

Inflation

The Consumer Price Index rose 0.3% in January. Core prices, which exclude food and energy, were unchanged. Year-over-year, consumer prices have risen 1.4%.

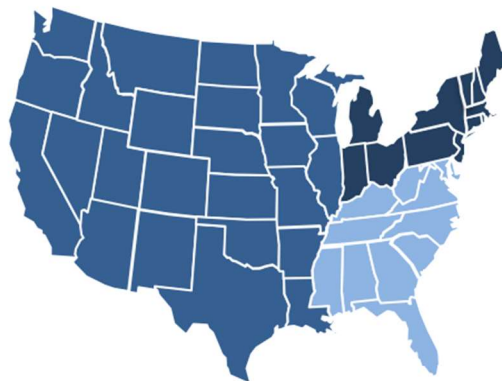
Our Take: Rising gasoline prices accounted for much of January’s price increase as core inflation remains tame. There should be a rise in inflation over the next few months as numbers from early in the pandemic start to drop out. After that, where inflation goes is anyone’s guess. There seems to be little worry at the Fed or Treasury, as both Fed Chairman Powell and Treasury Secretary Yellen are advocating for large fiscal stimulus. However, inflation could ignite quickly if vaccination proceeds smoothly and the economy fully reopens just as a \$1.9 trillion stimulus package (in addition to previous fiscal and monetary stimulus) hits.

Municipals

Illinois Governor J.B. Pritzker released his 2022 budget preview this week. No income tax increase was proposed. In addition, the projected budget shortfall is expected to be \$3 billion, a decline from an original estimate of \$5.5 billion. Pritzker’s full budget proposal is scheduled to be released on February 17.

Our Take: Many expected an income tax increase in the 2022 budget since voters rejected the graduated income tax referendum that Pritzker supported. A decrease in the budget shortfall estimate is good news. Tax collections during the pandemic were stronger than originally expected. However, Pritzker and lawmakers will have difficult choices to make as they work on closing the state’s \$3 billion budget gap.

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