Analysis [revised](#) upward its estimate for real gross domestic product to 2.1% annualized in the third quarter of 2021. While the pace of growth slowed from that of the first two quarters of 2021, in part due to supply chain issues and the spread of the Delta variant, real GDP is now 1.4% larger than in the 4th quarter of 2019 – the last full quarter before the pandemic. Economic forecasters continue to raise their estimates for Q4 2021 economic growth. JPMorgan recently raised its estimate for fourth quarter growth to 7% from 5% and Morgan Stanley raised its forecast to 8.7% from 3%.
- **Federal Reserve Beige Book:** The most recent [release](#) of the Federal Reserve’s Beige Book, which provides qualitative information gathered from each of the Fed’s 12 regional reserve bank districts, indicates that the economic outlook is positive, with recent strong demand for workers and increased consumer spending, despite uncertainty caused by the Delta variant and ongoing supply chain hurdles. The Fed estimates the U.S. economy will grow by [5.9%](#) in 2021.

JEC Spotlight: Failure To Raise the Debt Ceiling Would Irreparably Harm the Economy

Absent Congressional action by mid-December, the U.S. economy currently faces the threat of a debt limit breach, which would cause the government to default on its existing financial obligations and would have catastrophic economic consequences. Past debt limit brinkmanship drove huge declines in the stock market, led to higher borrowing costs and resulted in the first-ever downgrade of the U.S. credit rating. Breaching the debt limit would jeopardize the economic recovery and result in millions of jobs lost and significant, widespread harm that would be felt in American households across the country. Interest rates for mortgages, student loans, credit card payments and other borrowing would spike, leading to higher costs for borrowers, taxpayers and consumers.

Moody’s economist Mark Zandi [predicts](#) that a default on U.S. debt obligations would trigger a global market panic on the scale of the 2008 financial crisis, resulting in the loss of 6 million U.S. jobs, an unemployment rate of nearly 9%, a decline in real GDP of 4% and the elimination in \$15 trillion in household wealth. A [report](#) released by the Congressional Budget Office warns that the United States would be unable to meet its financial obligations by the end of the year if the debt ceiling is not raised. In the event of a debt limit breach, the federal government would be forced to slash or delay billions of dollars in payments to Social Security recipients, hospitals and health providers reimbursed by Medicare or Medicaid, veterans, federal workers, like U.S. Postal Service employees and active military service members.

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Selected JEC Resources

- [*The Build Back Better Act Will Create Jobs, Reduce Costs for Working Families, Spur Innovation in Clean Energy and Asks the Wealthy and Corporations to Pay Their Fair Share*](#)
- [*Estimates of Advance Child Tax Credit Distribution by Congressional District \(November 2021\)*](#)
- [*Health Insurance Tax Subsidies in the Build Back Better Act Will Provide Affordable Health Insurance for Millions of Americans*](#)
- [*National and State Level Data on the Economic Situation of Hispanic Americans*](#)
- [*Expanding the Housing Choice Voucher Program to Improve Housing Affordability and Economic Security for the Lowest-Income Families*](#)
- [*Strong Care Infrastructure Is Critical to Increasing Labor Force Participation and Driving Future Economic Growth*](#)
- [*Hispanic Workers Kept the U.S. Economy Moving During the Coronavirus Pandemic but Face Lower Wages and Poor Working Conditions*](#)

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