



Week In Review

May 12, 2017

Inflation

Consumer prices rose 0.2% in April. Producer prices jumped 0.5%. Year-over-year, consumer prices are up 2.2%, while producer prices have risen 2.5%.

Our Take: Despite an unexpected rise in producer prices, inflation is far from out of hand and should moderate, as energy prices have stabilized over the past year. That said, inflation is clearly around the Fed's two percent target and will not prevent them from continuing to tighten.

Retail Sales

Retail sales rose 0.4% in April. Expectations were for an increase of 0.6%, but the shortfall was offset by an upward revision to March, to 0.1% from -0.2%.

Our Take: The missing consumer was the major driver of weak Q1 economic growth. The uptick in April is welcome, but year-over-year sales have moderated thus far this year after a decent pickup in 2016. Consumer spending will need to increase if the economy is to post more solid growth numbers.

Municipals

Moody's Investors Service released a report that showed that state governments' total net tax-supported debt increased by only 0.8 percent in 2016. According to the report, this is the fourth year in a row that net tax-supported debt has grown by under 1 percent. The report indicated that capital expenditures in 2016 rose by 7.9 percent, but states are using other sources of funding besides bond issuance. The report also indicated that uncertainty surrounding federal policies may make states reluctant to issue new debt.

Our Take: In 2016, states were still taking advantage of low interest rates and refinancing existing debt. States may wait for clarity from the federal government and for revenue growth to accelerate before a larger increase in tax-supported debt occurs.

—There is no additional Week In Review detail for this page.—

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