

Personal Income and Spending

Personal spending rose 2.4% in January. Personal income increased 10%. Year-over-year, spending has fallen 0.4%, while income has increased 13.1%.

Our Take: Government policies continue to distort income and spending numbers. Additional fiscal stimulus and monetary accommodation will continue to drive short-term economic activity but could come at the expense of an increase in inflation and slower long-term growth.

Powell Testimony

Testifying to Congress this week, Federal Reserve Chairman Powell reiterated the Fed's commitment to low interest rates and continued asset purchases until "substantial further progress" has been made on its employment and inflation goals. He noted the labor market is far from the Fed's objectives, which are "likely to take some time" to achieve.

Our Take: There were no surprises in the chairman's testimony. Although the economic outlook has improved since its last meeting, the Fed remains on hold. Given the focus on returning the labor market to maximum strength, the Fed is likely to maintain its accommodative stance for the foreseeable future.

Municipals

New Jersey Governor Phil Murphy released his 2022 fiscal year budget. The budget includes \$44.8 billion of spending along with no new taxes or fees. Spending is expected to increase by almost 9% compared to the 2021 budget. Under the 2022 budget proposal, New Jersey is expected to make a full contribution to the state's pension system for the first time since 1996.

Our Take: Borrowing in the 2021 fiscal year, coupled with better-than-expected revenue collections during the pandemic has led to the improvement to New Jersey's finances. The full contribution to the pension system is positive news, especially since the state has struggled with pension funding in the past. Fiscal year 2021 was unique, as the state dealt with the effects of the pandemic. New Jersey should continue to work to ensure a healthy fiscal position going forward.

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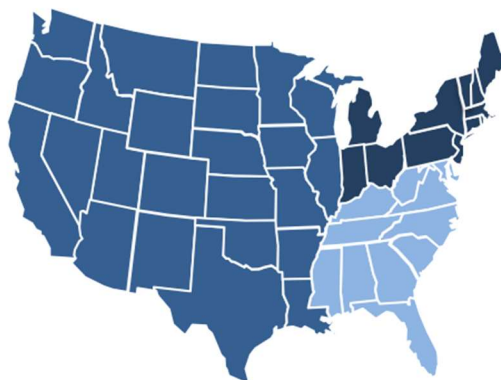
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