

ECONOMIC UPDATE

July 29, 2022

Economic Issue in Focus: GDP Declined in the Second Quarter, While Exports and Consumer Spending Remained Strong

The Bureau of Economic Analysis (BEA) [reported](#) its initial estimate of second quarter gross domestic product (GDP) contracted 0.9%. This GDP figure shows the recovery from an unprecedented global pandemic is not without its challenges. As Democrats and the Fed take steps to address inflation, which remains a global challenge, slower growth would be expected as inflation comes down.

As a result of the American Rescue Plan, U.S. GDP growth outpaced many peer countries in 2021, and projections for the year 2022 continue to show the economy expanding. Underlying data show the U.S. has experienced one of the strongest recoveries in the world. Consumer spending, while less than it had been previously, increased 1% in the last quarter, and monthly retail and food sales hit an all-time high in June, indicating healthy family finances and bolstering businesses amid economic uncertainty from inflation.

While GDP is an important economic indicator, it is not the only one that is considered when evaluating the overall health of the economy. For all the attention it receives, GDP cannot now—nor has it ever been able to—present a complete picture of how people are faring in the economy. The labor market, which remains historically strong, is among the most crucial. It continues to exceed all expectations—over 2.7 million jobs have been added in 2022, and the unemployment rate is near a 50-year low—which is not consistent with a recession.

Although the recovery is reaching communities that have historically been excluded from economic growth, higher prices are depriving workers and families of the benefits of a strong economy. Democrats have taken a number of [actions](#) to help ease these pressures and are preparing to pass the Inflation Reduction Act of 2022, which would further bring down costs now and in the long term. These investments in health care, energy security and solutions to climate change will help grow the economy and reduce the deficit by ensuring that corporations pay their fair share.

Key Economic Indicators To Track

- **Federal Reserve Raised the Federal Funds Interest Rate:** This week the Federal Reserve's Open Market Committee (FOMC) [raised](#) the federal funds interest rate by three-quarters of a percentage point, the second consecutive interest rate increase of this size. By raising interest rates, the Federal Reserve aims to cool demand and bring prices down while maintaining a strong labor market. Powell

suggested that the Federal Reserve could match this week's rate hike with another sizable hike at the next FOMC meeting.

- **Retail Gas Prices Have Fallen at the Fastest Pace in a Decade, Reducing Pressure at the Pump for Millions of Americans:** According to data from AAA, the average retail price for gas has now dropped by more than 69 cents per gallon over the last six weeks. This drop in gas prices is the fastest in over a decade and will help to continue to ease pressures at the gas pump for millions of U.S. drivers.
- **New Unemployment Insurance Claims Remain Near Record Lows And 14 States Are Experiencing Record-Low Unemployment:** The four-week moving average of Americans receiving unemployment insurance benefits remains near the lowest level since 1970. For the week ending July 23, the [number](#) of Americans who filed new claims for unemployment insurance was 256,000. Although the new claims number has ticked up recently, it remains 68% lower than when President Biden took office. Also, recently released data show that in June, 48 states and the District of Columbia saw unemployment [decline](#) or remain stable, and 48 states and the District of Columbia added jobs or saw their payrolls hold steady. Fourteen states are currently experiencing their lowest unemployment rate in history.
- **New Jobs Data Will Be Released Next Week:** The Bureau of Labor Statistics will release jobs and employment data for July 2022 on Friday, August 5. In June, the unemployment rate remained near a 50-year low of 3.6% for the fourth consecutive month, the U.S. added 372,000 jobs, and all private sector jobs lost during the pandemic had been recovered.

JEC Spotlight: Gun Companies Are Earning Record Profits at the Expense of Human Lives

A new JEC [issue brief](#) highlights how gun companies are making record profits at the expense of human lives. In 2020, more than 45,000 Americans died from fatal firearm injuries, the highest reported in two decades. This report builds off a previous JEC [report](#) that details the economic toll of gun violence; from health care to education and business development to housing, the economic effects are long-lasting and significant.

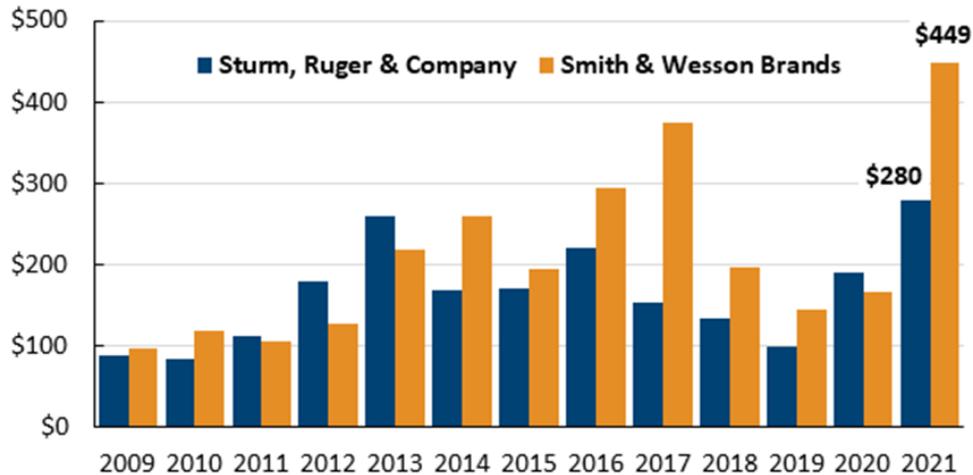
As Americans are facing these tragedies and their devastating impacts, gun companies are reaping the benefits with help from aggressive marketing tactics and gun lobbyists. A cycle of fear encouraged by gun industry marketing tactics that specifically target young customers and play on racial and gender stereotypes has contributed to surging sales.

As gun violence has increased in recent years, gun companies have reported record profits. From 2009 to 2017, profits increased steadily and have soared in the last year (see figure below). For example, in 2021, the largest publicly traded gunmaker in the United States, Sturm, Ruger & Company, topped \$280 million in profits, setting a new company record. Similarly, profits for Smith & Wesson Brands, the second largest gunmaker, reached a new company high of nearly \$450 million.

Unlike other industries, which can be held accountable for products or practices that result in harm to consumers, the gun industry is immune from legal accountability. The immunity provided by the Protection of Lawful Commerce in Arms Act has helped facilitate the launch of a new and booming market for increasingly lethal weapons. Momentum is building to [repeal](#) PLCAA to hold gunmakers responsible for the enormous toll of gun violence on our society and on our economy.

Gun Company Profits Rose in Past Decade, Spiking in 2021

Gross profits in millions of dollars, 2009 to 2021



Source: Macrotrends



Selected JEC Resources

- [*Democrats Are Working to Fight Inflation, Lower Costs and Address Supply Shortages*](#)
- [*Oil Companies Are Enjoying Market Influence and Record Profits, While U.S. Families Foot the Bill for High Gas and Energy Prices*](#)
- [*Inaction on Climate Change Will Have Devastating Consequences for the Economy, Families, and Communities*](#)
- [*The Bipartisan Infrastructure Investment and Jobs Act Will Create Jobs, Strengthen the Economy and Reduce Inflationary Pressures*](#)
- [*LGBTQ+ Americans Make Important Contributions to the Economy Despite Facing Unique Challenges*](#)

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