
WEEK IN REVIEW | REINHART FIXED INCOME BY MADISON INVESTMENTS

May 20, 2022

RETAIL SALES

Retail sales grew 0.9% in April. March sales were revised dramatically higher, from +0.5% to +1.4%.

Our Take: Consumers continued to spend in April. Part of the increase is attributable to inflation, as sales are reported in nominal dollars, yet real spending increased as well. Consumers bought more goods in April despite inflation. Looking forward, retail sales may be challenged by cutbacks in spending due to a slowing economy, reduced discretionary spending due to rising energy prices, or by a shift in spending from goods to services as summer arrives. For now though, consumers appear unfazed by higher prices.

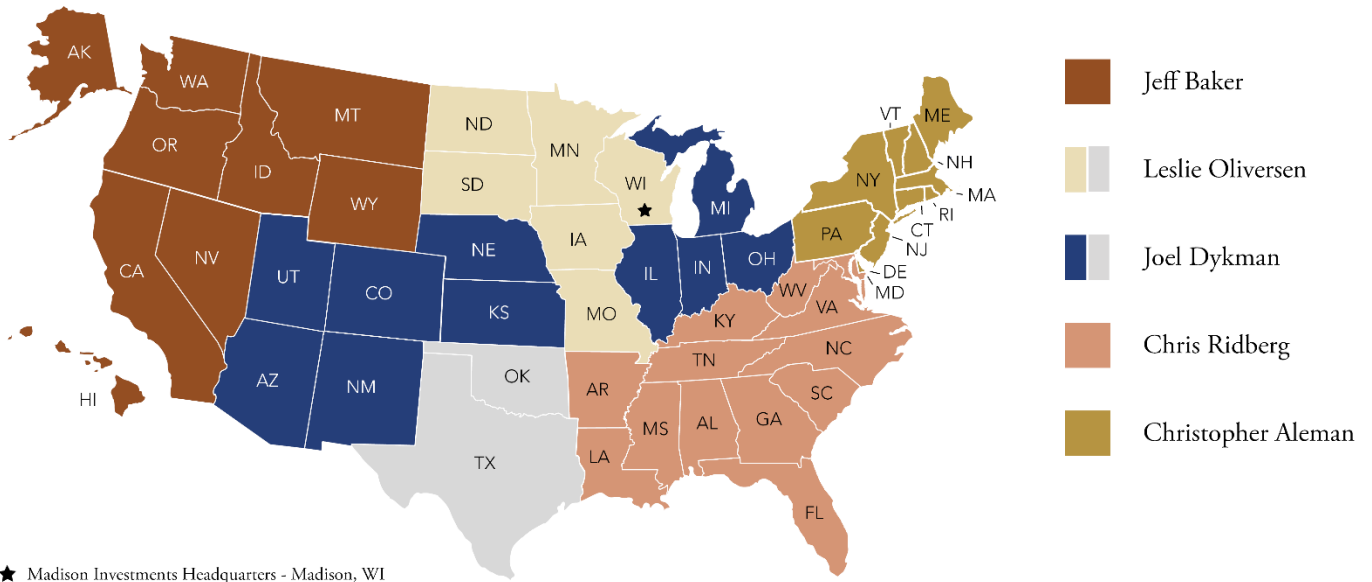
MUNICIPALS

The Michigan Legislature has passed a Republican-backed tax cut bill. The proposal would decrease the state's flat income tax from 4.25% to 4%. The measure also includes an increase in the personal income tax exemption and an increase in the state's earned income tax credit. Democratic Governor Gretchen Whitmer proposed a \$500 tax rebate, which would provide immediate help to taxpayers. A leading Republican called Governor Whitmer's plan a "one-time gimmick." A Democratic legislator argued that taxpayers "can't buy gas with a tax cut in the future."

Our Take: Both Republicans and Democrats agree that the state can afford to provide tax cuts and or rebates to Michigan taxpayers. Michigan's fiscal health has improved due to higher-than-expected tax collections, which has led to a projected surplus over the next two years.



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