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ECONOMIC UPDATE

July 23, 2021

Economic Issue in Focus – Bipartisan Infrastructure Framework and Reconciliation Package Expected to Increase Economic Growth to 5.3% in 2022

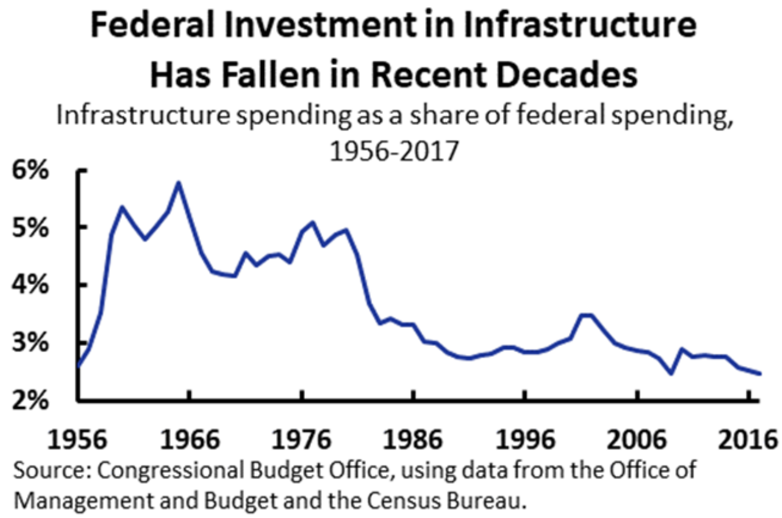
- According to a new report from Moody's Analytics, the bipartisan infrastructure framework and the proposed reconciliation package under consideration in congress would increase long-term economic growth over the gains from the American Rescue Plan, with real GDP growing an estimated 5.3% in 2022 if both are passed into law. Moody's says the reconciliation package "meaningfully lifts economic growth and jobs and lowers unemployment." In addition, Moody's forecasts real GDP will increase 3.5% in 2023 if both are passed, compared to 2.3% if they are not. The report also forecasts that if enacted, the bipartisan infrastructure framework and the reconciliation package will add more than 1.5 million jobs per year on average over the next decade, helping the United States to achieve full employment. The Moody's report confirms that the investments included in the infrastructure and reconciliation plans would make our economy more productive and keep prices stable, decreasing inflationary pressure.

Key Economic Indicators to Track

- *July 19:* The Business Cycle Dating Committee of the National Bureau of Economic Research (NBER) determined that the recession arising as a result of the coronavirus pandemic lasted from February to April 2020. Although this recession was short, it was also one of the most devastating with over 22 million jobs lost, and a 3.5% drop in GDP in 2020. President Trump left office with 3 million fewer jobs than when he entered, the first president in the modern era to oversee net job losses during his tenure in office.
- *July 29:* The Bureau of Economic Analysis (BEA) will release its first estimate of Q2 2021 GDP. The Philadelphia Federal Reserve estimates 7.9% growth on an annualized basis, and the Atlanta Federal Reserves forecasts growth of 7.6%. This release will be closely watched.
- *July 30*: The BEA will release core PCE (one of the two key measures of inflation along with the Consumer Price Index). This number will be closely watched in the ongoing conversations about inflation.

JEC Spotlight – Infrastructure Investment is a Key Driver of U.S. Economic Growth

A recent JEC issue brief and accompanying factsheet show that federal investment in transportation and water infrastructure in 2017 was the lowest level on record, making up only 2.5% of federal spending. During the 1990s, infrastructure spending accounted for 3% of federal spending. The United States spends markedly less on infrastructure than other high-income countries. According to the Global Infrastructure Hub, in 2018 the United States invested only 1.5% of its GDP on physical infrastructure, the 14th lowest among 16 high-income countries. Moody's Analytics finds there are "significant macroeconomic benefits" from investing in infrastructure, and that "public infrastructure provides a significant positive contribution to GDP and employment."



Selected JEC Resources

- *Investing in the IRS to Close the Tax Gap*
- *Unemployment Insurance, Worker Power and the Recovery*

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