U.S. Economy

Durable goods orders fell by 1.3% in April. The Chicago purchasing managers index rose to 75.2, a level not seen since 1973. The PCE deflator, a measure of inflation, rose 0.6% in April and is up 3.6% year-over-year.

Our Take: Durable goods fell in April due entirely to motor vehicles and parts. The chip shortage holding back car production is well documented and similar bottlenecks are affecting various other sectors. Demand from flush consumers is outstripping supply as producers running into those bottlenecks just cannot keep up. The bottom line is that the economy is surging as it reopens. This has led to inflation, which could abate once bottlenecks clear.

Personal Income and Spending

Personal income fell 13.1% in April while spending increased 0.5%.

Our Take: Incomes fell from March to April as March numbers contained stimulus checks which April did not. The consumer is in good shape as savings remain high and many have returned to work.

Municipals

State treasurers from several Democratic states issued a letter to lawmakers warning against using COVID-19 relief funds to pay for infrastructure projects. Some Republican senators had expressed interest in using unspent COVID-19 funds for public works projects.

Our Take: The intent of the $350 billion of COVID-19 relief package dollars earmarked for state and local governments was to aid in the recovery from the pandemic and ensure that essential services continue. This spend was controversial and continues to spark debate. While infrastructure projects remain a priority for both Republican and Democratic lawmakers, a bipartisan agreement for how these projects are funded will be challenging.

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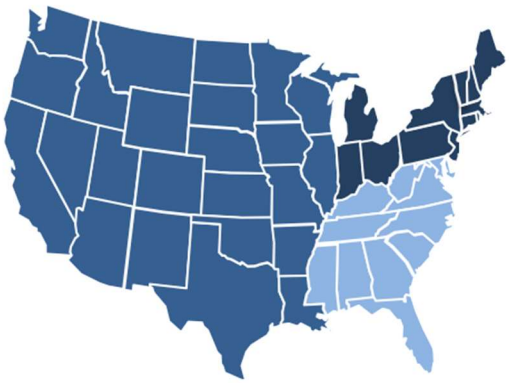

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