

Good morning!

Inflation has received a lot of attention this year – from the Fed, from Wall Street and from the media. Time will tell whether or not the 2021 version of inflation is “transitory” (the Fed’s take) or whether it’s “inevitable” (Wall Street’s take). Our trailing 1-year inflation through 4/30/21 of +4.2% was the USA’s highest level since September 2008 (using the Consumer Price Index as the measurement). The rate was noteworthy but not even close to the levels seen 40 years ago. Inflation was up +9.0% in 1978, up +13.3% in 1979, up +12.5% in 1980, and finally up +8.9% in 1981 (source: Department of Labor).

About 90% of American families with children are expected to receive monthly cash payments beginning this summer. An estimated 39 million households in the USA (limited by the household’s adjusted gross income) that have children under the age of 18 qualify for the expanded Child Tax Credit (CTC) per the “American Rescue Plan Act.” Beginning 7/15/21, the CTC will pay \$300 per month per child under the age of 6 and \$250 per month per child between the ages 6-17. Additional amounts may be available for full-time college students older than age 18 (source: Tax Policy Center).

The Biden White House will release on Thursday 5/27/21 its blueprint for government spending for the 2022 fiscal year, i.e., the 12 months from 10/01/21 to 9/30/22. The broad outline, released annually by the White House, covers both mandatory spending (e.g., Medicare, Medicaid, Social Security) and discretionary spending (e.g., defense, foreign aid, education, transportation). Total outlays are expected to exceed \$5 trillion for the entire fiscal year, a record for government spending (source: White House).

Notable Numbers for the Week:

1. **ON THE ROAD AGAIN** - American drivers are projected to use 9.0 million barrels a day of gasoline during the summer of 2021, up from 7.8 million barrels a day of gasoline used during the “pandemic-summer” of 2020, but still down from the 9.6 million barrels a day of gasoline consumed in the summer of 2019 (source: Energy Information Administration).
2. **LOANS GONE BAD** - Bondholders of 43 US companies that defaulted on their debt in 2020 received on average just 45 cents on the dollar through bankruptcy. The defaulting companies, negatively impacted by the pandemic, included businesses in the oil industry and retail stores (source: Moody’s).
3. **BABIES** - China had 12 million births in 2020, more than 3 times the 3.6 million births that took place in the United States last year (source: National Vital Statistics System).
4. **BUSINESS DONE ON A CELL PHONE** - The US banking industry, employing 2 million workers today, is forecasted to eliminate 10% of that total (200,000) during the upcoming decade. The reductions will take place in local bank branches and regional call centers (source: Mike Mayo, Wells Fargo Bank Analyst).

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